

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
AND EXCHANGE ACT OF 1934

FOR QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 333-76649

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

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

77-0121400
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

4880 SANTA ROSA ROAD, SUITE 300
CAMARILLO, CALIFORNIA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

93012
(ZIP CODE)

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

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

As of May 14, 2001 there were 17,902,392 shares of Class A common stock and 5,553,696 shares of Class B common stock of Salem Communications Corporation outstanding.

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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 periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Forward-looking statements made in this report speak as of the date hereof. The company undertakes no obligation to update or revise any forward-looking statements made in this report. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections or forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”).

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PART I — FINANCIAL INFORMATION

SALEM COMMUNICATIONS CORPORATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

SALEM COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	December 31, 2000	March 31, 2001
	_____	_____
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,928	\$ 65,108

Accounts receivable (less allowance for doubtful accounts of \$3,550 in 2000 and \$3,151 in 2001)	25,129	21,981
Other receivables	1,230	1,033
Prepaid expenses	1,558	2,104
Due from stockholders	450	450
Deferred income taxes	2,250	187
Total current assets	34,545	90,863
Property, plant and equipment, net	69,004	76,294
Intangible assets, net	358,482	291,745
Bond issue costs	2,396	2,307
Other assets	6,241	5,552
Total assets	\$ 470,668	\$ 466,761
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,031	\$ 5,961
Accrued compensation and related	3,361	3,727
Accrued interest	3,299	7,847
Deferred subscription revenue	1,509	1,529
Income taxes	300	273
Capital lease obligations	93	74
Total current liabilities	14,593	19,411
Long-term debt	286,050	287,050
Deferred income taxes	15,279	10,653
Other liabilities	1,798	1,361
Stockholders' equity:		
Class A common stock, \$.01 par value; authorized 80,000,000 shares; issued and outstanding 17,902,392 shares	179	179
Class B common stock, \$.01 par value; authorized 20,000,000 shares; issued and outstanding 5,553,696 shares	56	56
Additional paid-in capital	147,380	147,380
Retained earnings	5,333	671
Total stockholders' equity	152,948	148,286
Total liabilities and stockholders' equity	\$ 470,668	\$ 466,761

See accompanying notes

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

	Three Months Ended March 31,	
	2000	2001
Gross broadcasting revenue	\$ 24,662	\$ 32,904
Less agency commissions	2,053	2,818
Net broadcasting revenue	22,609	30,086
Other media revenue	1,791	1,965
Total revenue	24,400	32,051
Operating expenses:		
Broadcasting operating expenses	12,705	19,850
Other media operating expenses	4,144	2,536
Corporate expenses	2,454	3,868
Depreciation and amortization (including \$494 in 2000 and \$572 in 2001 for other media businesses)	4,939	7,273
Total operating expenses	24,242	33,527
Net operating income (loss)	158	(1,476)
Other income (expense):		
Interest income	288	795
Interest expense	(2,520)	(6,467)
Loss on sale of assets	—	(8)
Other expense	(287)	(55)
Loss before income taxes	(2,361)	(7,211)
Benefit for income taxes	(704)	(2,549)
Net loss	\$ (1,657)	\$ (4,662)
Basic and diluted loss per share	\$ (0.07)	\$ (0.20)
Basic and diluted weighted average shares outstanding	23,456,088	23,456,088

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

	Three Months Ended March 31,	
	2000	2001
OPERATING ACTIVITIES		
Net loss	\$ (1,657)	\$ (4,662)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,939	7,273
Amortization of bond issue costs and bank loan fees	121	183
Deferred income taxes	(158)	(2,563)
Loss on sale of assets	—	8
Changes in operating assets and liabilities:		
Accounts receivable	1,198	3,345
Prepaid expenses and other current assets	45	(546)
Accounts payable and accrued expenses	(2,748)	4,843
Deferred subscription revenue	128	21
Other liabilities	5	(160)
Income taxes	157	(27)
Net cash provided by operating activities	2,030	7,715
INVESTING ACTIVITIES		
Capital expenditures	(3,527)	(7,743)
Deposits on radio station acquisitions	(445)	—
Purchases of radio stations	(26,465)	(38,214)
Proceeds from sale of property, plant and equipment and intangible assets	—	98,358
Other assets	264	399
Net cash (used) provided in investing activities	(30,173)	52,800
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt and notes payable to stockholders	1,000	1,000
Payments of long-term debt and notes payable to stockholders	(2,811)	—
Payments on capital lease obligations	(61)	(19)
Payments of costs related to debt refinancing	—	(316)
Net cash provided by (used in) financing activities	(1,872)	665
Net increase (decrease) in cash and cash equivalents	(30,015)	61,180
Cash and cash equivalents at beginning of period	34,124	3,928
Cash and cash equivalents at end of period	\$ 4,109	\$ 65,108
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 4,970	\$ 1,746
Income taxes	37	42

See accompanying notes

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SALEM COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

Information with respect to the three months ended March 31, 2001 and 2000 is unaudited. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles 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 Salem Communications Corporation and Subsidiaries ("Salem", or "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, 2000.

NOTE 2. ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

We purchased the assets (principally intangibles) of the following radio stations during the quarter ended March 31, 2001:

Acquisition Date	Station	Market Served	Allocated Purchase Price
February 2, 2001	WXRT-AM (now WYLL-AM)	Chicago, IL	(in thousands) \$ 29,000
February 16, 2001	WWTC-AM	Minneapolis, MN	4,882
February 16, 2001	WZER-AM (now WYLO-AM)	Milwaukee, WI	2,018
March 9, 2001	WRBP-AM (now WHKW-AM)	Youngstown-Warren, OH	500
March 16, 2001	WFIA-AM	Louisville, KY	1,750
			\$ 38,150

On January 22, 2001, the company sold the assets of radio station KALC-FM, Denver, CO for approximately \$100 million. The net proceeds have been placed in an account with a qualified intermediary under a like-kind exchange agreement in order to preserve our ability to effect a tax-deferred exchange. As of March 31, 2001, we have invested \$38.2 million of the proceeds. The balance of \$61.1 million is reflected in cash and cash equivalents at March 31, 2001.

NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

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

NOTE 4. BASIC AND DILUTED NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted average number of common stock shares outstanding. Diluted net loss per share is computed by dividing net loss by the weighted average number of common stock shares and when dilutive, common stock share equivalents outstanding. Options to purchase 342,500 and 473,200 shares of common stock were outstanding as of March 31, 2000 and 2001, respectively. These options were excluded from the respective computations of diluted net loss per share because their effect would be anti-dilutive and, as such, basic and diluted net loss per share are the same.

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

	Three Months Ended March 31,	
	2000	2001
Numerator:		
Net loss	\$ (1,657,000)	\$ (4,662,000)
Denominator for basic loss per share:		
Weighted average shares	23,456,088	23,456,088
Effect of dilutive securities — stock options	—	--
Denominator for diluted loss per share		
Weighted average shares adjusted for dilutive securities	23,456,088	23,456,088
Basic and diluted loss per share	\$ (0.07)	\$ (0.20)

NOTE 5. CONTINGENCIES

The company and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims, including the Gospel Communications International, Inc. ("GCI") matter described in more detail below. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Also, we maintain insurance which may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters as of March 31, 2001. However, we believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon the our financial position, results of operations or cash flows.

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

NOTE 6. SUBSEQUENT EVENTS

On April 1, 2001, we purchased the assets of radio station WROL-AM, Boston, MA, for \$11.0 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 our condensed consolidated financial statements and related notes included elsewhere in this report. Our condensed consolidated financial statements are not directly comparable from period to period because of our acquisition and disposition of radio stations and our acquisitions of other media businesses. See Note 2 to our condensed consolidated financial statements.

We are the largest U.S. radio broadcasting company, measured by number of stations and audience coverage, providing programming targeted at audiences interested in religious and family issues. Our core business, developed over the last 25 years, is the ownership and operation of radio stations in large metropolitan markets. After completing our pending transactions, we will own or operate 79 radio stations, including 54 stations which broadcast to 22 of the top 25 U.S. markets. We also operate Salem Radio Network®, a national radio network offering syndicated talk, news and music programming to over 1,600 affiliated radio stations, after giving effect to a pending transaction.

Historically, the principal sources of our revenue are:

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

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- 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 network charge. The rates for block program time are based upon our stations' ability to attract audiences that will support the program producers through contributions and purchases of their products. Advertising rates are based upon the demand for advertising time, which in turn is based on our stations' and network's ability to produce results for its advertisers. Historically we have not subscribed to traditional audience measuring services. Instead, we have marketed ourselves to advertisers based upon the responsiveness of our audience. With the launch of the contemporary Christian music format, called "The Fish™", in several markets, we have started to subscribe to Arbitron Inc., 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.

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

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

Our cash flow is affected by a transition period experienced by radio stations when, due to the nature of the radio station, our plans for the market and other circumstances, we find it beneficial or advisable to change its format. This transition period is when we develop the radio station's program customer and listener base. During this period, a station will typically generate negative or insignificant cash flow.

In the broadcasting industry, radio stations often utilize trade or barter agreements to exchange advertising time for goods or services (such as other media advertising, travel or lodging), in lieu of cash. In order to preserve the sale of our advertising time for cash, we generally enter into trade agreements only if the goods or services bartered to us will be used in our business. We have minimized our use of trade agreements and have generally sold most of our advertising time for cash. In 2000, we sold 94% of our advertising time for cash. In addition, it is our general policy not to preempt advertising paid for in cash with advertising paid for in trade.

The primary operating expenses incurred in the ownership and operation of our radio stations include employee salaries and commissions, and facility expenses (for example, rent and utilities). Beginning in 2000, in connection with the launch of our contemporary Christian music format in several markets, we incurred increased amounts for promotional expenses and music license fees. In addition to these expenses, our network incurs programming costs and lease expenses for satellite communication facilities. We also incur and will continue to incur significant depreciation, amortization and interest expense as a result of completed and future acquisitions of radio stations and existing and future borrowings.

OnePlace earns its revenue from the (1) sales of banner advertising and sponsorships on the Internet, (2) sales of streaming services, and (2) sales of software and software support contracts. CCM Communications, Inc. earns its revenue by selling advertising in and subscriptions to its publications. The revenue and related operating expenses of these businesses are reported as "other media" on our condensed consolidated statements of operations.

The performance of a radio broadcasting company, such as Salem, is customarily measured by the ability of its stations to generate broadcast cash flow, EBITDA and after-tax cash flow. We define broadcast cash flow as net operating income, excluding other media revenue and other media operating expenses, before depreciation and amortization and corporate expenses. We define EBITDA as net operating income before depreciation and amortization. We define after-tax cash flow as income (loss) before extraordinary items minus gain (loss) on disposal of assets (net of income tax) plus depreciation and amortization.

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

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

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in the same format during the current period compared with the results of the same stations and networks for the corresponding period of the prior year. We do not include a station or network in this comparison unless it has been owned or operated for at least an entire quarter included in each of the current and corresponding prior year periods.

RESULTS OF OPERATIONS

NET BROADCASTING REVENUE. Net broadcasting revenue increased \$7.5 million or 33.2% to \$30.1 million for the quarter ended March 31, 2001 from \$22.6 million for the same quarter of the prior year. The growth is attributable to the increase in same station revenue and the acquisitions of radio stations and a network during 2000 and 2001, partially offset by the sales of radio stations during 2000. On a same station basis, net broadcasting revenue improved \$1.9 million or 12.2% to \$17.5 million for the quarter ended March 31, 2001 from \$15.6 million for the same quarter of the prior year. The improvement was primarily due to an increase in network revenue due to increased network affiliations and quality programming, an increase in net revenue at radio stations we acquired in 1998 and 1999 that previously operated with formats other than their current format, an increase in program rates and increases in advertising time and improved selling efforts at both the national and local level. Revenue from advertising as a percentage of our gross broadcasting revenue increased to 41.0% for the quarter ended March 31, 2001 from 35.2% for the same quarter of the prior year. Revenue from block program time as a percentage of our gross broadcasting revenue decreased to 43.5% for the quarter ended March 31, 2001 from 51.8% for the same quarter of the prior year. This change in our revenue mix is primarily due to our continued efforts to develop more advertising revenue in all of our markets as well as the launch of our contemporary Christian music format in several markets.

OTHER MEDIA REVENUE. Other media revenue increased \$0.2 million or 11.1% to \$2.0 million for the quarter ended March 31, 2001 from \$1.8 million for the same quarter in the prior year. The increase is due primarily to our increased revenue from banner advertising and streaming services, offset by the loss of revenues from the sale of certain assets which generated revenue from the sale of advertising in print and online catalogs and product sales.

BROADCASTING OPERATING EXPENSES. Broadcasting operating expenses increased \$7.2 million or 56.7% to \$19.9 million for the quarter ended March 31, 2001 from \$12.7 million for the same quarter of the prior year. The increase is attributable to operating expenses associated with the acquisitions of radio stations and a network during 2000 and 2001, promotional expenses associated with the launch of the contemporary Christian music format in several markets, and an increase in music license fees, partially offset by the operating expenses associated with three radio stations sold during 2000. On a same station basis, broadcasting operating expenses increased \$1.1 million or 12.8% to \$9.7 million for the quarter ended March 31, 2001 from \$8.6 million for the same quarter of the prior year. The increase is primarily due to incremental selling and production expenses incurred to produce the increased revenue in the period.

OTHER MEDIA OPERATING EXPENSES. Other media operating expenses decreased \$1.6 million or 39.0% to \$2.5 million for the quarter ended March 31, 2001 from \$4.1 million for the same quarter in the prior year. The decrease is attributable primarily to the reduction of operating expenses incurred due to the sale of certain software products, assets and contracts.

BROADCAST CASH FLOW. Broadcast cash flow increased \$0.3 million or 3.0% to \$10.2 million for the quarter ended March 31, 2001 from \$9.9 million for the same quarter of the prior year. As a percentage of net broadcasting revenue, broadcast cash flow decreased to 33.9% for the quarter ended March 31, 2001 from 43.8% for the same quarter of the prior year. The decrease is primarily attributable to the effect of stations acquired during 2000 and 2001 that previously operated with formats other than their current format and the effect of the launch of the contemporary Christian music format in several markets. Acquired and reformatted radio stations typically produce low margins during the first few years following conversion. Broadcast cash flow margins improve as we implement scheduled program rate increases and increase advertising revenue on our stations. On a same station basis, broadcast cash flow improved \$0.8 million or 11.4% to \$7.8 million for the quarter ended March 31, 2001 from \$7.0 million for the same quarter of the prior year.

CORPORATE EXPENSES. Corporate expenses increased \$1.4 million or 56.0% to \$3.9 million in the quarter ended March 31, 2001 from \$2.5 million in the same quarter of the prior year, primarily due to additional overhead costs associated with the acquisitions of radio stations and a network during 2000 and 2001.

EBITDA. EBITDA increased \$0.7 million or 13.7% to \$5.8 million for the quarter ended March 31, 2001 from \$5.1 million for the same quarter of the prior year. As a percentage of total revenue, EBITDA decreased to 18.1% for the quarter ended March 31, 2001 from 20.9% for the same quarter of the prior year. EBITDA was negatively impacted by the results of operations of our other media businesses acquired in 1999, which generated a net loss before depreciation and amortization of \$0.6 million for the quarter ended March 31, 2001 as compared to \$2.4 million for the same quarter of the prior year. Broadcast EBITDA excluding the other media businesses decreased \$1.1 million or 14.7% to \$6.4 million for the quarter ended March 31, 2001 from \$7.5 million for the same quarter in the prior year. As a percentage of net broadcasting revenue, broadcast EBITDA excluding the other media business decreased to 21.3% for the quarter ended March 31, 2001 from 33.2% for the same quarter of the prior year. The decrease is primarily attributable to the effect of

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stations acquired during 2000 and 2001 that previously operated with formats other than their current format, the effect of the launch of the Contemporary Christian music format in several markets and increased corporate expenses.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased \$2.4 million or 49.0% to \$7.3 million for the quarter ended March 31, 2001 from \$4.9 million for the same quarter of the prior year. The increase is primarily due to the acquisitions of radio stations and a network in 2000 and 2001.

OTHER INCOME (EXPENSE). Interest income increased \$0.5 million to \$0.8 million for the quarter ended March 31, 2001 from \$0.3 million for the same quarter of the prior year, primarily due to interest earned on the investment of the proceeds from the sale of radio station KALC-FM, Denver, Colorado for \$100 million in January 2001. Interest expense increased \$4.0 million or 160.0% to \$6.5 million for the quarter ended March 31, 2001 from \$2.5 million for the same quarter of the prior year. The increase is due to interest expense associated with borrowings on our credit facility to fund acquisitions in 2000. Other expense, net decreased \$0.2 million to \$0.1 million for the quarter ended March 31, 2001 from \$0.3 million for the same quarter in the prior year primarily due to decreased bank commitment fees.

BENEFIT FOR INCOME TAXES. Benefit for income taxes as a percentage of loss before income taxes and extraordinary item (that is, the effective tax rate) was 34.7% for the quarter ended March 31, 2001 and 29.8% for the same quarter of the prior year. For the quarter ended March 31, 2001 and 2000 the effective tax rate differs from the federal statutory income rate of 34.0% primarily due to the effect of state income taxes and certain expenses that are not deductible for tax purposes.

NET LOSS. We recognized a net loss of \$4.7 million for the quarter ended March 31, 2001 as compared to a net loss of \$1.7 million for the same quarter of the prior year.

AFTER-TAX CASH FLOW. After-tax cash flow decreased \$0.7 million or 21.2% to \$2.6 million for the quarter ended March 31, 2001 from \$3.3 million for the same quarter of the prior year. After-tax cash flow was negatively impacted by the after-tax cash flow of our other media businesses. After-tax cash flow excluding our other media losses (net of income tax) decreased \$1.7 million or 36.2% to \$3.0 million for the quarter ended March 31, 2001 from \$4.7 million for the same quarter of the prior year. The decrease is primarily due to an increase in interest expense and corporate expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents was \$65.1 million at March 31, 2001 including \$61.1 million held by a qualified intermediary under a like-kind exchange agreement to preserve our ability to effect a tax-deferred exchange. Working capital was \$71.5 million at March 31, 2001. Cash and cash equivalents was \$3.9 million at December 31, 2000. The increase in cash and cash equivalents is due to cash provided by operating activities and cash provided by investing activities primarily related to the net proceeds received from the sale of KALC-FM, Denver, CO for approximately \$100 million, offset by \$38.2 million of the proceeds used to acquire five radio stations in the first quarter of 2001 (see Note 2).

Net cash provided by operating activities increased to \$7.7 million for the quarter ended March 31, 2001 compared to \$2.0 million in the same period of the prior year. The increase is primarily due to a decrease in accounts receivable and an increase in accounts payable.

Net cash provided by investing activities was \$52.8 million for the quarter ended March 31, 2001 compared to net cash used in investing activities of \$30.2 million for the same period of the prior year. The increase is due to cash received for the sale of KALC-FM, Denver, CO, partially offset by cash used for acquisitions (cash used of \$38.2 million to purchase five radio stations during the quarter ended March 31, 2001 as compared to cash used of \$26.5 million to purchase ten radio stations and a network for the same period of the prior year) and offset by an increase in capital expenditures.

Net cash provided by financing activities was \$0.7 million for the quarter ended March 31, 2001. Net cash used in investing activities was \$1.9 million for the same period of the prior year due to a payment of long-term debt associated with the purchase of the KRLA-AM transmitter site in February 2000.

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

At March 31, 2001 we have \$100.0 million principal amount of 9 1/2% senior subordinated notes due 2007. In August 2000, we supplemented the indenture for our senior subordinated notes in connection with the assignment of substantially all of the assets and liabilities to our wholly-owned subsidiary Salem Communications Holding Corporation ("HoldCo"), including the obligations as successor issuer under the indenture. The indenture for the senior subordinated notes contains restrictive covenants that, among others, limit the incurrence of debt by us and our subsidiaries, the payment of dividends, the use of proceeds of specified asset sales and transactions with affiliates. The senior subordinated notes are guaranteed by all of HoldCo's subsidiaries.

At March 31, 2001, we had \$187.1 million outstanding under our credit facility. Since August 2000, we amended our credit facility to increase our borrowing capacity from \$150 million to \$225 million, lower the borrowing rates and modify current financial ratio tests to provide us with additional borrowing flexibility. The credit facility matures on June 30, 2007. Aggregate commitments under the credit facility begin to decrease commencing March 31, 2002.

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

The maximum amount that we may borrow under our credit facility is limited by a ratio of our existing adjusted debt to pro forma twelve-month cash flow (the "Adjusted Debt to Cash Flow Ratio"). Our credit facility will allow us to adjust our total debt as used in such calculation by the lesser of 50% of the aggregate purchase price of acquisitions of newly acquired non-religious formatted radio stations that we reformat to a religious talk, conservative talk or religious music format or \$30.0 million and the cash flow from such stations will not be considered in the calculation of the ratio. The maximum Adjusted Debt to Cash Flow Ratio allowed under our credit facility is 6.50 to 1 through December 30, 2001. Thereafter, the maximum ratio will decline periodically until December 31, 2005, at which point it will remain at 4.00 to 1 through June 2007. The Adjusted Debt to Cash Flow Ratio at March 31, 2001 was 4.74 to 1, resulting in a borrowing availability of approximately \$12.4 million.

Our credit facility contains additional restrictive covenants customary for credit facilities of the size, type and purpose contemplated which, with specified exceptions, limits our ability to enter into affiliate transactions, pay dividends, consolidate, merge or effect certain asset sales, make specified investments, acquisitions and loans and change the nature of our business. The credit facility also requires us to satisfy specified financial covenants, which covenants require the maintenance of specified financial ratios and compliance with certain financial tests, including ratios for maximum leverage as described, minimum interest coverage, minimum debt service and minimum fixed charge coverage. The credit facility is guaranteed by the company and all of its subsidiaries other than HoldCo, which is the borrower, and is secured by pledges of all of the capital stock of the company's subsidiaries.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivative Instruments. We do not invest, and during the quarter ended March 31, 2001 did not invest, in market risk sensitive instruments.

Market Risk. Our credit facility is subject to market risk exposure, specifically to changes in LIBOR and in the "prime rate" in the United States. As of March 31, 2001, we may borrow an additional \$12.4 million under our credit facility. At March 31, 2001, we had borrowed \$187.1 million under our credit facility. Amounts outstanding under the credit facility bear interest at a base rate, at our option, of the bank's prime rate or LIBOR, plus a spread. For purposes of determining the interest rate under our credit facility, the prime rate spread ranges from 0% to 1.5%, and the LIBOR spread ranges from 0.875% to 2.75%. At March 31, 2001, the blended interest rate on amounts outstanding under the credit facility was 8.16%. At March 31, 2001, a hypothetical 100 basis point increase in the prime rate would result in additional interest expense of \$1.9 million on an annualized basis.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The company and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims, including the Gospel Communications International, Inc. ("GCI") matter described in more detail below. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Also, we maintain insurance which may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters as of March 31, 2001. However, we believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon the our financial position, results of operations or cash flows.

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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.

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:

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Exhibit Number	Description of Exhibits
2.01	Certificate of Incorporation of Salem Communications Holding Corporation. (9)
2.02	Bylaws of Salem Communications Holding Corporation. (9)
2.03	Certificate of Incorporation of Salem Communications Acquisition Corporation. (9)
2.04	Bylaws of Salem Communications Acquisition Corporation. (9)
2.05	Certificate of Incorporation of SCA License Corporation. (9)
2.06	Bylaws of SCA License Corporation. (9)
3.01	Amended and Restated Certificate of Incorporation of Salem Communications Corporation, a Delaware corporation. (4)
3.02	Bylaws of Salem Communications Corporation, a Delaware Corporation. (4)
3.03	Certificate of Formation of Salem Radio Operations, LLC.
3.04	Operating Agreement of Salem Radio Operations, LLC.
3.05	Certificate of Formation of Salem Media of Illinois, LLC.
3.06	Operating Agreement of Salem Media of Illinois, LLC.
3.07	Certificate of Formation of Salem Media of New York, LLC.
3.08	Operating Agreement of Salem Media of New York, LLC.
3.09	Certificate of Incorporation of Salem Radio Operations — Pennsylvania, Inc.
3.10	Bylaws of Salem Radio Operations — Pennsylvania, Inc.
3.11	Agreement of Limited Partnership of Inspiration Media of Pennsylvania, LP.
3.12	Certificate of Limited Partnership of Inspiration Media of Pennsylvania, LP.
3.13	Certificate of Amendment to Certificate of Limited Partnership of Inspiration Media of Pennsylvania, LP.
3.14	Certificate of Conversion of OnePlace, Ltd.
3.15	Certificate of Formation of OnePlace, LLC.
3.16	Operating Agreement of OnePlace, LLC.
3.17	Articles of Conversion of Inspiration Media of Texas, Inc.
3.18	Articles of Organization of Inspiration Media of Texas, LLC.
3.19	Operating Agreement of Inspiration Media of Texas, LLC.
4.01	Indenture between Salem Communications Corporation, a California corporation, certain named guarantors and The Bank of New York, as Trustee, dated as of September 25, 1997, relating to the 9 1/2% Series A and Series B Senior Subordinated Notes due 2007. (1)
4.02	Form of 9 1/2% Senior Subordinated Note (filed as part of Exhibit 4.01). (1)
4.03	Form of Note Guarantee (filed as part of Exhibit 4.01). (1)
4.04	Credit Agreement, dated as of September 25, 1997, among Salem, the several Lenders from time to time parties thereto, and The Bank of New York, as administrative agent for the Lenders (incorporated by reference to Exhibit 4.07 of the previously filed Registration Statement on Form S-4). (1)
4.05	Borrower Security Agreement, dated as of September 25, 1997, by and between Salem and The Bank of New York, as Administrative Agent of the Lenders (incorporated by reference to Exhibit 4.07 of the previously filed Registration Statement on Form S-4). (1)

- 4.06 Subsidiary Guaranty and Security Agreement dated as of September 25, 1997, by and between Salem, certain named guarantors, and The Bank of New York, as Administrative Agent (incorporated by reference to Exhibit 4.09 of the previously filed Registration Statement on Form S-4). (1)
- 4.07 Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as documentation agent, and the several Lenders (incorporated by reference to Exhibit 10.02 of previously filed Current Report on Form 8-K). (2)
- 4.08 Amendment No. 2 and Consent No. 2, dated as of January 22, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as documentation agent, and the Lenders. (5)
- 4.09 Specimen of Class A common stock certificate. (5)
- 4.10 Supplemental Indenture No. 1, dated as of March 31, 1999, to the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, Salem Communications Corporation, a Delaware corporation, The Bank of New York, as Trustee, and the Guarantors named therein. (5)
- 4.10.01 Supplemental Indenture No. 2, dated as of August 24, 2000, by and among Salem Communications Corporation, a Delaware corporation, Salem Communications Holding Corporation, a Delaware corporation, the guarantors named therein and The Bank of New York, as Trustee (previously filed as Exhibit 4.11). (9)
- 4.10.02 Supplemental Indenture No. 2, 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.
- 4.11 Consent No. 3, dated as of March 31, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein. (5)
- 4.12 Assumption Agreement, dated as of March 31, 1999, by and between Salem Communications Corporation, a Delaware corporation, and The Bank of New York, as Administrative Agent. (5)
- 4.13 Amendment No. 1 to the Grant of Security Interest (Servicemarks) by Salem to The Bank of New York, as Administrative Agent, under the Borrower Security Agreement, dated as of September 25, 1997, with the Administrative Agent. (5)
- 4.14 Amendment No. 3 and Consent No. 4, dated as of April 23, 1999, under the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders party thereto. (5)
- 4.15 First Amended and Restated Credit Agreement by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein. (5)
- 4.16 Amendment No. 1 to First Amended and Restated Credit Agreement, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America, N.A., as Documentation Agent and the Lenders party thereto. (6)
- 4.17 Amendment No. 2 to First Amended and Restated Credit Agreement, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America, N.A., as Documentation Agent and the Lenders party thereto. (6)
- 4.18 Amendment No. 3 to First Amended and Restated Credit Agreement, dated as of August 17, 2000, by and among the Company, The Bank of New York, as administrative Agent for the Lender, Bank of America, N.A., and the Lenders party thereto. (9)
- 4.19 Second Amended and Restated Credit Agreement, dated as of August 24, 2000, by and among

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- Salem Communications Holding Corporation, The Bank of New York, as Administrative Agent, Bank of America, N.A. as Syndication Agent, Fleet National Bank as Documentation Agent, Union Bank of California, N.A. and the Bank of Nova Scotia as Co-Agents and the Lenders party thereto. (9)
- 4.19.01 Supplement to Second Amended and Restated Subsidiary Guaranty dated November 7, 2000 by Salem Communications Acquisition Corporation and The Bank of New York.
- 4.19.02 Supplement to Second Amended and Restated Subsidiary Guaranty dated November 7, 2000 by SCA License Corporation and The Bank of New York.
- 4.20 Credit Agreement dated as of August 24, 2000, by and among the Company, ING (U.S.) Capital LLC as Administrative Agent, The Bank of New York as Syndication Agent, Fleet National Bank as Documentation Agent, and the Lenders party thereto. (9)
- 4.21 Amendment No. 1, dated as of January 15, 2001, to the Third Amended and Restated Credit Agreement, dated as of November 7, 2000, by and among Salem Communications Corporation, a Delaware Corporation; The Bank of New York, as Administrative Agent; Bank Of America, N.A., as Syndication Agent; Fleet National Bank, as Documentation Agent; Union Bank of California, N.A. and The Bank of Nova Scotia, as Co-Agents; and Lenders. (10)
- 4.22 Amendment No. 1, dated as of January 15, 2001, to the First Amended and Restated Parent Guaranty, dated as of November 7, 2000, by and among Salem Communications Corporation, a Delaware corporation, Salem Communications Holding Corporation, a Delaware corporation, and The Bank of New York, as Administrative Agent. (10)
- 4.23 Third Amended and Restated Credit Agreement dated as of November 7, 2000, by and among Salem Communications Holding Corporation, a Delaware corporation, The Bank of New York, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Fleet National Bank as Documentation Agent, Union Bank of California, N.A. and The Bank of Nova Scotia, as Co-agents and lenders. (10)
- 10.01 Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Edward G. Atsinger III. (5)
- 10.01.01 Promissory Note from Edward G. Atsinger III to Salem dated December 31, 2000.
- 10.02 Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Stuart W. Epperson. (5)
- 10.03.01 Employment Contract, dated November 7, 1991, between Salem and Eric H. Halvorson. (1)
- 10.03.02 First Amendment to Employment Contract, dated April 22, 1996, between Salem and Eric H. Halvorson. (1)
- 10.03.03 Second Amendment to Employment Contract, dated July 8, 1997, between Salem and Eric H. Halvorson. (1)
- 10.03.04 Deferred Compensation Agreement, dated November 7, 1991, between Salem and Eric H. Halvorson. (1)
- 10.03.05 Third Amendment to Employment Agreement, entered into May 26, 1999, between Salem and Eric Halvorson. (5)
- 10.03.06 Consulting Agreement dated August 7, 2000, between Salem and Eric H. Halvorson.
- 10.05.01 Antenna/tower lease between Caron Broadcasting, Inc. (WHLO-AM/Akron, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (1)
- 10.05.02 Antenna/tower/studio lease between Caron Broadcasting, Inc. (WTSJ-AM/ Cincinnati, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (1)
- 10.05.03 Antenna/tower lease between Caron Broadcasting, Inc. (WHK-FM/Canton, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (1)
- 10.05.04 Antenna/tower/studio lease between Common Ground Broadcasting, Inc. (KKMS-AM/Eagan, Minnesota) and Messrs. Atsinger and Epperson expiring in 2006. (1)
- 10.05.05 Antenna/tower lease between Common Ground Broadcasting, Inc. (WHK-AM/ Cleveland, Ohio) and Messrs. Atsinger and Epperson expiring 2008. (1)

10.05.06	Antenna/tower lease (KFAX-FM/Hayward, California) and Salem Broadcasting Company, a partnership consisting of Messrs. Atsinger and Epperson, expiring in 2003. (1)
10.05.07	Antenna/tower/studio lease between Inland Radio, Inc. (KKLA-AM/San Bernardino, California) and Messrs. Atsinger and Epperson expiring 2002. (1)
10.05.08	Antenna/tower lease between Inspiration Media, Inc. (KGNW-AM/Seattle, Washington) and Messrs. Atsinger and Epperson expiring in 2002. (1)
10.05.09	Antenna/tower lease between Inspiration Media, Inc. (KLFE-AM/Seattle, Washington) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring in 2004.(1)
10.05.11.01	Antenna/tower/studio lease between Pennsylvania Media Associates, Inc. (WZZD-AM/WFIL-AM/Philadelphia, Pennsylvania) and Messrs. Atsinger and Epperson, as assigned from WEAZ-FM Radio, Inc., expiring 2004. (1)
10.05.11.02	Antenna/tower/studio lease between Pennsylvania Media Associates, Inc. (WZZD-AM/WFIL-AM/Philadelphia, Pennsylvania) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2004. (1)
10.05.12	Antenna/tower lease between Radio 1210, Inc. (KPRZ-AM/Olivenhain, California) and The Atsinger Family Trust expiring in 2002. (1)
10.05.13	Antenna/tower lease between Salem Media of Texas, Inc. and Atsinger Family Trust/Epperson Family Limited Partnership (KSLR-AM/San Antonio, Texas). (6)
10.05.14	Antenna/turner/studio leases between Salem Media Corporation (KLTX-AM/Long Beach and Paramount, California) and Messrs. Atsinger and Epperson expiring in 2002. (1)
10.05.15	Antenna/tower lease between Salem Media of Colorado, Inc. (KNUS-AM/Denver-Boulder, Colorado) and Messrs. Atsinger and Epperson expiring 2006. (1)
10.05.16	Antenna/tower lease between Salem Media of Colorado, Inc. and Atsinger Family Trust/Epperson Family Limited Partnership (KRKS-AM/KBJD-AM/Denver, Colorado). (6)
10.05.17.01	Studio Lease between Salem Media of Oregon, Inc. (KPDQ-AM/FM/Portland, Oregon) and Edward G. Atsinger III, Mona J. Atsinger, Stuart W. Epperson, and Nancy K. Epperson expiring 2002. (1)

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10.05.17.02	Antenna/tower lease between Salem Media of Oregon, Inc. (KPDQ-AM/FM/Raleigh Hills, Oregon and Messrs. Atsinger and Epperson expiring 2002. (1)
10.05.18	Antenna/tower lease between Salem Media of Pennsylvania, Inc. (WORD-FM/WPIT-AM/Pittsburgh, Pennsylvania) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2003. (1)
10.05.19	Antenna/tower lease between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, Texas) and Epperson-Atsinger 1983 Family Trust expiring 2007. (1)
10.05.20	Antenna/tower lease between South Texas Broadcasting, Inc. (KENR-AM/Houston-Galveston, Texas) and Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2005.(1)
10.05.21	Antenna/tower lease between Vista Broadcasting, Inc. (KFIA-AM/Sacramento, California) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2006.(1)
10.05.22	Antenna/tower lease between South Texas Broadcasting, Inc. (KKHT-FM/Houston-Galveston, Texas) and Sonsinger Broadcasting Company of Houston, LP expiring 2008. (3)
10.05.23	Antenna/tower lease between Inspiration Media of Texas, Inc. (KTEK-AM/Alvin, Texas) and the Atsinger Family Trust and The Stuart W. Epperson Revocable Living Trust expiring 2009. (3)
10.06.05	Asset Purchase Agreement dated as of September 30, 1996 by and between Infinity Broadcasting Corporation of Dallas and Inspiration Media of Texas, Inc. (KEWS, Arlington, Texas; KDFX, Dallas, Texas). (1)
10.06.07	Asset Purchase Agreement dated June 2, 1997 by and between New England Continental Media, Inc. and Hibernia Communications, Inc. (WPZE-AM, Boston, Massachusetts). (1)
10.06.08	Option to Purchase dated as of August 18, 1997 by and between Sonsinger, Inc. and Inspiration Media, Inc. (KKOL-AM, Seattle, Washington). (1)
10.06.09	Asset Purchase Agreement dated as of April 13, 1998 by and between New Inspiration Broadcasting Company and First Scientific Equity Devices Trust (KIEV-AM, Glendale, California) (incorporated by reference to Exhibit 2.01 of the previously filed Current Report on Form 8-K). (3)
10.06.10	Asset Purchase Agreement dated as of April 1, 1999 by and between Inspiration Media, Inc. and Sonsinger, Inc. (KKOL-AM, Seattle, Washington). (5)
10.07.01	Tower Purchase Agreement dated August 22, 1997 by and between Salem and Sonsinger Broadcasting Company of Houston, L.P. (1)
10.07.02	Amendment to the Tower Purchase Agreement dated November 10, 1997 by and between Salem and Sonsinger Broadcasting Company of Houston, L.P. (1)
10.07.03	Promissory Note dated November 11, 1997 made by Sonsinger Broadcasting Company of Houston, L.P. payable to Salem. (1)
10.07.04	Promissory Note dated December 24, 1997 made by Salem payable to Edward G. Atsinger III. (1)
10.07.05	Promissory Note dated December 24, 1997 made by Salem payable to Stuart W. Epperson. (1)
10.08.01	Local Marketing Agreement dated August 13, 1999 between Concord Media Group, Inc. and Radio 1210, Inc. (6)
10.08.02	Asset Purchase Agreement dated as of August 18, 1999, by and between Salem Media of Georgia, Inc. and Genesis Communications, Inc. (WNIV-FM, Atlanta, Georgia and WLTA-FM, Alpharetta, Georgia.) (6)
10.08.03	Asset Purchase Agreement dated as of November 29, 1999, by and among JW Broadcasting, Inc., Salem Media of Georgia, Inc. and Salem Communications Corporation (WGKA-AM, Atlanta, Georgia.) (6)
10.08.04	Asset Exchange Agreement dated as of January 19, 2000 by and among Bison Media, Inc.; AMFM Texas Broadcasting, LP and AMFM Texas Licenses, LP (KSKY-AM, Balch Springs, TX; KPRZ-FM, Colorado Springs, CO). (7)
10.08.05	Asset Purchase Agreement dated as of March 6, 2000 by and among Salem, Citicasters Co., AMFM Texas Broadcasting, LP; AMFM Texas Licenses LP; AMFM Ohio, Inc.; AMFM Radio Licenses LLC; Capstar Radio Operating Company and Capstar TX Limited Partnership (WBOB-AM, KEZY-AM, KXMX-FM, KDGE-FM, WKNR-AM, WRMR-AM, KALC-FM, WYGY-FM). (7)
10.08.06	Asset Exchange Agreement dated as of May 31, 2000 by and among Salem; South Texas Broadcasting, Inc.; Cox Radio, Inc.; and CXR Holdings, Inc. (WALR-FM, Athens, GA; WSUN-AM, Plant City, FL, KLUP-AM, Terrell Hills, TX, KKHT-FM, Conroe, TX). (8)
10.08.07	Asset Purchase Agreement dated as of July 2000, by and among Salem Media of California and Hi-Favor Broadcasting, LLC (KLTX-AM Long Beach, CA). (8)
10.08.08	Asset Purchase Agreement, dated September 2000, by and between Salem Communications Acquisition Corporation, a Delaware corporation and Emmis Communications Corporation, an Indiana corporation (KALC-FM Denver, CO). (10)
10.08.09	Asset Purchase Agreement, dated as of July 2000, by and between Truth Broadcasting Corporation, a North Carolina corporation, and Salem Media Of Kentucky, Inc., a Kentucky corporation (WLKY-AM Louisville, KY). (10)
10.08.10	Asset Purchase Agreement, dated December 2000, by and between Carter Broadcasting, Inc. and SCA License Corporation, a Delaware corporation (WROL-AM Boston, MA). (10)

- 10.08.11 Asset Purchase Agreement, dated as of November 6, 2000, by and among Infinity Broadcasting Corporation of Illinois, a Delaware corporation, Infinity Broadcasting Corporation, a Delaware corporation, and Salem Communications Corporation, a Delaware corporation (WXRT-AM Chicago, IL). (10)
- 10.08.12 Promissory Note dated November 7, 2000 made by Salem Communications Corporation payable to Salem

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- 10.09.01 Communications Holding Corporation.(10)
- 10.09.02 Evidence of Key man life insurance policy no. 2256440M insuring Edward G. Atsinger III in the face amount of \$5,000,000. (1)
- 10.09.03 Evidence of Key man life insurance policy no. 2257474H insuring Edward G. Atsinger III in the face amount of \$5,000,000. (1)
- 10.10 Evidence of Key man life insurance policy no. 2257476B insuring Stuart W. Epperson in the face amount of \$5,000,000. (1)
- 10.11 1999 Stock Incentive Plan. (5)
- 21.01 Management Services Agreement by and among Salem and Salem Communications Holding Corporation, dated August 25, 2000.
- 99.1 Subsidiaries of Salem. (10)
- Supplemental Report of Salem Communications Holding Corporation.

- (1) 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.
- (2) Incorporated by reference to the exhibit of the same number, unless otherwise noted, of Salem’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 4, 1998.
- (3) 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.
- (4) 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.
- (5) Incorporated by reference to the exhibit of the same number to the Company’s Registration Statement on Form S-1 (No. 333-76649) as amended, as declared, effective by the Securities and Exchange Commission on June 30, 1999.
- (6) Incorporated by reference to the exhibit of the same number to Salem’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 30, 2000.
- (7) Incorporated by reference to the exhibit of the same number to Salem’s Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 15, 2000.
- (8) Incorporated by reference to the exhibit of the same number to Salem’s Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 14, 2000.
- (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 September 8, 2000.
- (10) Incorporated by reference to the exhibit of the same number to Salem’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 2, 2001.

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(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 2001.

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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.

SALEM COMMUNICATIONS CORPORATION

May 15, 2001

By: /s/ EDWARD G. ATSINGER III

Edward G. Atsinger III
President and Chief Executive Officer

May 15, 2001

By: /s/ DAVID A. R. EVANS

David A. R. Evans
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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Exhibit Number	Description of Exhibits
3.03	Certificate of Formation of Salem Radio Operations, LLC.
3.04	Operating Agreement of Salem Radio Operations, LLC.
3.05	Certificate of Formation of Salem Media of Illinois, LLC.
3.06	Operating Agreement of Salem Media of Illinois, LLC.
3.07	Certificate of Formation of Salem Media of New York, LLC.
3.08	Operating Agreement of Salem Media of New York, LLC.
3.09	Certificate of Incorporation of Salem Radio Operations — Pennsylvania, Inc.
3.10	Bylaws of Salem Radio Operations — Pennsylvania, Inc.
3.11	Agreement of Limited Partnership of Inspiration Media of Pennsylvania, LP.
3.12	Certificate of Limited Partnership of Inspiration Media of Pennsylvania, LP.
3.13	Certificate of Amendment to Certificate of Limited Partnership of Inspiration Media of Pennsylvania, LP.
3.14	Certificate of Conversion of OnePlace, Ltd.
3.15	Certificate of Formation of OnePlace, LLC.
3.16	Operating Agreement of OnePlace, LLC.
3.17	Articles of Conversion of Inspiration Media of Texas, Inc.
3.18	Articles of Organization of Inspiration Media of Texas, LLC.
3.19	Operating Agreement of Inspiration Media of Texas, LLC.
4.10.02	Supplemental Indenture No. 2, 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.
4.19.01	Supplement to Second Amended and Restated Subsidiary Guaranty dated November 7, 2000 by Salem Communications Acquisition Corporation and The Bank of New York.
4.19.02	Supplement to Second Amended and Restated Subsidiary Guaranty dated November 7, 2000 by SCA License Corporation and The Bank of New York.
10.01.01	Promissory Note from Edward G. Atsinger III to Salem dated December 31, 2000.
10.03.06	Consulting Agreement dated August 7, 2000, between Salem and Eric H. Halvorson.
10.11	Management Services Agreement by and among Salem and Salem Communications Holding Corporation, dated August 25, 2000.
99.1	Supplemental Report of Salem Communications Holding Corporation.

ENDORSED
STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 04:30 PM 02/13/2001
010073238 - 3356549

CERTIFICATE OF FORMATION
OF
SALEM RADIO OPERATIONS, LLC

I. The name of the limited liability company ("Company") is Salem Radio Operations, LLC.

II. The address of the Company's registered office in the State of Delaware is 9 East Loockerman Street, in the City of Dover, County of Kent. The name of its registered agent at such address is National Registered Agents, Inc.

III. This Certificate of Formation shall be effective immediately upon filing.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of Salem Radio Operations, LLC this 13th day of February, 2001.

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block, Vice President

THE MEMBERSHIP INTEREST REPRESENTED BY THIS DOCUMENT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF DELAWARE OR ANY OTHER JURISDICTION. THE MEMBERSHIP INTEREST MAY NOT BE SOLD, PLEDGED, GIVEN, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE SECURITIES LAWS UNLESS APPROPRIATE EXEMPTIONS FROM SUCH REGISTRATIONS ARE AVAILABLE AS EVIDENCED EITHER BY THE DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OR SUBMISSION TO THE MANAGER OF OTHER EVIDENCE SATISFACTORY TO THE MANAGER.

OPERATING AGREEMENT OF
SALEM RADIO OPERATIONS, LLC,
A DELAWARE LIMITED LIABILITY COMPANY

THIS OPERATING AGREEMENT OF SALEM RADIO OPERATIONS, LLC, a Delaware limited liability company ("Agreement"), is entered into effective as of March 9, 2001, by SALEM MEDIA CORPORATION, a New York corporation (the "Member" and the "Manager"). SALEM RADIO OPERATIONS, LLC is referred to as the "Company". The Member hereby agrees as follows:

ARTICLE 1

ORGANIZATION AND PURPOSE

1.1 Formation. The Company has been formed as a limited liability company pursuant to the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101 et seq. (as from time to time amended including any successor statute of similar import, the "Act"), subject to the terms contained in this Agreement. The Company shall be managed by a single Manager. The initial Manager of the Company shall be SALEM MEDIA CORPORATION, a New York corporation.

1.2 Name. The name of the Company is "SALEM RADIO OPERATIONS, LLC" and all business of the Company will be conducted under the name of the Company.

1.3 Purpose. The business of the Company is to (a) acquire, own, hold for investment, operate, finance, refinance, manage and/or sell ownership interests in other business entities and (b) to engage in any other legal activity which a limited liability company is permitted to do pursuant to the Act, all as the Manager shall reasonably determine.

1.4 Registered Office and Registered Agent. The Company's initial office shall be at 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012. The Company's registered agent in Delaware shall be National Registered Agents, Inc. and its registered office in Delaware shall be 9 East Loockerman Street, City of Dover, County of Kent, State of Delaware. The registered office and agent of the Company in Delaware may be changed from time to time by the Manager by filing the address of the new registered office and/or the name of the new agent with the Delaware Secretary of State pursuant to the laws of that state.

1.5 Addresses. The addresses of the Member and the Manager are set forth on the signature page of this Agreement.

1.6 Term. The Company's term shall commence upon the filing with the Delaware Secretary of State of a "Certificate of Formation" and will terminate on December 31, 2050, subject to earlier termination upon an event of termination otherwise provided by this Agreement or by law.

1.7 Documents. The Manager will execute and file the documents necessary to comply with the requirements of the Act and the other laws of Delaware for the formation,

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continuation and operation of limited liability companies. The Manager will further execute and file the documents necessary to qualify the Company to do business in any other jurisdictions in which the Company shall do business. The Manager will cause the Company to comply with applicable laws.

ARTICLE 2

CAPITAL

2.1 Capital Contribution. Concurrently with the execution of this Agreement, the Member shall contribute cash in the amount of \$3,236,000 to the capital of the Company. The Member shall not be obligated to contribute any additional capital to the Company.

2.2 Liability. Except as otherwise provided in this Agreement, the parties are not obligated to make any advances or contributions of capital to the Company. Except as otherwise provided in this Agreement or as required by law, the parties will not be liable for any of the debts of the Company.

2.3 No Interest on Capital. No interest will be paid to the Member on its capital contribution.

2.4 Return of Capital. Except as otherwise provided in this Agreement, no time has been agreed upon for the contribution of the Member to be returned to it.

2.5 Loans from Member. The Member may advance funds to the Company in its sole, absolute and arbitrary discretion. Any such advances will be evidenced by the Company's note payable to the Member.

ARTICLE 3

PROFITS, LOSSES AND DISTRIBUTIONS

3.1 Allocation of Profits. All profits of the Company shall be allocated 100% to the Member.

3.2 Allocation of Losses. All losses of the Company shall be allocated 100% to the Member.

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3.3 Distributions. All cash distributions by the Company shall be distributed 100% to the Member.

3.4 Time of Distributions. Distributions shall be made to the Member as soon as possible after the Manager's determination of the availability of cash for such purposes, which determination shall be within the reasonable discretion of the Manager.

ARTICLE 4

REIMBURSEMENT OF MANAGER'S EXPENSES AND INDEMNIFICATION OF MANAGER

The Company will reimburse the Manager for all ordinary and necessary operating expenses incurred by the Manager in carrying on the Company's business. The Manager shall not be liable to the Company for any act or omission suffered or taken by the Manager in good faith, and the Manager shall be fully protected and indemnified by the Company against all liabilities and losses suffered by virtue of the Manager's status as the Manager (including amounts paid in respect of judgments, fines or in settlement of litigation and expenses reasonably incurred by the Company or the Manager in connection with any pending or threatened litigation or proceeding) with respect to any action or omission suffered or taken, including but not limited to any action taken by the Manager in the formation and operation of the Company or in the financing, refinancing, improvement, operation and sale of any assets of the Company, provided that the acts or omissions of the Manager do not constitute gross negligence, fraud or a criminal act by the Manager.

ARTICLE 5

RIGHTS AND OBLIGATIONS OF MANAGER

5.1 Manager to Manage Business. The business and affairs of the Company shall be managed by one Manager. The Manager shall be SALEM MEDIA CORPORATION, a New York corporation, who shall serve as the sole Manager. The Manager shall direct, manage and control the business of the Company to the best of its ability and shall devote such time and attention to the conduct of the business of the Company as is necessary to carry out the purposes and business of the Company.

5.2 Powers of the Manager. Except as otherwise provided in this Agreement, the Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the

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Company's business, including, but not limited to the power:

5.2.1 To encumber all or less than all Company assets or rights;

5.2.2 To make all decisions concerning the operational aspects of the Company;

5.2.3 To execute and deliver all leases, contracts, deeds and other instrumentation and documentation in connection with the operations or business of the Company;

5.2.4 To borrow money on behalf of the Company and to execute and deliver in the name of the Company notes evidencing such borrowings and mortgages, deeds of trust and any other security instruments securing such borrowings;

5.2.5 To pay from Company assets all expenses of organizing and conducting the business of the Company, including without limitation, legal and accounting fees and costs;

5.2.6 To execute any and all other instruments and take any and all other action necessary or desirable to carry out the purposes and business of the Company;

5.2.7 To sell, transfer, convey and/or exchange all or any portion of the property or assets of the Company; and

5.2.8 To do any other lawful act or thing in furtherance of the Company's business.

5.3 Right to Rely on the Manager. The Manager shall have the absolute authority to bind the Company by its signature alone and anyone dealing with the Company shall have the right to rely on such authority. Except as otherwise expressly authorized by this Agreement or by the Manager, no Member (other than a Member then acting as the Manager), attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable pecuniarily for any purpose. Any person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Manager as to: the identity of the Manager or any Member; the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company; the persons and/or entities who are authorized to execute and deliver any instrument or document of the Company; or any act or failure to act by the Company or any other matter whatsoever involving the Company or the Member.

5.4 Affiliates. The Manager may, in the Manager's absolute discretion, employ an Affiliate in any capacity on a basis comparable to that which could be arranged with unaffiliated third parties for comparable service. Any Affiliate employed by the Company shall have the absolute right (but not the obligation) to contract with independent third parties in connection with

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the performance of the foregoing service. For purposes of this Agreement, an "Affiliate" shall include any and all firms and entities, including, without limitation, corporations, partnerships, joint ventures, trusts, limited liability companies and associations, which are directly or indirectly owned or controlled, in whole or in part, by any Member or Manager and/or any of such entities or any combination of any such persons or entities.

5.5 Officers. The Manager may appoint and/or remove officers of the company from time to time in its sole and absolute discretion. Each officer shall have the title and authority designated by the Manager.

ARTICLE 6

DISSOLUTION AND LIQUIDATION

6.1 Events of Termination: The Company shall, unless otherwise provided, terminate and dissolve on the happening of any of the following events:

6.1.1 Expiration. When the period fixed for the duration of the

Company shall expire pursuant to Paragraph 1.6 (entitled "Term");

6.1.2 Statutory Dissolution. The happening of any event as required by Section 18-801 of the Act, unless the business of the Company is continued by the consent of any remaining Member within 90 days after the happening of that event and the business of the Company is continued; or

6.1.3 Disposition of Assets. The sale of all or substantially all of the Company's assets.

6.2 Winding Up Affairs and Liquidations. Upon the termination and dissolution of the Company, the Manager or the persons required or permitted by law to carry out the winding up of the affairs of the Company ("Liquidator") will promptly notify the Member of such dissolution; shall proceed to the liquidation of the assets of the Company by converting such assets to cash insofar as deemed practicable by the Manager or the Liquidator; will wind up the affairs of the Company; and, after paying or providing for the payment of all liabilities and obligations of the Company, will distribute the proceeds of liquidation and other assets of the Company as provided by law and the terms of this Agreement. Upon the dissolution of the Company as the result of the occurrence of an event described in Paragraph 6.1 (entitled "Events of Termination"), the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a Certificate of Dissolution. Upon the completion of the winding up of the affairs of the Company, the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a Certificate of Cancellation of Certificate of Formation.

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6.3 Continuation of Business for Purpose of Winding Up Affairs. Upon the filing with the Delaware Secretary of State of a Certificate of Dissolution, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business..

6.4 Distributions on Dissolution. The proceeds of liquidation and other assets of the Company shall be applied and distributed in the following order of priority:

6.4.1 Debts. To the payment of debts and liabilities of the Company (other than (a) any loans and advances that may have been made by the Member, or amounts owing to the Member, and (b) secured obligations that will be assumed or otherwise transferred to third parties on the liquidation of the Company) and the expenses of liquidation;

6.4.2 Reserves. To the setting up of any reserves that the Manager or Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company, which reserves shall be paid over to an escrow holder designated by the Manager or Liquidator to be held for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies, and, at the expiration of such period, as the Manager or the Liquidator shall deem advisable, to distribute the balance thereafter remaining in the manner hereinafter provided;

6.4.3 Member Loans. To the payment of any loans or advances that may have been made by the Member; and

6.4.4 Members. Any balance then remaining will be distributed 100% to the Member.

6.5 Assets Other Than Cash. Assets of the Company may be distributed in kind on the basis of the then fair market value of such assets as determined by the Manager.

ARTICLE 7

FISCAL MATTERS

7.1 Books and Journals. The Company will maintain full and accurate books of the Company at the offices of the Company, showing all receipts and expenditures, assets and liabilities, profits and losses, and all other records necessary for recording the Company's business and affairs or required by the Act. Each Member and such Member's duly authorized representatives shall, during normal business hours, have access to and may inspect and copy any of such books and records. Furthermore, upon the request of any Member, copies of any portion of such books and records shall be delivered to such Member at such Member's sole cost and expense.

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7.2 Accountants. The accountants shall be such firm of certified public accountants as may be selected by the Manager.

7.3 Bank Accounts. All funds of the Company will be deposited in its

name and in such bank accounts as the Manager shall reasonably determine.

7.4 Accounting Decisions. All decisions as to accounting matters, except as specifically provided to the contrary in this Agreement, will be made by the Company's accountants subject to the approval of the Manager.

ARTICLE 8

MISCELLANEOUS PROVISIONS

8.1 Notices. Any notice required under this Agreement shall be given in writing (at the address set forth on the signature page for any Member and at the Company's registered office for the Company) by any of the following means: (a) personal service; (b) electronic communicating by telegram, telecopying or fax transmission; (c) overnight courier; or (d) registered or certified, first class mail, return receipt requested. Such addresses may be changed by notice given in the same manner as above provided. Any notice sent pursuant to either (a) or (b), above, shall be deemed received upon such personal service or upon confirmation of receipt by electronic means (unless confirmation occurs after 4:00 P.M. on the day sent or the day sent is not a business day, in either of which events confirmation shall be deemed to occur on the next following business day). Any notice sent pursuant to (c), above, shall be deemed received on the next business day following deposit with the overnight courier, and any notice sent pursuant to (d), above, shall be deemed received two (2) business days following deposit in the mail.

8.2 Applicable Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Delaware.

8.3 Severability. In case any one or more of the provisions contained in this Agreement or any application of the provisions shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions or the remaining applications will not in any way be affected or impaired.

8.4 Captions. The captions and headings in this Agreement are for convenience only and will not be considered in interpreting any provision of this Agreement.

8.5 Gender and Number. Whenever required by the context, the singular will be deemed to include the plural, and the plural will be deemed to include the singular, and the masculine, feminine and neuter genders will each be deemed to include the other.

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8.6 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

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

ADDRESS

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

MANAGER AND MEMBER

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block, Vice President

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ENDORSED
STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 08:10 PM 12/20/2000
001642792 - 3333936

CERTIFICATE OF FORMATION
OF
SALEM MEDIA OF ILLINOIS, LLC

I. The name of the limited liability company ("Company") is Salem Media of Illinois, LLC.

II. The address of the Company's registered office in the State of Delaware is 9 East Loockerman Street, in the City of Dover, County of Kent. The name of its registered agent at such address is National Registered Agents, Inc.

III. This Certificate of Formation shall be effective immediately upon filing.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of Salem Media of Illinois, LLC this 19th day of December, 2000.

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block, Vice President

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS DOCUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF DELAWARE OR ANY OTHER JURISDICTION. THE MEMBERSHIP INTERESTS MAY NOT BE SOLD, PLEDGED, GIVEN, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE SECURITIES LAWS UNLESS APPROPRIATE EXEMPTIONS FROM SUCH REGISTRATIONS ARE AVAILABLE AS EVIDENCED EITHER BY THE DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OR SUBMISSION TO THE MANAGER OF OTHER EVIDENCE SATISFACTORY TO THE MANAGER.

OPERATING AGREEMENT OF
SALEM MEDIA OF ILLINOIS, LLC,
A DELAWARE LIMITED LIABILITY COMPANY

THIS OPERATING AGREEMENT OF SALEM MEDIA OF ILLINOIS, LLC, a Delaware limited liability company ("Agreement"), is entered into effective as of March 9, 2001, by and between SALEM MEDIA CORPORATION, a New York corporation (the "Manager"), and SALEM RADIO OPERATIONS, LLC, a Delaware limited liability company ("SRO"). The Manager and SRO are sometimes referred to collectively as the "Members" or the "parties" and individually as a "Member" or a "party". In consideration of the mutual covenants in this Agreement, the Members agree as follows.

ARTICLE 1

ORGANIZATION AND PURPOSE

1.1 Formation. The Members have formed Salem Media of Illinois, LLC (the "Company") as a limited liability company pursuant to the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101 et seq. (as from time to time amended including any successor statute of similar import, the "Act"), subject to the terms contained in this Agreement. The business and affairs of the Company shall be managed by one Manager.

1.2 Name. The name of the Company is "Salem Media of Illinois, LLC" and all business of the Company will be conducted under the name of the Company. The Manager may change the Company's name and all of the Members shall be notified of such change.

1.3 Purpose. The business of the Company is to (a) acquire, own, hold, operate, finance, refinance, maintain, manage, develop, lease and/or sell the radio broadcasting business heretofore owned and operated by the Manager commonly known as station WYLL-FM (the "Business") and (b) to engage in any other legal activity which a limited liability company is permitted to do pursuant to the Act, all as the Manager shall reasonably determine.

1.4 Registered Office and Registered Agent. Company's initial office shall be at 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012. The Company's registered agent in Delaware shall be National Registered Agents, Inc. and its registered office in Delaware shall be 9 East Loockerman Street, City of Dover, County of Kent, State of Delaware. The Company shall be qualified to do business in the State of Illinois. The Company's registered agent in Illinois shall be National Registered Agents, Inc. and its registered office in Illinois shall be 208 La Salle Street, Suite 1855, Chicago, Illinois 60604. The registered office and agent of the Company in either or both of Delaware or Illinois may be changed from time to time by the Manager by filing the address of the new registered office and/or the name of the new agent with the appropriate Secretary of State pursuant to the laws of that state.

1.5 Addresses of Members. The addresses of the Members are set forth on the signature pages of this Agreement.

1.6 Term. The Company's term shall commence upon the filing with the Delaware Secretary of State of a "Certificate of Formation" and will terminate on December 31, 2050, subject to earlier termination upon an event of termination otherwise provided by this Agreement or by law.

1.7 Documents. The Company will execute and file the documents necessary to comply with the requirements of the Act and the other laws of Delaware for the formation, continuation and operation of limited liability companies. The Members agree to execute all documents and to undertake all other acts, as reasonably may be deemed necessary by the Manager, in order to comply with the requirements of the laws of Delaware for the formation, continuation and operation of limited liability companies. The Manager will further execute and file the documents necessary to qualify the Company to do business in Illinois and any other jurisdictions in which the Company shall do business.

1.8 Membership Interest. "Membership Interest" shall mean a Member's rights in the Company, collectively, including such Member's economic interest, any right to vote and participate in management, and any right to information concerning the business and affairs of the Company provided under this Agreement or the Act.

ARTICLE 2

CAPITAL

2.1 Members' Capital Contributions. Concurrently with the execution of this Agreement, (a) the Manager shall contribute all of the assets of the Business and all related leases and contracts to the capital of the Company subject to all existing liabilities of the Business, and (b) SRO shall contribute cash in the amount of \$790,000 to the capital of the Company. The Members shall not be obligated to contribute any additional capital to the Company.

2.2 Liability. No Member or Manager is liable to any other Member for the repayment of any Member's capital contributions and, except as otherwise provided in Section 2.1 of this Agreement, no Member is obligated to make any advances or contributions of capital to the Company. Except as otherwise provided in this Agreement or as required by law, the Members and Manager will not be liable for any of the debts of the Company.

2.3 No Interest on Capital. Except as otherwise provided in this Agreement, no interest will be paid to the Members on capital contributions or on "Capital Account" (defined below) balances.

2.4 Return of Capital. Except as otherwise provided in this Agreement, no time has been agreed upon for the contributions of the Members to be returned to them. The Manager does not, in any way, guarantee the return of the Members' capital contributions or a

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profit for the Members from the operations of the Company. The Members have no right to demand and receive property other than cash in return for the Members' capital contributions.

2.5 Loans from Members. Any Member may advance funds to the Company if funds are deemed necessary by the Manager. The advances will be evidenced by the Company's note payable to the lending Member. The note will provide for a rate of interest mutually acceptable to the Manager and the Member advancing funds to the Company; provided, however, such rate of interest shall be commercially reasonable.

2.6 Capital Accounts. A "Capital Account" shall be maintained for each Member in accordance with the provisions of Paragraph 1 of Exhibit "A".

2.7 Membership Percentages. The "Membership Percentages" of the Members are as follows:

<TABLE>	
<CAPTION>	
MEMBER	MEMBERSHIP PERCENTAGE
-----	-----
<S>	<C>
Salem Radio Operations, LLC	1%
Salem Media Corporation	99%

Total	100%

</TABLE>

2.8 Majority-in-Interest. For purposes of this Agreement, a "Majority-in-Interest" of the Members shall mean those Members then owning more than 50% of the Membership Percentages then owned by all of the Members who are then entitled to vote. Except as otherwise provided in this Agreement or by the Act, all decisions of the Members shall be made by a Majority-in-Interest of the Members.

ARTICLE 3

PROFITS, LOSSES AND DISTRIBUTIONS

3.1 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

3.1.1 "Distributable Cash" is all cash of the Company (including without limitation cash from the sale of any or all of the Company property) less (i) the amount necessary for payment of all costs, expenses, obligations and liabilities of the Company then due (including any then due advances to the Company by the Members) and (ii) the amount deemed necessary by the Manager, in the exercise of its reasonable discretion, for the operation of the Company and to establish a reserve for the payment of foreseen or unforeseen costs, expenses, obligations or

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liabilities of the Company.

3.1.2 The "Profits" and "Losses" of the Company (as determined for book purposes) shall be calculated in accordance with Paragraph 1.2.3 of attached Exhibit "A".

3.1.3 The "Accounting Period" of the Company will be each period commencing on the first day following the last day of the immediately preceding Accounting Period (which for the Company's first fiscal year shall be deemed to be the date of the commencement of the Company) and ending on December 31 (which shall also be the Company's fiscal year end), unless another fiscal year is selected by the Manager and permission to change to such other fiscal year is granted by the Internal Revenue Service.

3.2 Allocation of Profits: Except as otherwise provided in Exhibit "A" to this Agreement, Profits for any Accounting Period shall be allocated among the Members in the ratio of their respective Membership Percentages.

3.3 Allocation of Losses: Except as otherwise provided in Exhibit "A" to this Agreement, Losses for any Accounting Period shall be allocated among the Members in the ratio of their respective Membership Percentages.

3.4 Distributions and Payments: For each Accounting Period, on a cumulative basis, Distributable Cash shall be paid and distributed to the Members in the ratio of their respective Membership Percentages.

3.5 Identity of Distributees. Distributions shall be made only to persons who, according to the books and records of the Company, are the owners of record of Membership Interests on a date to be determined by the Manager. Neither the Manager nor the Company shall incur any liability for making distributions in accordance with the preceding sentence, whether or not the Manager has knowledge or notice of any transfer of ownership of any Membership Interests.

3.6 Time of Distributions. Distributions shall be made to the Members as soon as possible after the Manager's determination of the availability of cash for such purposes, which determination shall be within the reasonable discretion of the Manager.

3.7 Sharing Between Transferor and Transferee. If a Membership Interest is transferred, the income, gains, losses and deductions allocable to the Membership Interest transferred for the Accounting Period during which the transfer occurred will be allocated between the transferor and transferee of the Membership Interest in proportion to the time during the Accounting Period that the Membership Interest was owned by the transferor and transferee. Credits shall be allocated to the Member who owned the Membership Interest at the time that the property giving rise to the credit was placed in service. Each transferee will be credited with the Capital Account of the transferee's transferor. If a transferor transfers less than all of the

transferor's Membership Interest, the Capital Account will be allocated in proportion to the fraction of the Membership Interest respectively transferred and retained.

ARTICLE 4

REIMBURSEMENT OF MANAGER'S EXPENSES

AND INDEMNIFICATION OF MANAGER

The Company will reimburse the Manager for all ordinary and necessary operating expenses incurred by the Manager in carrying on the Company's business. The Manager shall not be liable to the Company or to any Member for any act or omission suffered or taken by the Manager in good faith, and the Manager shall be fully protected and indemnified by the Company against all liabilities and losses suffered by virtue of its status as the Manager, including amounts paid in respect of judgments, fines or in settlement of litigation and expenses reasonably incurred by the Company or the Manager in connection with any pending or threatened litigation or proceeding, with respect to any action or omission suffered or taken, including but not limited to any action taken by the Manager in the formation and operation of the Company or in the financing, refinancing, improvement and sale of any assets of the Company, liabilities arising under the "IRC" (as defined below) and the Manager's activities as the "TMP" (as defined below), provided that (i) the acts or omissions do not constitute gross negligence, fraud or criminal act by such Manager, and (ii) the satisfaction of any indemnification and saving harmless will be from and limited to Company assets. No Member will have any personal liability on account of the indemnification and saving harmless of the Manager. To the extent that the acts or omissions of the Manager constitute gross negligence, fraud or criminal act, the Manager shall indemnify and save harmless the Company and the Members from any loss or damage occasioned thereby (including, without limitation, reasonable attorneys' fees). The Manager shall not be liable to the Company or any Member because any taxing authorities disallow or adjust any deductions, losses, credits or items of income or gain in the Company's or any Member's income tax returns.

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ARTICLE 5

RIGHTS AND OBLIGATIONS OF MANAGER

5.1 Manager to Manage Business. The business and affairs of the Company shall be managed by one Manager. The Manager shall be SALEM MEDIA CORPORATION, a New York corporation, who shall serve as Manager until its dissolution, resignation or removal. The Manager shall direct, manage and control the business of the Company to the best of its ability and shall devote such portion of its time and attention to the conduct of the business of the Company as is necessary to carry out the purposes and business of the Company.

5.2 Powers of the Manager. The Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business, including, but not limited to the power:

5.2.1 To encumber all or less than all Company assets or rights;

5.2.2 To make all decisions concerning the operational aspects of the Company;

5.2.3 To execute and deliver all leases, contracts, deeds and other instrumentation and documentation in connection with the operations or business of the Company;

5.2.4 To borrow money on behalf of the Company and to execute and deliver in the name of the Company notes evidencing such borrowings and mortgages, deeds of trust and any other security instruments securing such borrowings;

5.2.5 To pay from Company assets all expenses of organizing and conducting the business of the Company, including without limitation, legal and accounting fees and costs;

5.2.6 To execute any and all other instruments and take any and all other action necessary or desirable to carry out the purposes and business of the Company;

5.2.7 To sell, transfer, convey and/or exchange all or any portion of the property or assets of the Company; and

5.2.8 To do any other lawful act or thing in furtherance of the Company's business.

5.3 Restrictions on Authority of the Manager. The Manager shall not have the

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authority or right to do any of the following acts:

5.3.1 To act in contravention of this Agreement.

5.3.2 To act in any manner that would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Agreement;

5.3.3 To possess property, or assign rights in specific property, for other than a Company purpose; or

5.3.4 To knowingly perform any act that would cause the Company to conduct business in a state which has neither enacted legislation which permits limited liability companies to organize in such state nor permits the Company to register to do business in such state as a foreign limited liability company.

5.4 Right to Rely on the Manager. The Manager shall have the absolute authority to bind the Company by its signature alone and anyone dealing with the Company shall have the right to rely on such authority. Except as otherwise expressly authorized by this Agreement or by the Manager, no Member (other than the Manager), attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable pecuniarily for any purpose. Any person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Manager as to: the identity of the Manager or any Member; the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company; the persons and/or entities who are authorized to execute and deliver any instrument or document of the Company; or any act or failure to act by the Company or any other matter whatsoever involving the Company or any Member.

5.5 Manager Has No Exclusive Duty to Company. The Manager shall not be required to manage the Company as its sole and exclusive function. Subject to the fulfillment of the Manager's obligations pursuant to this Agreement, the Manager may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Manager or to the income or proceeds derived therefrom. The Manager shall not incur any liability to the Company or to any of the Members as a result of engaging in any other business or venture.

5.6 Affiliates. The Manager may, in the Manager's absolute discretion, employ an Affiliate in any capacity on a basis comparable to that which could be arranged with unaffiliated third parties for comparable service. Any Affiliate employed by the Company shall have the absolute right (but not the obligation) to contract with independent third parties in connection with the performance of the foregoing service. For purposes of this Agreement, an

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"Affiliate" shall include any and all firms and entities, including, without limitation, corporations, partnerships, joint ventures, trusts, limited liability companies and associations, which are directly or indirectly owned or controlled, in whole or in part, by or in common with, any Member or Members or Manager and/or any of such entities or any combination of any such persons or entities.

5.7 Removal.

5.7.1 The "removal" of the Manager shall automatically take place in the event that any of the following occurs:

5.7.1.1 The Manager becoming bankrupt. The Manager shall be deemed to be bankrupt upon: (a) the filing of an application by the Manager for, or its consent to, the appointment of a trustee, receiver, or custodian of its assets; (b) the entry of an order for relief with respect to the Manager in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by the Manager of a general assignment for the

benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver or custodian of the assets of the Manager unless the proceedings and the trustee, receiver or custodian appointed are dismissed within ninety (90) days; or (e) the failure by the Manager generally to pay its debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of its inability to pay its debts as they become due.

5.7.1.2 The Manager is dissolved.

5.7.2 The removal of a Manager shall not affect such Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.8 Vacancies. Upon any vacancy occurring for any reason in the office of Manager of the Company, the vacancy may be filled by the affirmative vote of a Majority-in-Interest of the Members.

5.9 Officers. The Manager may appoint and/or remove officers of the company from time to time in its sole and absolute discretion. Each officer shall have the title and authority designated by the Manager.

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ARTICLE 6

MEETINGS OF MEMBERS

6.1 Meetings. Any Member may call a meeting at any time on not less than five (5) business days' prior written notice to all Members. Any notice for a meeting must identify the nature of the business to be discussed at such meeting.

6.2 Designees. Any Member may at any time, and from time to time, by written notice to the other Members, designate a person ("Designee") to act on its behalf at any meeting of the Members. Such Designee shall have all of the voting rights of such Member. A Member who has named a Designee may subsequently revoke such designation and may, at the same time or subsequently, name a replacement Designee.

6.3 Meeting of all Members. If all of the Members shall meet at any time and place, either within or outside of the State of Delaware and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken.

6.4 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Paragraph 6.4, such determination shall apply to any adjournment.

6.5 Quorum. A Majority-In-Interest of the Members, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Membership Percentages so represented may adjourn the meeting from time to time for a period not to exceed 60 days without further notice. However, if the adjournment is for more than 60 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Membership Percentages whose absence would cause less than a quorum.

6.6 Manner of Acting. If a quorum is present, the affirmative vote of Majority-in-Interest of the Members (whether or not all are present) shall be the act of the Members, unless the vote of a greater proportion or number is otherwise required by the Act, by

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provided in this Agreement or required under applicable law, Members who have an interest (economic or otherwise) in the outcome of any particular matter upon which the Members are being asked to vote or consent may vote or consent upon any such matter and their Membership Percentage, vote or consent, as the case may be, shall be counted in the determination of whether the requisite matter was approved by the Members.

6.7 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Members of the Company before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

6.8 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents signed by all Members.

6.9 Waiver of Notice. When any notice is required to be given to any Member, a waiver in writing signed by the person entitled to such notice, whether before, at, or after the time stated in such notice shall be equivalent to the giving of such notice.

ARTICLE 7

ADMISSION AND WITHDRAWAL OF MEMBERS AND TRANSFER OF MEMBERSHIP INTERESTS

7.1 Definitions.

7.1.1 "Admission" means the addition of a new Member to the Company.

7.1.2 "Transfer" means the transfer, alienation, sale, assignment, pledge or other disposition or encumbrance of all or any part of a Membership Interest, whether voluntarily or involuntarily.

7.1.3 The term "Associate" shall mean with respect to any Member (i) any other Member, (ii) any beneficiary of a trust which is a Member, (iii) any spouse or adult lineal ascendants or descendants of any such Member or beneficiary, or a trust for his or her or their benefit (including minor descendants), and (iv) any and all firms and entities, including, without limitation, corporations, limited liability companies, partnerships, joint ventures, trusts and associations, which are directly or indirectly owned or controlled by, or in common with, one or

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more of the previously identified persons.

7.2 Transfer and Admission.

7.2.1 Transfer. Except as otherwise provided in this Agreement, no Member may effect a Transfer of any Membership Interest except for (i) Transfers to Associates, (ii) Transfers previously approved in writing by the Manager, which approval may be withheld in the Manager's absolute discretion, and (iii) Transfers to persons pursuant to Paragraph 7.4 (entitled "Right of First Refusal") (collectively referred to as "Permitted Transfers"); provided, however, that (a) all such Permitted Transfers must be made in full compliance with all requirements contained in this Agreement and (b) no Member may transfer all or any part of such Member's Membership Interest to a minor or an incompetent unless the Transfer is to a trust, guardianship, or other legal entity formed for the benefit of the incapacitated party. Any Transfer of a Membership Interest which does not comply with the provisions of this Agreement shall be invalid and shall not vest any interest in the transferee.

7.2.2 Admission. Except as otherwise provided in this Agreement, a person shall become a Member only upon (i) the approval of the Manager, which approval may be withheld in the Manager's absolute discretion, and (ii) the person executing any and all documents reasonably requested by the Manager, including without limitation an agreement by which such person shall be bound by all of the provisions of this Agreement. Notwithstanding the foregoing, if a Member transfers a Membership Interest to an Associate or a Membership Interest is transferred to a successor upon the death of a Member, the Associate or the successor shall be entitled to Admission without the approval of the Manager, provided that all other requirements contained in this Agreement must be complied with prior to such Admission.

7.2.3 Admission Date. Any Admission shall be deemed to occur effective either (i) if the Admission occurs from the first through the 15th day of the month, then on the first day of the calendar month in which the admission occurs or (ii) if the Admission occurs from the 16th through the last day of the

month, then on the first day of the calendar month after the month in which the Admission occurs.

7.2.4 Additional Requirements. No Transfer or Admission shall be permitted (i) if the proposed Transfer, transferee or Admission will, or could, impair the ability of the Company to be taxed as a partnership under the Federal income tax laws, or (ii) if the Transfer or Admission will, or could, cause the Company's tax year to close or the Company to terminate for Federal income tax purposes, and (iii) no Admission shall be permitted unless the proposed Member has acknowledged in writing the liabilities of the transferor and the Company which cannot be ascertained from this Agreement.

7.2.5 Necessary Amendments. In the event of the Admission of a Member or a Permitted Transfer by a Member, this Agreement will be promptly amended as necessary to reflect any changes in the profit and loss allocations of Members, to reflect the

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capital contributions of the newly admitted Member and to set forth any new provisions or to amend any existing provisions of this Agreement which may be necessary or desirable in light of the Admission of a Member or Transfer by a Member.

7.2.6 Enforceability of Transfer Restrictions. Each Member acknowledges the reasonableness of the restrictions on the transferability of Membership Interests imposed by this Agreement in view of the Company purposes and the relationship of the Members. Accordingly, the restrictions on transferability contained in this Agreement shall be specifically enforceable.

7.3 Members and Assignees.

7.3.1 Rights of Admitted Member. A transferee who becomes a Member succeeds to all of the rights and powers and is subject to all of the obligations, restrictions and liabilities of a Member for the Membership Interest which is acquired by the transferee;

7.3.2 Rights of Assignee. A transferee who does not become a Member ("Assignee") will be entitled only to (i) receive, to the extent assigned, the distributions and the allocations of income, gains, losses, deductions, credit or similar items to which the assignor would be entitled and (ii) require information and accounts of Company transactions and to inspect the Company books only as required by the Act, and an Assignee shall have no other rights or powers of a Member. An Assignee nevertheless is subject to all of the provisions of this Agreement and to all of the obligations, restrictions and liabilities under this Agreement for the Membership Interest acquired.

7.3.3 Duties of Assignor. Until the time when the transferee of a Membership Interest becomes a Member, the transferor of the Membership Interest remains subject to all of the obligations, restrictions and liabilities under this Agreement for the Membership Interest and retains all rights and powers of a Member for the Membership Interest other than the right to receive cash and in kind distributions and the return of capital contributions.

7.4 Right of First Refusal.

7.4.1 A Member ("Selling Member") who desires to sell all or any portion of such Member's Membership Interest (the "Offered Interest") to a third party purchaser ("Third Party") shall obtain from such Third Party a bona fide written offer to purchase such Offered Interest stating the price and other terms and conditions for the proposed purchase (the "Offer"). The Selling Member shall give written notification to the remaining Members of the Selling Member's intention to so transfer the Offered Interest (the "Offer Notice") and shall include with the Offer Notice a copy of the Offer.

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7.4.2 The remaining Members shall have the right to exercise a right of first refusal to purchase, in proportion to the Membership Percentages of the remaining Members who exercise such right, all (but not less than all) of the Offered Interest upon the same terms and conditions as stated in the Offer by giving written notification to the Selling Member of their exercise of such right (the "Exercise Notice") within 30 days after the Offer Notice is given. If any of the remaining Members (in the aggregate) exercise their right to purchase all of the Offered Interest, then the transaction shall close within 90 days after the date upon which the last Exercise Notice is given. If no remaining Members exercise their right to purchase all of the Offered Interest, then the Selling Member may sell the Offered Interest on the terms and conditions stated

in the Offer to the purchaser named in the Offer within 120 days after the Offer Notice is given. The purchaser shall become either a Member or an Assignee in accordance with Paragraph 7.2 (entitled "Transfer and Admission") and shall not otherwise be entitled to Admission. Whether or not the Offered Interest is so sold, it shall remain subject to all of the terms and conditions of this Agreement, including without limitation this Paragraph 7.4.

7.5 Withdrawal. No Member may withdraw or resign from the Company or take any other voluntary action which would cause the dissolution of the Company without the consent of the Manager, which consent may be withheld in its absolute discretion.

7.6 Death of a Member. Upon the death of a Member who is an individual, the Membership Interest of the deceased Member shall be transferred to his or her lawful successor(s)-in-interest. Any such successor shall become a Member in accordance with the provisions of this Article 7.

ARTICLE 8

DISSOLUTION AND LIQUIDATION

8.1 Events of Termination: The Company shall, unless otherwise provided, terminate and dissolve on the happening of any of the following events:

8.1.1 Expiration. When the period fixed for the duration of the Company shall expire pursuant to Paragraph 1.6 (entitled "Term");

8.1.2 Consent. By the consent in writing of the Manager and a Majority-in-Interest of the Members; or

8.1.3 Statutory Dissolution. The happening of any events set forth in Section 18-801 of the Act, unless the business of the Company is continued by the consent of a Majority-in-Interest of the remaining Members within 90 days after the happening of that event and there are at least two remaining Members.

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8.2 Winding Up Affairs and Liquidations. Upon the termination and dissolution of the Company, the Manager or the persons required or permitted by law to carry out the winding up of the affairs of the Company ("Liquidator") will promptly notify all Members of such dissolution; shall proceed to the liquidation of the assets of the Company by converting such assets to cash insofar as deemed practicable by the Manager or the Liquidator; will wind up the affairs of the Company; and, after paying or providing for the payment of all liabilities and obligations of the Company, will distribute the proceeds of liquidation and other assets of the Company as provided by law and the terms of this Agreement. Upon the dissolution of the Company as the result of the occurrence of an event described in Paragraph 8.1 (entitled "Events of Termination"), the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a Certificate of Dissolution. Upon the completion of the winding up of the affairs of the Company, the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a Certificate of Cancellation of Certificate of Formation.

8.3 Continuation of Business for Purpose of Winding Up Affairs. Upon the filing with the Delaware Secretary of State of a Certificate of Dissolution, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business.

8.4 Distributions on Dissolution. The proceeds of liquidation and other assets of the Company shall be applied and distributed in the following order of priority:

8.4.1 Debts. To the payment of debts and liabilities of the Company (other than any loans and advances that may have been made by any of the Members, or amounts owing to any of the Members) and the expenses of liquidation;

8.4.2 Reserves. To the setting up of any reserves that the Manager or Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company, which reserves shall be paid over to an escrow holder designated by the Manager or Liquidator to be held for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies, and, at the expiration of such period, as the Manager or the Liquidator shall deem advisable, to distribute the balance thereafter remaining in the manner hereinafter provided;

8.4.3 Member Loans. To the payment of any loans or advances that may have been made by any of the Members; and

8.4.4 Members. Any balance then remaining will be distributed to the Members in accordance with Paragraph 3.4 (entitled "Distributions and

Payments").

8.5 Assets Other Than Cash. Assets of the Company may be distributed in kind on the basis of the then fair market value of such assets as determined by agreement of the Members, and if no such agreement of value is reached within 30 days, then such value shall be

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determined by an independent appraiser appointed by the Members (the cost and expense of said appraisal to be borne by the Company). If agreed to by all the Members, distributions in-kind will be made to the Members as tenants-in-common. For purposes of making such distribution only, the unrealized profit or loss on any such asset (based on its fair market value) shall be first allocated among the Members and the distribution of the asset shall be treated as a distribution of cash equal to the fair market value of such asset.

ARTICLE 9

FISCAL MATTERS

9.1 Books and Journals. The Company will maintain full and accurate books of the Company at the offices of the Company, showing all receipts and expenditures, assets and liabilities, Profits and Losses, and all other records necessary for recording the Company's business and affairs or required by the Act. Each Member and such Member's duly authorized representatives shall, during normal business hours, have access to and may inspect and copy any of such books and records. Furthermore, upon the request of any Member, copies of any portion of such books and records shall be delivered to such Member at such Member's sole cost and expense.

9.2 Accountants. The accountants shall be such firm of certified public accountants as may be selected by the Manager.

9.3 Reports to Members. Within 90 days after the end of each fiscal year, each Member shall be furnished a copy of the foreign, federal and state income tax information returns of the Company for the preceding fiscal year showing each Member's distributive share of each item of income, gain, loss, deduction, credit or preference which a Member is required to take into account separately on such Member's foreign, federal and state income tax returns.

9.4 Bank Accounts. All funds of the Company will be deposited in its name and in such bank accounts as the Manager shall reasonably determine.

9.5 Accounting Decisions. All decisions as to accounting matters, except as specifically provided to the contrary in this Agreement, will be made by the Company's accountants subject to the approval of the Manager.

9.6 Federal Income Tax Elections. The Manager shall cause the Company to make an election (or consent to any such election by a Member) pursuant to any of IRC Sections 732(d) and/or 754 (or corresponding provisions of succeeding law or state law), as may be determined by the Manager in the Manager's sole, absolute and arbitrary discretion, except to the extent otherwise directed by this Agreement.

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ARTICLE 10

MISCELLANEOUS PROVISIONS

10.1 Notices. Any notice required under this Agreement shall be given in writing (at the addresses set forth on the signature page for Members and at Company's registered office for the Company) by any of the following means: (i) personal service; (ii) electronic communicating by telegram, telecopying or fax transmission; (iii) overnight courier; or (iv) registered or certified, first class mail, postage prepaid with return receipt requested. Such addresses may be changed by notice to the other parties given in the same manner as above provided. Any notice sent pursuant to either (i) or (ii), above, shall be deemed received upon such personal service or upon confirmation of receipt by electronic means (unless confirmation occurs after 4:00 P.M. on the day sent or the day sent is not a business day, in either of which events confirmation shall be deemed to occur on the next following business day). Any notice sent pursuant to (iii), above, shall be deemed received on the next business day following deposit with the overnight courier, and any notice sent pursuant to (iv), above, shall be deemed received two (2) business days following deposit in the mail.

10.2 Limited Power of Attorney. Each Member, by such Member's execution of this Agreement, irrevocably constitutes and appoints the Manager as such Member's true and lawful attorney and agent, with full power and authority in such Member's name, place and stead only to execute, acknowledge and deliver and to file or record in any appropriate public office: (i) any certificate or other instrument which may be necessary, desirable or appropriate to qualify or to continue the Company as a limited liability company or to transact business as a limited liability company in any jurisdiction in which the Company conducts business; (ii) any amendment to this Agreement or to any certificate or other instrument which may be necessary, desirable or appropriate to reflect an Admission, Transfer, withdrawal or any additional capital contributions, all in accordance with the provisions of this Agreement; and (iii) any certificates or instruments which may be appropriate, necessary or desirable to reflect the dissolution and termination of the Company. This power of attorney will be deemed to be coupled with an interest and will survive the transfer by any Member of such Member's Membership Interest. Notwithstanding the existence of this power of attorney, each Member agrees to join in the execution, acknowledgment and delivery of the instruments referred to above if requested to do so by the Members. This power of attorney granted to the Manager is a limited power of attorney that does not authorize the Manager to act on behalf of any Member except to execute the documents described in this Paragraph 11.2.

10.3 Integration. This Agreement sets forth the entire agreement between the parties with regard to the subject matter of this Agreement. All agreements, covenants, representations and warranties, express and implied, oral and written, of the parties with regard to the subject matter of this Agreement are contained in this Agreement and the documents referred to in this Agreement or implementing the provisions of this Agreement. No other agreements,

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covenants, representations or warranties, express or implied, oral or written, have been made by any Member to the other with respect to the subject matter of this Agreement. All prior and contemporaneous conversations, negotiations, possible and alleged agreements and representations, covenants, and warranties with respect to the subject matter of this Agreement are waived, merged in this Agreement and/or the other referenced documents and superseded by this Agreement. This is an integrated agreement.

10.4 Applicable Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Delaware.

10.5 Counterparts. This Agreement may be executed in counterparts and all counterparts so executed shall constitute one Agreement binding on all the parties. It shall not be necessary for each Member to execute the same counterpart.

10.6 Severability. In case any one or more of the provisions contained in this Agreement or any application of the provisions shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions or the remaining applications will not in any way be affected or impaired.

10.7 Captions. The captions and headings in this Agreement are for convenience only and will not be considered in interpreting any provision of this Agreement.

10.8 Binding Effect. Except as otherwise provided to the contrary, this Agreement will be binding upon, and inure to the benefit of, the Members and their respective heirs, executors, administrators, successors and assigns.

10.9 Gender and Number. Whenever required by the context, the singular will be deemed to include the plural, and the plural will be deemed to include the singular, and the masculine, feminine and neuter genders will each be deemed to include the other.

10.10 Amendment. Except as otherwise permitted in this Agreement, this Agreement may be amended in whole or in part only by an agreement in writing signed by all of the Members.

10.11 Exhibits. All attached Exhibits are incorporated in this Agreement by reference as though fully set forth in this Agreement.

10.12 Interpretation. No provision of this Agreement is to be interpreted for or against any Member because that Member or that Member's legal representative drafted such provision. The term "including" shall not be limiting and shall mean "including but not limited to."

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10.13 Company Tax Audits. The Manager is designated as the Company's "Tax Matters Partner" ("TMP") in accordance with the provisions of IRC Section 6231(a)(7).

10.14 Waiver of Action for Partition. Each Member irrevocably waives any right that such Member may have to maintain any action for partition of the Company or any of its property during the term of the Company. Each Member hereby acknowledges having been previously advised as to his or her partition rights and further acknowledges entering into this Agreement in reliance on the waiver of these rights by each other Member.

10.15 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any Member shall not preclude or waive the right to use any or all other remedies. All rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

10.16 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

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

ADDRESS
4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

MANAGER
SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

[signatures continued on the following page]

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[signatures continued from previous page]

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

MEMBERS
SALEM RADIO OPERATIONS, LLC, a
Delaware limited liability company

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

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EXHIBIT "A"

ALLOCATION PROVISIONS

1. Capital Accounts and Definitions.

1.1 Capital Account. A Capital Account shall be maintained for each Member in accordance with Regulations Section 1.704-1(b)(2)(iv). If the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits to the Capital Accounts (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or a Member), are computed in order to comply with such Regulations, the Manager may make such modification, provided that the modification is not likely to have a material affect on the amounts distributable to any Member pursuant to Article 9 of this Agreement upon the dissolution of the Company. The Manager also shall make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b)(2)(iv).

1.2 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

1.2.1 Depreciation. "Depreciation" means, for each Accounting Period (as defined below) of the Company, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Accounting Period, except that if the "Gross Asset Value" (defined below) of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Accounting Period, Depreciation shall, in accordance with Regulations Section 1.704-1(b)(2)(iv)(g)(3), be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if such asset has a zero adjusted tax basis, Depreciation shall be determined using any reasonable method selected by the Members.

1.2.2 Gross Asset Value. "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

1.2.2.1 Initial Value. The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset at the time of contribution, as mutually agreed by the contributing Member and the Manager.

1.2.2.2 Adjustments. The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (i) the acquisition of an additional interest in the Company

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by any new or existing Member in exchange for more than a de minimis capital contribution; (ii) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (i) and (ii) above shall be made only if the Manager reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

1.2.2.3 Distributions. The Gross Asset Value of any Company asset distributed to any Member shall be the gross fair market value of such asset on the date of distribution; and

1.2.2.4 Special Adjustments. The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to IRC Section 734(b) or IRC Section 743(b), but only to the extent that such adjustments are required to be taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and subparagraph 2.4 of this Exhibit "A"; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph 1.2.2.4 to the extent the Manager determines that an adjustment pursuant to subparagraph 1.2.2.2 of this Exhibit "A" is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph 1.2.2.4. If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraphs 1.2.2.1 or 1.2.2.2 of this Exhibit "A" or this subparagraph 1.2.2.4, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing "Profits" and "Losses" (as defined below).

1.2.2.5 Manager's Determination. Except as otherwise provided in subparagraph 1.2.2.1 of this Exhibit "A", for purposes of determining the Gross Asset Value of any Company asset, the reasonable

determination of the Manager shall control.

1.2.3 Profits and Losses. "Profits" and "Losses" means, for each Accounting Period of the Company, an amount equal to the Company's taxable income or loss for such year, determined in accordance with IRC Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to IRC Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

1.2.3.1 Income. Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this subparagraph 1.2.3 shall be added to such taxable income or loss;

1.2.3.2 Special Expenditures. Any expenditures of the Company described in IRC Section 705(a)(2)(B) or treated as IRC Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or

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Losses pursuant to this subparagraph 1.2.3 shall be subtracted from such taxable income or loss;

1.2.3.3 Disposition. If the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph 1.2.2.2 or subparagraph 1.2.2.3 of this Exhibit "A", the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset;

1.2.3.4 Gross Asset Value Adjustment. Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

1.2.3.5 Special Depreciation. In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Accounting Period, computed in accordance with subparagraph 1.2.1 of this Exhibit "A"; and

1.2.3.6 Special Allocations. Notwithstanding any other provision of this Paragraph 1, any items which are specially allocated pursuant to Paragraphs 2 or 3 of this Exhibit "A" shall not be taken into account in computing Profits or Losses.

1.2.4 Adjusted Capital Account Deficit. For purposes of this Agreement, "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Accounting Period after giving effect to the following adjustments:

1.2.4.1 Restoration Amounts. Credit to such Capital Account any amounts which such Member is obligated to restore pursuant to any provision of the Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

1.2.4.2 Special Debits. Debit to such Capital Account the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and/or 1.704-1(b)(2)(ii)(d)(6).

The definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

2. Special Allocations: The following special allocations shall be made in the following order:

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2.1 Minimum Gain Chargeback. Each Member shall be specially allocated items of Company income and gain to the extent necessary to comply with the "minimum gain chargeback" requirements in Regulations Sections 1.704-2(f), (i)(4).

2.2 Qualified Income Offset. Each Member shall be specially allocated items of Company income and gain to the extent necessary to comply with the "qualified income offset" requirements in Regulations Section

1.704-1(b)(2)(d).

2.3 Recourse and Nonrecourse Debt. Each Member shall be specially allocated items of Company loss, deduction and IRC Section 705(a)(2)(B) expenditure to the extent necessary to comply with the allocation requirements for "partner nonrecourse deductions" and "nonrecourse deductions" in Regulations Sections 1.704-2(i), (c).

2.4 Special Tax Basis Adjustments. To the extent that Regulations Section 1.704-1(b)(2)(iv)(m) requires an adjustment to the adjusted tax basis of any Company property under IRC Sections 734(b) or 743(b) to be taken into account in determining Capital Accounts, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

2.5 Adjusted Capital Account Deficits. The Losses allocated pursuant to Paragraph 3.3 of this Agreement shall not exceed the maximum amount of Losses that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Accounting Period. In the event that some but not all of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses under Paragraph 3.2 of this Agreement, the limitation set forth in this Paragraph 2.5 shall be applied on a Member by Member basis so as to allocate the maximum permissible loss to each Member under Regulations Section 1.704-1(b)(2)(ii)(d).

3. Other Allocation Rules:

3.1 Method of Allocation. For any Company Accounting Period, all items of Company income, gain, loss, deduction and any other items not otherwise allocated pursuant to this Agreement shall be divided among the Members in the same proportions as they share Profits or Losses, as the case may be, for such Company Accounting Period.

3.2 Acknowledgment by Members. The Members are aware of the income tax consequences of the allocations made by Article 3 of this Agreement and this Exhibit "A" and agree to be bound by the provisions of Article 3 of this Agreement and this Exhibit "A" in reporting their shares of Company income and loss for income tax purposes.

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3.3 Contributed Property. In accordance with IRC Section 704(c) and the Regulations, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with subparagraph 1.2.2.1 of this Exhibit "A").

3.4 Tax Purposes. In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph 1.2.2.2 of this Exhibit "A", subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under IRC Section 704(c) and the Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Manager in a manner that reasonably reflects the purpose and intention of the Agreement. Allocations pursuant to this Paragraph 3 are solely for purposes of federal and state income taxes and shall not, except to the extent required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

3.5 Liquidation of Member's Interest. Upon liquidation of any Member's interest in the Company, the liquidating distributions shall be made in accordance with the positive Capital Account balances of the Members adjusted as otherwise required by the provisions of this Agreement. A liquidation of a Member's interest shall occur as required pursuant to Regulations Section 1.704-1(b)(2)(ii)(g).

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ENDORSED
STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 08:10 PM 12/20/2000
001642538 - 3333898

CERTIFICATE OF FORMATION
OF
SALEM MEDIA OF NEW YORK, LLC

I. The name of the limited liability company ("Company") is Salem Media of New York, LLC.

II. The address of the Company's registered office in the State of Delaware is 9 East Loockerman Street, in the City of Dover, County of Kent. The name of its registered agent at such address is National Registered Agents, Inc.

III. This Certificate of Formation shall be effective immediately upon filing.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of Salem Media of New York, LLC this 19th day of December, 2000.

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block, Vice President

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS DOCUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF DELAWARE OR ANY OTHER JURISDICTION. THE MEMBERSHIP INTERESTS MAY NOT BE SOLD, PLEDGED, GIVEN, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE SECURITIES LAWS UNLESS APPROPRIATE EXEMPTIONS FROM SUCH REGISTRATIONS ARE AVAILABLE AS EVIDENCED EITHER BY THE DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OR SUBMISSION TO THE MANAGER OF OTHER EVIDENCE SATISFACTORY TO THE MANAGER.

OPERATING AGREEMENT OF
SALEM MEDIA OF NEW YORK, LLC,
A DELAWARE LIMITED LIABILITY COMPANY

THIS OPERATING AGREEMENT OF SALEM MEDIA OF NEW YORK, LLC, a Delaware limited liability company ("Agreement"), is entered into effective as of March 9, 2001, by and between SALEM MEDIA CORPORATION, a New York corporation (the "Manager"), and SALEM RADIO OPERATIONS, LLC, a Delaware limited liability company ("SRO"). The Manager and SRO are sometimes referred to collectively as the "Members" or the "parties" and individually as a "Member" or a "party". In consideration of the mutual covenants in this Agreement, the Members agree as follows.

ARTICLE 1

ORGANIZATION AND PURPOSE

1.1 Formation. The Members have formed Salem Media of New York, LLC (the "Company") as a limited liability company pursuant to the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101 et seq. (as from time to time amended including any successor statute of similar import, the "Act"), subject to the terms contained in this Agreement. The business and affairs of the Company shall be managed by one Manager.

1.2 Name. The name of the Company is "Salem Media of New York, LLC" and all business of the Company will be conducted under the name of the Company. The Manager may change the Company's name and all of the Members shall be notified of such change.

1.3 Purpose. The business of the Company is to (a) acquire, own, hold, operate, finance, refinance, maintain, manage, develop, lease and/or sell the radio broadcasting businesses heretofore owned and operated by the Manager commonly known as stations WMCA-AM and WWDJ-AM (the "Business") and (b) engage in any other legal activity which a limited liability company is permitted to do pursuant to the Act, all as the Manager shall reasonably determine.

1.4 Registered Office and Registered Agent. The Company's initial office shall be at 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012. The Company's registered agent in Delaware shall be National Registered Agents, Inc. and its registered office in Delaware shall be 9 East Loockerman Street, City of Dover, County of Kent, State of Delaware. The Company shall be qualified to do business in the State of New Jersey. The Company's registered agent in New Jersey shall be National Registered Agents, Inc. of NJ and its registered office in New Jersey shall be 51 Everett Drive, Suite 107B, P.O. Box 927, West Windsor, New Jersey 08550-0927. The registered office and agent of the Company in either or both of Delaware or New Jersey may be changed from time to time by the Manager by filing the address of the new registered office and/or the name of the new agent with the appropriate Secretary of State pursuant to the laws of that state.

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1.5 Addresses of Members. The addresses of the Members are set forth on the signature pages of this Agreement.

1.6 Term. The Company's term shall commence upon the filing with the Delaware Secretary of State of a "Certificate of Formation" and will terminate on December 31, 2050, subject to earlier termination upon an event of termination otherwise provided by this Agreement or by law.

1.7 Documents. The Company will execute and file the documents necessary to comply with the requirements of the Act and the other laws of

Delaware for the formation, continuation and operation of limited liability companies. The Members agree to execute all documents and to undertake all other acts, as reasonably may be deemed necessary by the Manager, in order to comply with the requirements of the laws of Delaware for the formation, continuation and operation of limited liability companies. The Manager will further execute and file the documents necessary to qualify the Company to do business in New Jersey and any other jurisdictions in which the Company shall do business.

1.8 Membership Interest. "Membership Interest" shall mean a Member's rights in the Company, collectively, including such Member's economic interest, any right to vote and participate in management, and any right to information concerning the business and affairs of the Company provided under this Agreement or the Act.

ARTICLE 2

CAPITAL

2.1 Members' Capital Contributions. Concurrently with the execution of this Agreement, (a) the Manager shall contribute all of the assets of the Business and all related leases and contracts to the capital of the Company subject to all existing liabilities of the Business, and (b) SRO shall contribute cash in the amount of \$1,000,000 to the capital of the Company. The Members shall not be obligated to contribute any additional capital to the Company.

2.2 Liability. No Member or Manager is liable to any other Member for the repayment of any Member's capital contributions and, except as otherwise provided in Section 2.1 of this Agreement, no Member is obligated to make any advances or contributions of capital to the Company. Except as otherwise provided in this Agreement or as required by law, the Members and Manager will not be liable for any of the debts of the Company.

2.3 No Interest on Capital. Except as otherwise provided in this Agreement, no interest will be paid to the Members on capital contributions or on "Capital Account" (defined below) balances.

2.4 Return of Capital. Except as otherwise provided in this Agreement, no

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time has been agreed upon for the contributions of the Members to be returned to them. The Manager does not, in any way, guarantee the return of the Members' capital contributions or a profit for the Members from the operations of the Company. The Members have no right to demand and receive property other than cash in return for the Members' capital contributions.

2.5 Loans from Members. Any Member may advance funds to the Company if funds are deemed necessary by the Manager. The advances will be evidenced by the Company's note payable to the lending Member. The note will provide for a rate of interest mutually acceptable to the Manager and the Member advancing funds to the Company; provided, however, such rate of interest shall be commercially reasonable.

2.6 Capital Accounts. A "Capital Account" shall be maintained for each Member in accordance with the provisions of Paragraph 1 of Exhibit "A".

2.7 Membership Percentages. The "Membership Percentages" of the Members are as follows:

<TABLE>
<CAPTION>

MEMBER -----	MEMBERSHIP PERCENTAGE -----
<S>	<C>
Salem Radio Operations, LLC	1%
Salem Media Corporation	99%

Total	100%
	====

</TABLE>

2.8 Majority-in-Interest. For purposes of this Agreement, a "Majority-in-Interest" of the Members shall mean those Members then owning more than 50% of the Membership Percentages then owned by all of the Members who are then entitled to vote. Except as otherwise provided in this Agreement or by the Act, all decisions of the Members shall be made by a Majority-in-Interest of the Members.

ARTICLE 3

PROFITS, LOSSES AND DISTRIBUTIONS

3.1 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

3.1.1 "Distributable Cash" is all cash of the Company (including without limitation cash from the sale of any or all of the Company property) less (i) the amount necessary for payment of all costs, expenses, obligations and liabilities of the Company then due (including any then due advances to the Company by the Members) and (ii) the amount deemed necessary

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by the Manager, in the exercise of its reasonable discretion, for the operation of the Company and to establish a reserve for the payment of foreseen or unforeseen costs, expenses, obligations or liabilities of the Company.

3.1.2 The "Profits" and "Losses" of the Company (as determined for book purposes) shall be calculated in accordance with Paragraph 1.2.3 of attached Exhibit "A".

3.1.3 The "Accounting Period" of the Company will be each period commencing on the first day following the last day of the immediately preceding Accounting Period (which for the Company's first fiscal year shall be deemed to be the date of the commencement of the Company) and ending on December 31 (which shall also be the Company's fiscal year end), unless another fiscal year is selected by the Manager and permission to change to such other fiscal year is granted by the Internal Revenue Service.

3.2 Allocation of Profits: Except as otherwise provided in Exhibit "A" to this Agreement, Profits for any Accounting Period shall be allocated among the Members in the ratio of their respective Membership Percentages.

3.3 Allocation of Losses: Except as otherwise provided in Exhibit "A" to this Agreement, Losses for any Accounting Period shall be allocated among the Members in the ratio of their respective Membership Percentages.

3.4 Distributions and Payments: For each Accounting Period, on a cumulative basis, Distributable Cash shall be paid and distributed to the Members in the ratio of their respective Membership Percentages.

3.5 Identity of Distributees. Distributions shall be made only to persons who, according to the books and records of the Company, are the owners of record of Membership Interests on a date to be determined by the Manager. Neither the Manager nor the Company shall incur any liability for making distributions in accordance with the preceding sentence, whether or not the Manager has knowledge or notice of any transfer of ownership of any Membership Interests.

3.6 Time of Distributions. Distributions shall be made to the Members as soon as possible after the Manager's determination of the availability of cash for such purposes, which determination shall be within the reasonable discretion of the Manager.

3.7 Sharing Between Transferor and Transferee. If a Membership Interest is transferred, the income, gains, losses and deductions allocable to the Membership Interest transferred for the Accounting Period during which the transfer occurred will be allocated between the transferor and transferee of the Membership Interest in proportion to the time during the Accounting Period that the Membership Interest was owned by the transferor and transferee. Credits shall be allocated to the Member who owned the Membership Interest at the time that the

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property giving rise to the credit was placed in service. Each transferee will be credited with the Capital Account of the transferee's transferor. If a transferor transfers less than all of the transferor's Membership Interest, the Capital Account will be allocated in proportion to the fraction of the Membership Interest respectively transferred and retained.

ARTICLE 4

REIMBURSEMENT OF MANAGER'S EXPENSES

AND INDEMNIFICATION OF MANAGER

The Company will reimburse the Manager for all ordinary and necessary operating expenses incurred by the Manager in carrying on the Company's business. The Manager shall not be liable to the Company or to any Member for any act or omission suffered or taken by the Manager in good faith, and the Manager shall be fully protected and indemnified by the Company against all liabilities and losses suffered by virtue of its status as the Manager, including amounts paid in respect of judgments, fines or in settlement of litigation and expenses reasonably incurred by the Company or the Manager in connection with any pending or threatened litigation or proceeding, with respect to any action or omission suffered or taken, including but not limited to any action taken by the Manager in the formation and operation of the Company or in the financing, refinancing, improvement and sale of any assets of the Company, liabilities arising under the "IRC" (as defined below) and the Manager's activities as the "TMP" (as defined below), provided that (i) the acts or omissions do not constitute gross negligence, fraud or criminal act by such Manager, and (ii) the satisfaction of any indemnification and saving harmless will be from and limited to Company assets. No Member will have any personal liability on account of the indemnification and saving harmless of the Manager. To the extent that the acts or omissions of the Manager constitute gross negligence, fraud or criminal act, the Manager shall indemnify and save harmless the Company and the Members from any loss or damage occasioned thereby (including, without limitation, reasonable attorneys' fees). The Manager shall not be liable to the Company or any Member because any taxing authorities disallow or adjust any deductions, losses, credits or items of income or gain in the Company's or any Member's income tax returns.

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ARTICLE 5

RIGHTS AND OBLIGATIONS OF MANAGER

5.1 Manager to Manage Business. The business and affairs of the Company shall be managed by one Manager. The Manager shall be SALEM MEDIA CORPORATION, a New York corporation, who shall serve as Manager until its dissolution, resignation or removal. The Manager shall direct, manage and control the business of the Company to the best of its ability and shall devote such portion of its time and attention to the conduct of the business of the Company as is necessary to carry out the purposes and business of the Company.

5.2 Powers of the Manager. The Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business, including, but not limited to the power:

5.2.1 To encumber all or less than all Company assets or rights;

5.2.2 To make all decisions concerning the operational aspects of the Company;

5.2.3 To execute and deliver all leases, contracts, deeds and other instrumentation and documentation in connection with the operations or business of the Company;

5.2.4 To borrow money on behalf of the Company and to execute and deliver in the name of the Company notes evidencing such borrowings and mortgages, deeds of trust and any other security instruments securing such borrowings;

5.2.5 To pay from Company assets all expenses of organizing and conducting the business of the Company, including without limitation, legal and accounting fees and costs;

5.2.6 To execute any and all other instruments and take any and all other action necessary or desirable to carry out the purposes and business of the Company;

5.2.7 To sell, transfer, convey and/or exchange all or any portion of the property or assets of the Company; and

5.2.8 To do any other lawful act or thing in furtherance of the Company's business.

5.3 Restrictions on Authority of the Manager. The Manager shall not have the

authority or right to do any of the following acts:

5.3.1 To act in contravention of this Agreement.

5.3.2 To act in any manner that would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Agreement;

5.3.3 To possess property, or assign rights in specific property, for other than a Company purpose; or

5.3.4 To knowingly perform any act that would cause the Company to conduct business in a state which has neither enacted legislation which permits limited liability companies to organize in such state nor permits the Company to register to do business in such state as a foreign limited liability company.

5.4 Right to Rely on the Manager. The Manager shall have the absolute authority to bind the Company by its signature alone and anyone dealing with the Company shall have the right to rely on such authority. Except as otherwise expressly authorized by this Agreement or by the Manager, no Member (other than the Manager), attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable pecuniarily for any purpose. Any person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Manager as to: the identity of the Manager or any Member; the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company; the persons and/or entities who are authorized to execute and deliver any instrument or document of the Company; or any act or failure to act by the Company or any other matter whatsoever involving the Company or any Member.

5.5 Manager Has No Exclusive Duty to Company. The Manager shall not be required to manage the Company as its sole and exclusive function. Subject to the fulfillment of the Manager's obligations pursuant to this Agreement, the Manager may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Manager or to the income or proceeds derived therefrom. The Manager shall not incur any liability to the Company or to any of the Members as a result of engaging in any other business or venture.

5.6 Affiliates. The Manager may, in the Manager's absolute discretion, employ an Affiliate in any capacity on a basis comparable to that which could be arranged with unaffiliated third parties for comparable service. Any Affiliate employed by the Company shall have the absolute right (but not the obligation) to contract with independent third parties in connection with the performance of the foregoing service. For purposes of this Agreement, an

"Affiliate" shall include any and all firms and entities, including, without limitation, corporations, partnerships, joint ventures, trusts, limited liability companies and associations, which are directly or indirectly owned or controlled, in whole or in part, by or in common with, any Member or Members or Manager and/or any of such entities or any combination of any such persons or entities.

5.7 Removal.

5.7.1 The "removal" of the Manager shall automatically take place in the event that any of the following occurs:

5.7.1.1 The Manager becoming bankrupt. The Manager shall be deemed to be bankrupt upon: (a) the filing of an application by the Manager for, or its consent to, the appointment of a trustee, receiver, or custodian of its assets; (b) the entry of an order for relief with respect to the Manager in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by the Manager of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver or custodian of the assets of the Manager unless the proceedings and the trustee, receiver or custodian appointed are dismissed within ninety (90) days; or (e) the failure by the Manager generally to pay its debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of its inability to pay its debts as they become due.

5.7.1.2 The Manager is dissolved.

5.7.2 The removal of a Manager shall not affect such Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.8 Vacancies. Upon any vacancy occurring for any reason in the office of Manager of the Company, the vacancy may be filled by the affirmative vote of a Majority-in-Interest of the Members.

5.9 Officers. The Manager may appoint and/or remove officers of the company from time to time in its sole and absolute discretion. Each officer shall have the title and authority designated by the Manager.

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ARTICLE 6

MEETINGS OF MEMBERS

6.1 Meetings. Any Member may call a meeting at any time on not less than five (5) business days' prior written notice to all Members. Any notice for a meeting must identify the nature of the business to be discussed at such meeting.

6.2 Designees. Any Member may at any time, and from time to time, by written notice to the other Members, designate a person ("Designee") to act on its behalf at any meeting of the Members. Such Designee shall have all of the voting rights of such Member. A Member who has named a Designee may subsequently revoke such designation and may, at the same time or subsequently, name a replacement Designee.

6.3 Meeting of all Members. If all of the Members shall meet at any time and place, either within or outside of the State of Delaware and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken.

6.4 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Paragraph 6.4, such determination shall apply to any adjournment.

6.5 Quorum. A Majority-In-Interest of the Members, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Membership Percentages so represented may adjourn the meeting from time to time for a period not to exceed 60 days without further notice. However, if the adjournment is for more than 60 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Membership Percentages whose absence would cause less than a quorum.

6.6 Manner of Acting. If a quorum is present, the affirmative vote of Majority-in-Interest of the Members (whether or not all are present) shall be the act of the Members, unless the vote of a greater proportion or number is otherwise required by the Act, by

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the Articles of Organization, or by this Agreement. Unless otherwise expressly provided in this Agreement or required under applicable law, Members who have an interest (economic or otherwise) in the outcome of any particular matter upon which the Members are being asked to vote or consent may vote or consent upon any such matter and their Membership Percentage, vote or consent, as the case may be, shall be counted in the determination of whether the requisite matter was approved by the Members.

6.7 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Members of the Company before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

6.8 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents signed by all Members.

6.9 Waiver of Notice. When any notice is required to be given to any Member, a waiver in writing signed by the person entitled to such notice, whether before, at, or after the time stated in such notice shall be equivalent to the giving of such notice.

ARTICLE 7

ADMISSION AND WITHDRAWAL OF MEMBERS AND TRANSFER OF MEMBERSHIP INTERESTS

7.1 Definitions.

7.1.1 "Admission" means the addition of a new Member to the Company.

7.1.2 "Transfer" means the transfer, alienation, sale, assignment, pledge or other disposition or encumbrance of all or any part of a Membership Interest, whether voluntarily or involuntarily.

7.1.3 The term "Associate" shall mean with respect to any Member (i) any other Member, (ii) any beneficiary of a trust which is a Member, (iii) any spouse or adult lineal ascendants or descendants of any such Member or beneficiary, or a trust for his or her or their benefit (including minor descendants), and (iv) any and all firms and entities, including, without limitation, corporations, limited liability companies, partnerships, joint ventures, trusts and associations, which are directly or indirectly owned or controlled by, or in common with, one or

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more of the previously identified persons.

7.2 Transfer and Admission.

7.2.1 Transfer. Except as otherwise provided in this Agreement, no Member may effect a Transfer of any Membership Interest except for (i) Transfers to Associates, (ii) Transfers previously approved in writing by the Manager, which approval may be withheld in the Manager's absolute discretion, and (iii) Transfers to persons pursuant to Paragraph 7.4 (entitled "Right of First Refusal") (collectively referred to as "Permitted Transfers"); provided, however, that (a) all such Permitted Transfers must be made in full compliance with all requirements contained in this Agreement and (b) no Member may transfer all or any part of such Member's Membership Interest to a minor or an incompetent unless the Transfer is to a trust, guardianship, or other legal entity formed for the benefit of the incapacitated party. Any Transfer of a Membership Interest which does not comply with the provisions of this Agreement shall be invalid and shall not vest any interest in the transferee.

7.2.2 Admission. Except as otherwise provided in this Agreement, a person shall become a Member only upon (i) the approval of the Manager, which approval may be withheld in the Manager's absolute discretion, and (ii) the person executing any and all documents reasonably requested by the Manager, including without limitation an agreement by which such person shall be bound by all of the provisions of this Agreement. Notwithstanding the foregoing, if a Member transfers a Membership Interest to an Associate or a Membership Interest is transferred to a successor upon the death of a Member, the Associate or the successor shall be entitled to Admission without the approval of the Manager, provided that all other requirements contained in this Agreement must be complied with prior to such Admission.

7.2.3 Admission Date. Any Admission shall be deemed to occur effective either (i) if the Admission occurs from the first through the 15th day of the month, then on the first day of the calendar month in which the admission occurs or (ii) if the Admission occurs from the 16th through the last day of the month, then on the first day of the calendar month after the month in which the Admission occurs.

7.2.4 Additional Requirements. No Transfer or Admission shall be permitted (i) if the proposed Transfer, transferee or Admission will, or could, impair the ability of the Company to be taxed as a partnership under the Federal income tax laws, or (ii) if the Transfer or Admission will, or could, cause the Company's tax year to close or the Company to terminate for Federal income tax purposes, and (iii) no Admission shall be permitted unless the proposed Member has acknowledged in writing the liabilities of the transferor and the Company which cannot be ascertained from this Agreement.

7.2.5 Necessary Amendments. In the event of the

Admission of a Member or a Permitted Transfer by a Member, this Agreement will be promptly amended as necessary to reflect any changes in the profit and loss allocations of Members, to reflect the

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capital contributions of the newly admitted Member and to set forth any new provisions or to amend any existing provisions of this Agreement which may be necessary or desirable in light of the Admission of a Member or Transfer by a Member.

7.2.6 Enforceability of Transfer Restrictions. Each Member acknowledges the reasonableness of the restrictions on the transferability of Membership Interests imposed by this Agreement in view of the Company purposes and the relationship of the Members. Accordingly, the restrictions on transferability contained in this Agreement shall be specifically enforceable.

7.3 Members and Assignees.

7.3.1 Rights of Admitted Member. A transferee who becomes a Member succeeds to all of the rights and powers and is subject to all of the obligations, restrictions and liabilities of a Member for the Membership Interest which is acquired by the transferee;

7.3.2 Rights of Assignee. A transferee who does not become a Member ("Assignee") will be entitled only to (i) receive, to the extent assigned, the distributions and the allocations of income, gains, losses, deductions, credit or similar items to which the assignor would be entitled and (ii) require information and accounts of Company transactions and to inspect the Company books only as required by the Act, and an Assignee shall have no other rights or powers of a Member. An Assignee nevertheless is subject to all of the provisions of this Agreement and to all of the obligations, restrictions and liabilities under this Agreement for the Membership Interest acquired.

7.3.3 Duties of Assignor. Until the time when the transferee of a Membership Interest becomes a Member, the transferor of the Membership Interest remains subject to all of the obligations, restrictions and liabilities under this Agreement for the Membership Interest and retains all rights and powers of a Member for the Membership Interest other than the right to receive cash and in kind distributions and the return of capital contributions.

7.4 Right of First Refusal.

7.4.1 A Member ("Selling Member") who desires to sell all or any portion of such Member's Membership Interest (the "Offered Interest") to a third party purchaser ("Third Party") shall obtain from such Third Party a bona fide written offer to purchase such Offered Interest stating the price and other terms and conditions for the proposed purchase (the "Offer"). The Selling Member shall give written notification to the remaining Members of the Selling Member's intention to so transfer the Offered Interest (the "Offer Notice") and shall include with the Offer Notice a copy of the Offer.

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7.4.2 The remaining Members shall have the right to exercise a right of first refusal to purchase, in proportion to the Membership Percentages of the remaining Members who exercise such right, all (but not less than all) of the Offered Interest upon the same terms and conditions as stated in the Offer by giving written notification to the Selling Member of their exercise of such right (the "Exercise Notice") within 30 days after the Offer Notice is given. If any of the remaining Members (in the aggregate) exercise their right to purchase all of the Offered Interest, then the transaction shall close within 90 days after the date upon which the last Exercise Notice is given. If no remaining Members exercise their right to purchase all of the Offered Interest, then the Selling Member may sell the Offered Interest on the terms and conditions stated in the Offer to the purchaser named in the Offer within 120 days after the Offer Notice is given. The purchaser shall become either a Member or an Assignee in accordance with Paragraph 7.2 (entitled "Transfer and Admission") and shall not otherwise be entitled to Admission. Whether or not the Offered Interest is so sold, it shall remain subject to all of the terms and conditions of this Agreement, including without limitation this Paragraph 7.4.

7.5 Withdrawal. No Member may withdraw or resign from the Company or take any other voluntary action which would cause the dissolution of the Company without the consent of the Manager, which consent may be withheld in its absolute discretion.

7.6 Death of a Member. Upon the death of a Member who is an

individual, the Membership Interest of the deceased Member shall be transferred to his or her lawful successor(s)-in-interest. Any such successor shall become a Member in accordance with the provisions of this Article 7.

ARTICLE 8

DISSOLUTION AND LIQUIDATION

8.1 Events of Termination: The Company shall, unless otherwise provided, terminate and dissolve on the happening of any of the following events:

8.1.1 Expiration. When the period fixed for the duration of the Company shall expire pursuant to Paragraph 1.6 (entitled "Term");

8.1.2 Consent. By the consent in writing of the Manager and a Majority-in-Interest of the Members; or

8.1.3 Statutory Dissolution. The happening of any events set forth in Section 18-801 of the Act, unless the business of the Company is continued by the consent of a Majority-in-Interest of the remaining Members within 90 days after the happening of that event and there are at least two remaining Members.

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8.2 Winding Up Affairs and Liquidations. Upon the termination and dissolution of the Company, the Manager or the persons required or permitted by law to carry out the winding up of the affairs of the Company ("Liquidator") will promptly notify all Members of such dissolution; shall proceed to the liquidation of the assets of the Company by converting such assets to cash insofar as deemed practicable by the Manager or the Liquidator; will wind up the affairs of the Company; and, after paying or providing for the payment of all liabilities and obligations of the Company, will distribute the proceeds of liquidation and other assets of the Company as provided by law and the terms of this Agreement. Upon the dissolution of the Company as the result of the occurrence of an event described in Paragraph 8.1 (entitled "Events of Termination"), the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a Certificate of Dissolution. Upon the completion of the winding up of the affairs of the Company, the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a Certificate of Cancellation of Certificate of Formation.

8.3 Continuation of Business for Purpose of Winding Up Affairs. Upon the filing with the Delaware Secretary of State of a Certificate of Dissolution, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business.

8.4 Distributions on Dissolution. The proceeds of liquidation and other assets of the Company shall be applied and distributed in the following order of priority:

8.4.1 Debts. To the payment of debts and liabilities of the Company (other than any loans and advances that may have been made by any of the Members, or amounts owing to any of the Members) and the expenses of liquidation;

8.4.2 Reserves. To the setting up of any reserves that the Manager or Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company, which reserves shall be paid over to an escrow holder designated by the Manager or Liquidator to be held for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies, and, at the expiration of such period, as the Manager or the Liquidator shall deem advisable, to distribute the balance thereafter remaining in the manner hereinafter provided;

8.4.3 Member Loans. To the payment of any loans or advances that may have been made by any of the Members; and

8.4.4 Members. Any balance then remaining will be distributed to the Members in accordance with Paragraph 3.4 (entitled "Distributions and Payments").

8.5 Assets Other Than Cash. Assets of the Company may be distributed in kind on the basis of the then fair market value of such assets as determined by agreement of the Members, and if no such agreement of value is reached within 30 days, then such value shall be

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determined by an independent appraiser appointed by the Members (the cost and expense of said appraisal to be borne by the Company). If agreed to by all the Members, distributions in-kind will be made to the Members as tenants-in-common. For purposes of making such distribution only, the unrealized profit or loss on any such asset (based on its fair market value) shall be first allocated among the Members and the distribution of the asset shall be treated as a distribution of cash equal to the fair market value of such asset.

ARTICLE 9

FISCAL MATTERS

9.1 Books and Journals. The Company will maintain full and accurate books of the Company at the offices of the Company, showing all receipts and expenditures, assets and liabilities, Profits and Losses, and all other records necessary for recording the Company's business and affairs or required by the Act. Each Member and such Member's duly authorized representatives shall, during normal business hours, have access to and may inspect and copy any of such books and records. Furthermore, upon the request of any Member, copies of any portion of such books and records shall be delivered to such Member at such Member's sole cost and expense.

9.2 Accountants. The accountants shall be such firm of certified public accountants as may be selected by the Manager.

9.3 Reports to Members. Within 90 days after the end of each fiscal year, each Member shall be furnished a copy of the foreign, federal and state income tax information returns of the Company for the preceding fiscal year showing each Member's distributive share of each item of income, gain, loss, deduction, credit or preference which a Member is required to take into account separately on such Member's foreign, federal and state income tax returns.

9.4 Bank Accounts. All funds of the Company will be deposited in its name and in such bank accounts as the Manager shall reasonably determine.

9.5 Accounting Decisions. All decisions as to accounting matters, except as specifically provided to the contrary in this Agreement, will be made by the Company's accountants subject to the approval of the Manager.

9.6 Federal Income Tax Elections. The Manager shall cause the Company to make an election (or consent to any such election by a Member) pursuant to any of IRC Sections 732(d) and/or 754 (or corresponding provisions of succeeding law or state law), as may be determined by the Manager in the Manager's sole, absolute and arbitrary discretion, except to the extent otherwise directed by this Agreement.

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ARTICLE 10

MISCELLANEOUS PROVISIONS

10.1 Notices. Any notice required under this Agreement shall be given in writing (at the addresses set forth on the signature page for Members and at Company's registered office for the Company) by any of the following means: (i) personal service; (ii) electronic communicating by telegram, telecopying or fax transmission; (iii) overnight courier; or (iv) registered or certified, first class mail, postage prepaid with return receipt requested. Such addresses may be changed by notice to the other parties given in the same manner as above provided. Any notice sent pursuant to either (i) or (ii), above, shall be deemed received upon such personal service or upon confirmation of receipt by electronic means (unless confirmation occurs after 4:00 P.M. on the day sent or the day sent is not a business day, in either of which events confirmation shall be deemed to occur on the next following business day). Any notice sent pursuant to (iii), above, shall be deemed received on the next business day following deposit with the overnight courier, and any notice sent pursuant to (iv), above, shall be deemed received two (2) business days following deposit in the mail.

10.2 Limited Power of Attorney. Each Member, by such Member's execution of this Agreement, irrevocably constitutes and appoints the Manager as such Member's true and lawful attorney and agent, with full power and authority in such Member's name, place and stead only to execute, acknowledge and deliver and to file or record in any appropriate public office: (i) any certificate or other instrument which may be necessary, desirable or appropriate to qualify or to continue the Company as a limited liability company or to transact business as a limited liability company in any jurisdiction in which the Company conducts business; (ii) any amendment to this Agreement or to any certificate or other instrument which may be necessary, desirable or appropriate to reflect an Admission, Transfer, withdrawal or any additional capital contributions, all in accordance with the provisions of this Agreement; and (iii) any certificates or

instruments which may be appropriate, necessary or desirable to reflect the dissolution and termination of the Company. This power of attorney will be deemed to be coupled with an interest and will survive the transfer by any Member of such Member's Membership Interest. Notwithstanding the existence of this power of attorney, each Member agrees to join in the execution, acknowledgment and delivery of the instruments referred to above if requested to do so by the Members. This power of attorney granted to the Manager is a limited power of attorney that does not authorize the Manager to act on behalf of any Member except to execute the documents described in this Paragraph 11.2.

10.3 Integration. This Agreement sets forth the entire agreement between the parties with regard to the subject matter of this Agreement. All agreements, covenants, representations and warranties, express and implied, oral and written, of the parties with regard to the subject matter of this Agreement are contained in this Agreement and the documents referred to in this Agreement or implementing the provisions of this Agreement. No other agreements,

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covenants, representations or warranties, express or implied, oral or written, have been made by any Member to the other with respect to the subject matter of this Agreement. All prior and contemporaneous conversations, negotiations, possible and alleged agreements and representations, covenants, and warranties with respect to the subject matter of this Agreement are waived, merged in this Agreement and/or the other referenced documents and superseded by this Agreement. This is an integrated agreement.

10.4 Applicable Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Delaware.

10.5 Counterparts. This Agreement may be executed in counterparts and all counterparts so executed shall constitute one Agreement binding on all the parties. It shall not be necessary for each Member to execute the same counterpart.

10.6 Severability. In case any one or more of the provisions contained in this Agreement or any application of the provisions shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions or the remaining applications will not in any way be affected or impaired.

10.7 Captions. The captions and headings in this Agreement are for convenience only and will not be considered in interpreting any provision of this Agreement.

10.8 Binding Effect. Except as otherwise provided to the contrary, this Agreement will be binding upon, and inure to the benefit of, the Members and their respective heirs, executors, administrators, successors and assigns.

10.9 Gender and Number. Whenever required by the context, the singular will be deemed to include the plural, and the plural will be deemed to include the singular, and the masculine, feminine and neuter genders will each be deemed to include the other.

10.10 Amendment. Except as otherwise permitted in this Agreement, this Agreement may be amended in whole or in part only by an agreement in writing signed by all of the Members.

10.11 Exhibits. All attached Exhibits are incorporated in this Agreement by reference as though fully set forth in this Agreement.

10.12 Interpretation. No provision of this Agreement is to be interpreted for or against any Member because that Member or that Member's legal representative drafted such provision. The term "including" shall not be limiting and shall mean "including but not limited to."

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10.13 Company Tax Audits. The Manager is designated as the Company's "Tax Matters Partner" ("TMP") in accordance with the provisions of IRC Section 6231(a)(7).

10.14 Waiver of Action for Partition. Each Member irrevocably waives any right that such Member may have to maintain any action for partition of the Company or any of its property during the term of the Company. Each Member hereby acknowledges having been previously advised as to his or her partition rights and further acknowledges entering into this Agreement in reliance on the waiver of these rights by each other Member.

10.15 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any Member shall not preclude or waive the right to use any or all other remedies. All rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

10.16 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

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

ADDRESS
- -----

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

MANAGER

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

[signatures continued on the following page]

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[signatures continued from previous page]

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

SALEM RADIO OPERATIONS, LLC, a
Delaware limited liability company

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

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EXHIBIT "A"

ALLOCATION PROVISIONS

1. Capital Accounts and Definitions.

1.1 Capital Account. A Capital Account shall be maintained for each Member in accordance with Regulations Section 1.704-1(b)(2)(iv). If the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits to the Capital Accounts (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or a Member), are computed in order to comply with such Regulations, the Manager may make such modification, provided that the modification is not likely to have a material affect on the amounts distributable to any Member pursuant to Article 9 of this Agreement upon the dissolution of the Company. The Manager also shall make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b)(2)(iv).

1.2 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

1.2.1 Depreciation. "Depreciation" means, for each

Accounting Period (as defined below) of the Company, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Accounting Period, except that if the "Gross Asset Value" (defined below) of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Accounting Period, Depreciation shall, in accordance with Regulations Section 1.704-1(b)(2)(iv)(g)(3), be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if such asset has a zero adjusted tax basis, Depreciation shall be determined using any reasonable method selected by the Members.

1.2.2 Gross Asset Value. "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

1.2.2.1 Initial Value. The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset at the time of contribution, as mutually agreed by the contributing Member and the Manager.

1.2.2.2 Adjustments. The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (i) the acquisition of an additional interest in the Company

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by any new or existing Member in exchange for more than a de minimis capital contribution; (ii) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (i) and (ii) above shall be made only if the Manager reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

1.2.2.3 Distributions. The Gross Asset Value of any Company asset distributed to any Member shall be the gross fair market value of such asset on the date of distribution; and

1.2.2.4 Special Adjustments. The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to IRC Section 734(b) or IRC Section 743(b), but only to the extent that such adjustments are required to be taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and subparagraph 2.4 of this Exhibit "A"; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph 1.2.2.4 to the extent the Manager determines that an adjustment pursuant to subparagraph 1.2.2.2 of this Exhibit "A" is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph 1.2.2.4. If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraphs 1.2.2.1 or 1.2.2.2 of this Exhibit "A" or this subparagraph 1.2.2.4, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing "Profits" and "Losses" (as defined below).

1.2.2.5 Manager's Determination. Except as otherwise provided in subparagraph 1.2.2.1 of this Exhibit "A", for purposes of determining the Gross Asset Value of any Company asset, the reasonable determination of the Manager shall control.

1.2.3 Profits and Losses. "Profits" and "Losses" means, for each Accounting Period of the Company, an amount equal to the Company's taxable income or loss for such year, determined in accordance with IRC Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to IRC Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

1.2.3.1 Income. Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this subparagraph 1.2.3 shall be added to such taxable income or loss;

1.2.3.2 Special Expenditures. Any expenditures of the Company described in IRC Section 705(a)(2)(B) or treated as IRC Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or

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Losses pursuant to this subparagraph 1.2.3 shall be subtracted from such taxable income or loss;

1.2.3.3 Disposition. If the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph 1.2.2.2 or subparagraph 1.2.2.3 of this Exhibit "A", the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset;

1.2.3.4 Gross Asset Value Adjustment. Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

1.2.3.5 Special Depreciation. In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Accounting Period, computed in accordance with subparagraph 1.2.1 of this Exhibit "A"; and

1.2.3.6 Special Allocations. Notwithstanding any other provision of this Paragraph 1, any items which are specially allocated pursuant to Paragraphs 2 or 3 of this Exhibit "A" shall not be taken into account in computing Profits or Losses.

1.2.4 Adjusted Capital Account Deficit. For purposes of this Agreement, "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Accounting Period after giving effect to the following adjustments:

1.2.4.1 Restoration Amounts. Credit to such Capital Account any amounts which such Member is obligated to restore pursuant to any provision of the Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g) (1) and 1.704-2(i) (5); and

1.2.4.2 Special Debits. Debit to such Capital Account the items described in Regulations 1.704-1(b) (2) (ii) (d) (4), 1.704-1(b) (2) (ii) (d) (5) and/or 1.704- 1(b) (2) (ii) (d) (6).

The definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b) (2) (ii) (d) and shall be interpreted consistently therewith.

2. Special Allocations: The following special allocations shall be made in the following order:

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2.1 Minimum Gain Chargeback. Each Member shall be specially allocated items of Company income and gain to the extent necessary to comply with the "minimum gain chargeback" requirements in Regulations Sections 1.704-2(f), (i) (4).

2.2 Qualified Income Offset. Each Member shall be specially allocated items of Company income and gain to the extent necessary to comply with the "qualified income offset" requirements in Regulations Section 1.704-1(b) (2) (d).

2.3 Recourse and Nonrecourse Debt. Each Member shall be specially allocated items of Company loss, deduction and IRC Section 705(a) (2) (B) expenditure to the extent necessary to comply with the allocation requirements for "partner nonrecourse deductions" and "nonrecourse deductions" in Regulations Sections 1.704-2(i), (c).

2.4 Special Tax Basis Adjustments. To the extent that Regulations Section 1.704-1(b) (2) (iv) (m) requires an adjustment to the adjusted tax basis of any Company property under IRC Sections 734(b) or 743(b) to be taken into account in determining Capital Accounts, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

2.5 Adjusted Capital Account Deficits. The Losses allocated pursuant to Paragraph 3.3 of this Agreement shall not exceed the maximum amount of Losses that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Accounting Period. In the event that some but not all of the Members would have Adjusted Capital Account

Deficits as a consequence of an allocation of Losses under Paragraph 3.2 of this Agreement, the limitation set forth in this Paragraph 2.5 shall be applied on a Member by Member basis so as to allocate the maximum permissible loss to each Member under Regulations Section 1.704-1(b)(2)(ii)(d).

3. Other Allocation Rules:

3.1 Method of Allocation. For any Company Accounting Period, all items of Company income, gain, loss, deduction and any other items not otherwise allocated pursuant to this Agreement shall be divided among the Members in the same proportions as they share Profits or Losses, as the case may be, for such Company Accounting Period.

3.2 Acknowledgment by Members. The Members are aware of the income tax consequences of the allocations made by Article 3 of this Agreement and this Exhibit "A" and agree to be bound by the provisions of Article 3 of this Agreement and this Exhibit "A" in reporting their shares of Company income and loss for income tax purposes.

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3.3 Contributed Property. In accordance with IRC Section 704(c) and the Regulations, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with subparagraph 1.2.2.1 of this Exhibit "A").

3.4 Tax Purposes. In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph 1.2.2.2 of this Exhibit "A", subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under IRC Section 704(c) and the Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Manager in a manner that reasonably reflects the purpose and intention of the Agreement. Allocations pursuant to this Paragraph 3 are solely for purposes of federal and state income taxes and shall not, except to the extent required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

3.5 Liquidation of Member's Interest. Upon liquidation of any Member's interest in the Company, the liquidating distributions shall be made in accordance with the positive Capital Account balances of the Members adjusted as otherwise required by the provisions of this Agreement. A liquidation of a Member's interest shall occur as required pursuant to Regulations Section 1.704-1(b)(2)(ii)(g).

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ENDORSED
STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 02:15 PM 12/18/2000
001634410 - 3331668

CERTIFICATE OF INCORPORATION

OF

SALEM RADIO OPERATION - PENNSYLVANIA, INC.

I, the undersigned, for the purpose of incorporating and organizing a corporation under the General Corporation Law of the State of Delaware do hereby certify as follows:

ARTICLE I

The name of this corporation is:

SALEM RADIO OPERATION - PENNSYLVANIA, INC.

ARTICLE II

The period of the corporation's duration is perpetual.

ARTICLE III

The purpose of this corporation is to engage in or transact any lawful activity or business for which corporations may be organized under the General Corporation Law of the State of Delaware and to exercise any powers permitted to corporations under the laws of the State of Delaware.

ARTICLE IV

This aggregate number of shares of capital stock which the corporation shall have authority to issue is One Thousand (1,000) shares of common stock at the par value of One Cent (\$.01) each. Cumulative voting of the shares is expressly prohibited. No stockholder shall have any preemptive right whatsoever.

ARTICLE V

The address of the corporation's initial registered office in the State of Delaware is 9 East Loockerman Street, Kent County, Dover, Delaware 19901.

The name of its initial registered agent at such address is: National Registered Agents, Inc.

ARTICLE VI

The names and addresses of the individuals who are to serve as the initial Directors until the first annual meeting of stockholders or until their successors shall be elected and qualified are as follows:

Edward G. Atsinger
4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

Jonathan L. Block
4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

ARTICLE VII

The name and mailing address of the incorporator is as follows:

David C. Ruth
Stowell, Zeilenga & Ruth LLP
2801 Townsgate Road
Suite 215
Westlake Village, CA 91361-3020

ARTICLE VIII

The powers of the incorporator shall terminate upon the filing of this Certificate of Incorporation.

ARTICLE IX

Directors need not be elected by written ballot unless required by the Bylaws of the corporation.

ARTICLE X

No director of the corporation shall be liable to the corporation or its stockholders for monetary damages for an act or omission in the director's capacity as a director, except for liability of a director for (i) a breach of a director's duty of loyalty to the corporation or its stockholders, (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (iii) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office, (iv) an act or omission for which the liability of a director is expressly provided for by statute, or (v) an act related to an unlawful stock repurchase or payment of a dividend. If the General Corporation Law of the State of Delaware, or other applicable law is amended to authorize corporate action further eliminating or limiting the liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, or other applicable law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders shall not adversely affect any right or protection of a director existing at the time of such repeal or modification.

ARTICLE XI

The corporation shall indemnify its directors to the fullest extent provided by the General Corporation Law of the State of Delaware.

IN WITNESS WHERE OF, I the undersigned, being the incorporator hereinabove named, do hereby execute this Certificate of Incorporation this 13th day of December, 2000.

/s/ David C. Ruth

David C. Ruth
Stowell, Zeilenga & Ruth LLP
2801 Townsgate Road
Suite 215
Westlake Village, CA 91361-3020

CERTIFICATE OF ADOPTION OF BYLAWS

BY INCORPORATOR

The undersigned person, acting as the Incorporator of Salem Radio Operations - Pennsylvania, Inc. in the Certificate of Incorporation, does hereby adopt the foregoing Bylaws, effective March 9, 2001, as the Bylaws of said corporation.

/s/ David C. Ruth
David C. Ruth, Incorporator

THIS IS TO CERTIFY:

That I am the duly-elected, qualified and acting Secretary or Assistant Secretary of Salem Radio Operations - Pennsylvania, Inc., that the foregoing Bylaws were adopted, on the date set forth above, as the Bylaws of said corporation by the person appointed in the Certificate of Incorporation to act as the Incorporator of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal this 9th day of March, 2001.

/s/ Jonathan L. Block

(CORPORATE SEAL)

BYLAWS

OF

SALEM RADIO OPERATIONS - PENNSYLVANIA, INC.

PREAMBLE

These Bylaws are subject to, and governed by, the Delaware General Corporation Law and the Certificate of Incorporation of Salem Radio Operations - Pennsylvania, Inc., a Delaware corporation (the "Corporation"). In the event of a direct conflict in the provisions of these Bylaws and the mandatory provisions of the Delaware General Corporation Law of the provisions of the Certificate of Incorporation of the Corporation, such provisions of the Delaware General Corporation Law of the Certificate of Incorporation of the Corporation, as the case may be, will be controlling.

ARTICLE I

Registered Office

Section 1.1 Registered Office and Agent. The registered office and registered agent of the Corporation in the State of Delaware shall be as designated from time to time by the appropriate filing by the Corporation in the office of the Secretary of State of the State of Delaware.

Section 1.2 Other Offices. The Corporation may also have offices at such other places, both within or without the State of Delaware, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE II

Meetings of Stockholders

Section 2.1 Place of Meetings. All meetings of the stockholders shall be held at the principal of the Corporation or at such other place within or without the State of Delaware as

may be determined by the Board of Directors and set forth in the respective notice or waivers of notice of such meeting.

Section 2.2 Annual Meeting. An annual meeting of stockholders of the Corporation shall be held each calendar year on such date and at such time as shall be designated from time to time by the Board of Directors and stated in

the notice of the meeting or a duly executed waiver of notice of such meeting. At each annual meeting, the stockholders shall elect by a plurality vote the directors to succeed those whose terms expire and transact such other business as may properly be brought before the meeting.

Section 2.3 Special Meeting. A special meeting of the stockholders may be called at any time by the Chairman of the Board, the President, a majority of the Board of Directors or the holder or holders of no less than ten percent (10%) of all shares entitled to vote at such meeting or as otherwise provided by the Certificate of Incorporation. If the Board of Directors consists of two directors, a special meeting may be called by one director. A special meeting shall be held on such date and at such time as shall be designated by the person(s) calling the meeting and stated in the notice of the meeting or a duly executed waiver of notice of such meeting. Only such business shall be transacted at a special meeting of stockholders as may be stated or indicated in the notice of such meeting or any duly executed waiver of notice of such meeting.

Section 2.4 Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of special meetings, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting except in the case of a meeting for the purpose of approving a merger or consolidation agreement, in which case the notice must be given not less than twenty (20) days prior to the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the officer or person calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the stockholder at his or her address as it appears on the stock transfer books of the Corporation, with postage prepaid. When a stockholder meeting is adjourned for thirty (30) days or more or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days and no new record date is fixed for such meeting, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the

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business to be transacted thereat if the place, date and time thereof are announced at the meeting at which the adjournment is taken.

Section 2.5 Waiver of Notice. Any notice required to be given to any stockholder under any provision of the Delaware General Corporation Law, the Certificate of Incorporation or Bylaws, need not be given to the stockholder if (a) notice of two consecutive annual meetings and all notices of meetings held during the period between those annual meetings, if any, or (b) all (but in no event less than two) payments (if sent by first class mail) of distributions or interest on securities during a twelve month period have been mailed to that person, addressed to his or her address as shown on the share transfer records of the Corporation, and have been returned as undeliverable. Any action or meeting taken or held without notice to such a person shall have the same force and effect as if the notice had been duly given, and if the action taken by the Corporation is reflected in any articles or document filed with the Secretary of State of the State of Delaware, those articles or that document may state that notice was duly given to all personal to whom notice was required to be given. In the event that the action taken by the Corporation is such as to require the filing of a certificate pursuant to the Delaware General Corporation Law, the certificate need not state that notice was given to persons to whom notice was not required to be given pursuant to this Section 2.5. If such a person delivers to the Corporation a written notice setting forth his or her then current address, the requirement that notice be given to that person shall be reinstated.

Section 2.6 Quorum. The holders of a majority of the shares entitled to vote at a meeting of stockholders, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by law or the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote at such meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the holders of the requisite amount of voting shares shall be present or represented. At such adjourned meeting at which the requisite amount of voting shares shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. In all matters other than the election of directors, the affirmative vote of the holders of a majority of the shares

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entitled to vote present in person or represented by proxy, at the meeting and entitled to vote on the subject matter shall be required to constitute the act of the stockholder meeting, unless the vote of a greater number is required by law, the Certificate of Incorporation or these Bylaws. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

Section 2.7 Voting and Proxies. At each meeting of stockholders, every stockholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such stockholder or his or her duly authorized officer, director, employee or agent and bearing a date not more than three (3) years prior to said meeting, unless said proxy provides for a longer period. Each proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with an interest as defined in Section 212(e) of the Delaware General Corporation Law. Each stockholder shall have one vote for each outstanding share of stock having power registered in his or her name on the books of the Corporation except to the extent that the voting rights of the shares of any class are limited or denied by the Delaware General Corporation Law or the Certificate of Incorporation. At any election of directors, every stockholder entitled to vote at any such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he or she has a right to vote. Stockholders of the Corporation are expressly prohibited from cumulating their votes in any election for directors of the Corporation.

Section 2.8 List of Stockholders Entitled to Vote. The Secretary shall make, at least ten (10) days before each meeting of stockholders, but in no event more than sixty (60) days before each meeting, a complete list of stockholders entitled to vote at such meeting, or any adjournment of such meeting, arranged in alphabetical order, with the address of and the number of shares held by each stockholder, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office or principal place of business of the Corporation and shall be subject to inspection by any stockholder, for any purpose germane to that meeting, at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any stockholder during the meeting. The original stock transfer book shall be the only evidence as to who are the stockholders entitled to examine such list or transfer book or to vote in person or by proxy at any such meeting of

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stockholders. The failure to comply with the requirements of this Section 2.8 shall not affect the validity of any action taken at such meeting.

Section 2.9 Record Dates.

(a) For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment of such meeting, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders, which date shall not precede the date on which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) days and less than ten (10) days prior to the date of such meeting. If no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, the record date shall be the close of business on the date next preceding the date on which notice of the meeting is mailed or, if notice is waived, the close of business on the date next preceding the date on which the meeting is held. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Section 2.9, such determination shall apply to any adjournment thereof; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) For the purpose of determining stockholders entitled to consent to action of the Corporation in writing without a meeting, the Board of Directors may fix in advance a record date of any such determination of stockholders, which date shall not precede the date on which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date is fixed for the determination of stockholders entitled to consent to action of the Corporation in writing, when no prior action is required by the Delaware General Corporation Law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business or the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the Delaware General corporation Law, the record date for

determining stockholders entitled to consent to action of the Corporation shall be at the close of business on the date on which the Board of Directors adopts the resolution relating thereto.

(c) for the purpose of determining stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix in advance a date as the record date for such purposes, which date shall not precede the date on which the resolution fixing the record date is adopted by the board of Directors, and which record date shall not be more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the date on which the board of Directors adopts the resolution relating thereto.

Section 2.10 Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors shall (unless an exemption from such requirement is available pursuant to Section 231(e) of the Delaware General Corporation Law, as amended, or other applicable law, in which event the board of Directors "may") appoint any persons, other than nominees for office, as inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election at the meeting. The number of inspectors shall be either one or three. If any person appointed as inspector fails to appear or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting, or at the meeting by the person acting as chairman. The inspectors of election shall (a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting and the voting power of such shares, the existence of a quorum, and the authenticity, validity and effect of proxies; (b) receive votes, ballots or consents; (c) determine and retain for a reasonable period of time all challenges and questions in any way arising in connection with the right to vote; (d) count and tabulate all votes or consents and determine the result; (e) certify their determination of the number of shares represented at the meeting; and (f) do such acts as may be proper to conduct the election or vote with fairness to all stockholders. The inspectors of election shall perform their duties impartially, in good faith, to the best of their abilities and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all inspectors of

election. On request of the chairman of the meeting or any stockholder or his or her proxy, the inspectors shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them is prima facie evidence of the facts stated therein. At every meeting of the stockholders, the Chairman of the Board, or in his or her absence, or in the event that the Board of Directors has not designated a Chairman of the Board, the President, or in his or her absence, the Vice President designated by the President, or, in the absence of such designation, a chairman (who shall be one of the Vice Presidents, if any is present) chosen by a majority in interest of the stockholders of the Corporation present in person or by proxy and entitled to vote, shall at as chairman. The Secretary, or in his or her absence, an Assistant Secretary, shall act as secretary of all meetings of the stockholders. In the absence at such meeting of the secretary or Assistant Secretary, the chairman may appoint another person to act as secretary of the meeting.

Section 2.11 Corporate Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its stockholders and Board of Directors and committees thereof, and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each. Any books, records and minutes may be in written form or in any other form capable of being converted into written form within a reasonable time. The Corporation shall convert any records so kept upon the request of any person entitled to inspect the same. Any person who shall have been a holder of record of shares for at least six (6) months immediately preceding his or her demand, or shall be the holder of record of at least five percent (5%) of all the outstanding shares of the Corporation, upon written demand stating the purpose thereof, shall have the right to examine, in person or by agent, accountant or attorney, at any reasonable time or times, for any proper purpose, the Corporation's relevant books and records of account, minutes and records of stockholders, and to make extracts therefrom.

Section 3.1 Number and Qualifications. The business and affairs of the Corporation shall be managed by a board of not less than one (1) director, as may be determined by the board of Directors or the stockholders from time to time. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Directors need not be stockholders nor residents of the State of Delaware.

Section 3.2 Election. At each annual meeting of the stockholders, the stockholders shall elect directors to hold office until the next succeeding annual meeting. Each director shall hold office for the term for which he or she is elected and until his or her successor shall be elected and qualified unless sooner removed by action of the stockholders.

Section 3.3 Vacancies. Vacancies and newly created directorships resulting from and increase in the authorized number of directors which occur between annual meetings of the stockholders may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the director(s) so elected shall hold office until the next annual meeting of the stockholders and until their successors are elected and qualified, except as otherwise required by law.

Section 3.4 Place of Meetings. All meetings of the Board of Directors of the Corporation may be held either within or without the State of Delaware.

Section 3.5 Annual Meeting of the Board. The annual meeting of each newly elected board shall be held, without further notice, immediately following the annual meeting of stockholders and at the same place, or at such other time and place as shall be fixed with the consent in writing of all the directors.

Section 3.6 Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place either within or without the State of Delaware as shall be determined from time to time by the Board of Directors.

Section 3.7 Special Meetings. Special meetings of the Board of Directors may be called by the President on twenty-four (24) hours' notice to each director, either personally or by mail, telephone or by telegram and on like notice on the written request of any two directors. If the board consists of two directors, either one of the directors may call a special

meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 3.8 Quorum. At all meetings of the Board of Directors, the presence of a majority of the directors fixed in the manner provided in these Bylaws shall be necessary and sufficient to constitute a quorum of the transaction of business, and the act of a majority of the directors present at the meeting at which there is a quorum shall be required to constitute the act of the Board of Directors, except as may be otherwise provided by law, the Certificate of Incorporation or these Bylaws. Each director present at a meeting will be deemed to have assented to any action taken at the meeting unless his or her dissent to the action is entered in the minutes of the meeting, or unless he or she shall file his or her written dissent thereto with the secretary of the meeting or shall forward such dissent by registered mail to the secretary of the Corporation immediately after such meeting. If a quorum shall not be present at any meeting of directors, the directors present at the meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Notwithstanding the foregoing, if at any time the Board of Directors consists of two directors, both directors shall be necessary to constitute a quorum for the transaction of business and the act of both directors shall be required to constitute the act of the Board of Directors.

Section 3.9 Powers of Board of Directors. In addition to the powers and authorities expressly conferred by these Bylaws upon them, the Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the stockholders, by law, the Certificate of Incorporation or these Bylaws.

Section 3.10 Compensation of Directors. Directors, as such, shall not receive any stated salary for their services. A fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special

meeting of the Board of Directors by resolution of the board, provided that nothing contained in these Bylaws shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation for such service.

Section 3.11 Attendance and Waiver of Notice. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the sole purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or

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convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 3.12 Removal of Directors. Any director may be removed, with or without cause, by the stockholders at any duly called stockholders' meeting unless otherwise specified in the Certificate of Incorporation as amended from time to time. If any or all directors are so removed, new directors may be elected at the same meeting.

Section 3.13 Interested Directors. No director shall be disqualified from holding office or be liable to the Corporation or to any stockholder or creditor thereof for any loss incurred by the Corporation under or by reason of any contract, transaction or act, or be accountable for any gains or profits he or she may have realized therein as a result of any contract or transaction between the Corporation and such director or between the Corporation and any other corporation, partnership, association or other organization in which such director is a director or officer or has a financial interest; provided that any such contract, transaction or act is not void or voidable pursuant to Section 144 of the Delaware General Corporation Law, as amended.

Section 3.14 Chairman of the Board. The Board of Directors may, in its discretion, choose a Chairman of the Board who shall preside at meetings of the stockholders and of the directors and shall be an ex officio member of all standing committees. The Chairman of the Board shall have such other powers and shall perform such other duties as shall be designated by the Board of Directors. The Chairman of the Board shall be a member of the Board of Directors. The Chairman of the Board shall serve until his or her successor is chosen and qualified but he or she may be removed at any time by the affirmative vote of a majority of the Board of Directors.

ARTICLE IV

Committees

Section 4.1 Designation. The Board of Directors may, by resolution adopted by a majority of the board of directors, designate one or more committees of the Board of Directors.

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Section 4.2 Number: Qualification; Term. Each committee shall consist of one or more directors appointed by resolution adopted by a majority of the Board of Directors; provided, however, that each Committee need not consist solely of officers, directors or employees of the Corporation. The number of committee members may be increased or decreased from time to time by resolution adopted by a majority of the Board of Directors. Each committee member shall serve as such until the earlier of (i) the expiration of his or her term as director, (ii) his or her resignation as a committee member or as a director, or (iii) his or her removal as a committee member or as a director.

Section 4.3 Authority. Each committee properly designated by the board of directors, to the extent provided in the resolution establishing such committee, shall have and may exercise all of the authority of the Board of Directors in the management of the business and property of Corporation, except to the extent expressly restricted by law, the Certificate of Incorporation or these Bylaws.

Section 4.4 Committee Changes; Removal. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, and to discharge any committee.

Section 4.5 Alternate Members of Committees. The Board of Directors may designate one or more directors as alternate members of any committee. Any such alternate member may replace any absent or disqualified member at any meeting of the committee. If no alternate committee members have been so appointed to a committee or each such alternate committee member is absent or disqualified, the member or members of such committee present at any meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may

unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Section 4.6 Regular Meetings. Regular meetings of any committee properly designated by the Board of Directors may be held without notice at such time and place as may be designated from time to time by the committee and communicated to all members thereof.

Section 4.7 Special Meetings. Special meetings of any committee may be held whenever called by any committee member. The committee member calling any special meeting shall cause notice of such special meeting, including therein the time and

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place of such special meeting, to be given to each committee member at least two days before such special meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of any committee need be specified in the notice or waiver of notice of any special meeting.

Section 4.8 Quorum; Majority Vote. At meetings of any committee, a majority of the number of members of the committee designated by the Board of Directors shall constitute a quorum for the transaction of business. If a quorum is not present at a meeting of any committee, a majority of the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present. The act of a majority of the members present at any meeting at which a quorum is in attendance shall be the act of the committee unless the act of a greater number is required by law, the Certificate of Incorporation or these Bylaws. Notwithstanding the foregoing, if at any time a committee consists of two members, both members shall be necessary to constitute a quorum for the transaction of business and the act of both members shall be required to constitute the act of the committee.

Section 4.9 Minutes. Each committee shall cause minutes of its proceedings to be prepared and shall report the same to the Board of Directors upon the request of the Board of Directors. The minutes of the proceedings of each committee shall be delivered to the Secretary for placement in the minute book of the Corporation.

Section 4.10 Compensation. Committee members, as such, shall not receive any stated salary for their services unless otherwise provided by the Board of Directors. Committee members may, by resolution of the board of Directors, be allowed a fixed sum and expenses of attendance, if any, for attending any regular or special committee meetings.

Section 4.11 Responsibility. The designation of any committee and the delegation of authority to it shall not operate to relieve the Board of Director or any director of any responsibility imposed upon the board or such director by law.

ARTICLE V

Officers

Section 5.1 Number. The principal officers of the Corporation shall consist of the President and the Secretary and

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such other officers and assistant officers and agents as may be deemed necessary and elected or appointed by the board of Directors or chosen in such other manner as may be prescribed by these Bylaws, at such time and in such manner and for such terms as the Board of Directors may prescribe. Any two or more offices may be held by the same person.

Section 5.2 General Duties. All officers and agents of the Corporations, as between themselves and the Corporation, shall have such authority, perform such duties and manage the Corporation as may be provided in these Bylaws or as may be determined by resolution of the Board of Directors not inconsistent with these Bylaws.

Section 5.3 Election. Term of Office and Qualifications. The officers of the Corporation shall be chosen annually by the Board of Directors at its annual meeting, or as soon after such annual meeting as practicable. Each officer shall hold office until his or her successor is chosen and qualified, or until his or her death, or until he or she shall have resigned or shall have been removed in the manner provided in Section 5.4. Officers need not be members of the Board of Directors.

Section 5.4 Removal. Any officer elected or appointed by the Board of Directors may be removed (with or without cause) by the Board of Directors

whenever in its judgment the best interests of the Corporation will be served by such removal, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5.5 Resignation. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or Secretary. Such resignation shall take effect at the time specified in the notice, and, unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

Section 5.6 Vacancies. Any vacancy in any office because of death, resignation, removal or any other cause shall be filled for the unexpired portion of the term by the Board of Directors.

Section 5.7 Chief Executive Officer. The Chief Executive Officer, who need not be a director of the Corporation, shall be the executive manager of the operations of the

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Corporation subject, however, to the control of the Board of Directors.

Section 5.8 The President. The President, who need not be a director of the Corporation shall, in general, perform all duties incident to the office of President and such other duties as from time to time may be assigned to him or her by the Board of Directors. In the absence of the Chairman of the Board or in the event the Board of Directors shall not have designated a Chairman of the Board, the President shall preside at meetings of the stockholders and the Board of Directors.

Section 5.9 The Vice President and Assistant Vice Presidents. Each Vice President shall have such powers and perform such duties as the Board of Directors may from time to time prescribe or as the President may from time to time delegate to him or her. At the request of the President, any Vice President may temporarily act in the President's place. In the case of the death of the President, or in the case of his or her absence or inability to act without having designated a Vice President to act temporarily in the President's place, the Vice President or Vice Presidents to perform the duties of the President shall be designated by the Board of Directors. The Assistant Vice Presidents shall perform such duties and have powers as the Board of Directors may from time to time prescribe.

Section 5.10 The Secretary and Assistant Secretaries. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders. The Secretary shall keep or cause to be kept in books provided for that purpose, minutes of the meetings of the stockholders and of the Board of Directors, shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law, shall be custodian of the records and of the seal of the Corporation, if one is adopted, and, in general, shall perform all duties incident to the office of the Secretary and such other duties as may from time to time be assigned to the Secretary by the Board of Directors or by the President. The Assistant Secretaries, in order of their seniority, or if there be none, the Treasurer, acting as Assistant Secretary, or as otherwise determined by the Board of Directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the Secretary. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 5.11 The Treasurer and Assistant Treasurers. The Treasurer shall be the principal financial officer of the Corporation; shall have charge and custody of and be responsible

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for all funds of the Corporation and deposit all such funds in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by the Board of Directors shall receive and give receipts for moneys due and payable to the Corporation from any source, and, in general, shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board of Directors or by the President. The Treasurer shall render to the President and the Board of Directors, whenever the same shall be required, an account of all of his or her transactions as Treasurer and of the financial condition of the Corporation. The Treasurer shall, if required to do so by the Board of Directors, give the Corporation a bond in such amount and with such surety or sureties as may be ordered by the Board of Directors, for the faithful performance of the duties of the office of Treasurer and for the restoration to the Corporation, in the case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under his or her control belonging to the Corporation.

If no Treasurer is elected or appointed by the Board of Directors, the Secretary shall perform the foregoing duties. The Assistant Treasurers, in the order of their seniority, or as otherwise determined by the Board of Directors, or the Secretary acting as Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 5.12 Salaries. The salaries of the officers shall be fixed by, or in accordance with the directions of, the Board of Directors, and it shall be no objection that the officer in question is a member of the board of Directors or that he or she votes on the resolution fixing his or her salary; provided, however, that all salaries voted must be no more than reasonable compensation for services rendered or to be rendered to the Corporation.

Section 5.13 Disallowed Payments. Any payments made to an officer of the Corporation such as a salary, commission, bonus, interest, rent or entertainment expenses incurred by the officer which shall be disallowed in whole or in part as a deductible expense by the Internal Revenue Service shall be reimbursed by such officer to the Corporation to the full extent of such disallowance, in the discretion of the Board of Directors.

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ARTICLE VI

Indemnification

Each person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another corporation, partnership, joint venture, sole proprietorship, trust or other enterprise or employee benefit plan (including the heirs, executors, administrators or estate of such person) shall be indemnified by the Corporation to the fullest extent permitted or authorized by the Delaware General Corporation Law. The Corporation may, but shall not be obligated to, maintain insurance, at its expense, for its benefit in respect of such indemnification and for the benefit of any such person whether or not the Corporation would otherwise have the power to indemnify such person.

ARTICLE VII

Capital Stock

Section 7.1 Certificates for Shares. The corporation shall deliver certificates representing all shares to which stockholders are entitled. The certificates for shares of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the Chairman of the Board of Directors, or the President or a Vice President, and by the Treasurer or Assistant Treasurer, of the Secretary or an assistant Secretary and may be sealed with the seal of the Corporation, if one is adopted, or a facsimile thereof. Any and all signatures on the certificate may be a facsimile. If any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the date of the issuance of certificate issuance.

Section 7.2 Transfer of Certificates of Shares. Transfers of shares shall be made on the books of the

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Corporation only by the person named in the certificate or by attorney, lawfully constituted in writing, and upon surrender of the certificate for the shares. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue and registration of certificates of shares, and may appoint transfer agents and/or registrars for the certificates of shares.

When a transfer of shares is requested and there is reasonable doubt as to the right of the person seeking the transfer, the Corporation or its transfer agent, before recording the transfer of the shares on its books or issuing any certificate therefor, may require from the person seeking the transfer reasonable proof of his or her right to the transfer. If there remains a reasonable doubt of the right to the transfer, the Corporation may refuse a transfer unless the person gives adequate security or a bond of indemnity executed by a corporate surety or by two individual sureties satisfactory to the Corporation as to form, amount and responsibility of sureties. The bond shall be conditioned to protect the Corporation, its officers, transfer agents and

registrars, or any of them, against any loss, damage, expense or other liability to the owner of the shares by reason of the recordation of the transfer or the issuance of a new certificate for shares.

Section 7.3 Lost or Destroyed Certificates. Where a certificate has been lost, destroyed or wrongfully taken and the owner fails to notify the Corporation of that fact within a reasonable time after the owner has notice of it, and the Corporation registers a transfer of the shares represented by the certificate before receiving such a notification, the owner is precluded from asserting against the Corporation any claim for registering the transfer or any claim to a new certificate. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of shares to be lost, and the Board of Directors, when authorizing such issue of a new certificate or certificates, may require the owner of such lost or destroyed certificate or certificates, or his or her legal representatives, to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation. If, after the issuance of a new certificate as a replacement for a lost, destroyed or wrongfully taken certificate, a bona fide purchaser of the original certificate presents it for registration of transfer, the Corporation must register the transfer unless registration would

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result in over-issue. In addition to any rights on the indemnity bond, the Corporation may recover the new certificate from the person to whom it was issued or any person taking under him or her except a bona fide purchaser.

Section 7.4 Legends. The Board of Directors shall have power and authority to provide that certificates representing shares of stock bear such legends as the Board of Directors deems appropriate to assure that the Corporation does not become liable for violations of federal or state securities laws or other applicable law.

ARTICLE VIII

Amendments

These Bylaws may be amended or repealed, or new Bylaws may be adopted, by the holders of the majority of the outstanding shares of the Corporation or the Board of Directors.

ARTICLE IX

General Provisions

Section 9.1 Seal. The seal of the Corporation, if one is adopted, shall be in such form as shall be approved by the Board of Directors.

Section 9.2 Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 9.3 Distributions and Share Dividends. Distributions and share dividends, subject to the provisions of the Delaware General Corporation Law and the Certificate of Incorporation, may be authorized and made by the board of Directors at any regular or special meeting. Distributions may be paid in cash or property or in shares of the Corporation's capital stock. The Board of Directors may by resolution create a reserve or reserves out of its surplus or allocate any part or all of surplus in any manner for any proper purpose or purposes, and may increase, decrease or abolish any such reserve, designation or allocation in the same manner.

Section 9.4 Actions Without a Meeting.

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(a) Any action required by the Delaware General Corporation Law to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, wetting forth the action so taken, shall be signed by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted.

(b) Any action required by law or these Bylaws to be taken at any annual or special meeting of the Board of Directors or any committee thereof, or any action which may be taken at any annual or special meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in

writing, setting forth the action so taken, shall be signed by all of the directors or the members of the committee, as the case may be. Any such consent shall have the same force and effect as a unanimous vote at a meeting. The consent may be in more than one counterpart so long as each director, or member of the committee, as the case may be, signs a counterpart of the consent.

Section 9.5 Telephone Meetings. Stockholders (acting for themselves or through a proxy), members of the Board of Directors and members of a committee of the Board of Directors may participate in and hold a meeting of stockholders, the Board of Directors or committee of the board, as applicable, by means of a conference telephone or similar communications equipment by means of which persons participating in the meeting can hear each other and participate in any meeting pursuant to this Section 9.5, which shall constitute presence and person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 9.6 Invalid Provisions. If any part of these Bylaws shall be held invalid or inoperative for any reason, the remaining parts, so far as possible and reasonable, shall be valid and operative.

Section 9.7 Headings. The headings used in these Bylaws have been inserted for administrative convenience only and do not constitute matter to be construed in interpretation.

Section 9.8 Gender. Words which import one gender shall be applied to any gender wherever appropriate and words which

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import the singular or plural shall be applied to either the plural or singular wherever appropriate.

Section 9.9 Reliance Upon Books, Reports and Records. Each director, each member of a committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other person as to matters, the director, committee member or officer believes are within such other persons professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 9.10 Time. In applying any provisions of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded and the day of the event shall be included.

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THE LIMITED PARTNERSHIP INTERESTS REPRESENTED BY THIS DOCUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF DELAWARE OR ANY OTHER JURISDICTION. THE LIMITED PARTNERSHIP INTERESTS MAY NOT BE SOLD, PLEDGED, GIVEN, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE SECURITIES LAWS UNLESS APPROPRIATE EXEMPTIONS FROM SUCH REGISTRATIONS ARE AVAILABLE AS EVIDENCED EITHER BY THE DELIVERY TO THE PARTNERSHIP OF AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER OR SUBMISSION TO THE PARTNERSHIP OF OTHER EVIDENCE SATISFACTORY TO THE GENERAL PARTNER.

AGREEMENT OF LIMITED PARTNERSHIP OF
INSPIRATION MEDIA OF PENNSYLVANIA, LP,
A DELAWARE LIMITED PARTNERSHIP

THIS AGREEMENT OF LIMITED PARTNERSHIP OF INSPIRATION MEDIA OF PENNSYLVANIA, LP, A DELAWARE LIMITED PARTNERSHIP ("Agreement"), dated as of March 9, 2001, is entered into by and among SALEM RADIO OPERATIONS - PENNSYLVANIA, INC., a Delaware corporation as general partner (the "General Partner"), and those persons listed as the limited partners on the signature pages hereof (the "Limited Partners"). The General Partner and the Limited Partners are collectively referred to as the "Partners" and INSPIRATION MEDIA OF PENNSYLVANIA, LP, a Delaware limited partnership, is referred to as the "Partnership". In consideration of the mutual covenants in this Agreement, the parties to this Agreement agree as follows:

ARTICLE 1.

ORGANIZATION AND PURPOSE

1.1 Formation. The Partners hereby form a limited partnership pursuant to the Delaware Limited Partnership Act (the "Act"), which shall be in accordance with the terms contained in this Agreement.

1.2 Name. The name of the Partnership is "INSPIRATION MEDIA OF PENNSYLVANIA, LP" and all business of the Partnership will be conducted under the name of the Partnership. The General Partner may change the Partnership's name and shall so notify the Limited Partners.

1.3 Purpose. The business of the Partnership is to (a) acquire, own, hold operate, finance, refinance, maintain, manage, develop, lease and/or sell the radio broadcasting businesses heretofore owned and operated by SALEM MEDIA OF PENNSYLVANIA, INC., a Pennsylvania corporation, commonly known as stations WPIT-AM and WORD-FM (the "Business"), and (b) to engage in any other legal activity in which a partnership formed pursuant to the Act is permitted to engage.

1.4 Place of Business. The principal place of business of the Partnership will be at 4880 Santa Rosa Road, Suite 300, Camarillo, California 93012 or any other location as may be subsequently chosen by the General Partner and, in such event, the General Partner shall so notify the Limited Partners.

1.5 Addresses of Partners. The addresses of the General Partner and the Limited Partners are listed on the signature pages hereof.

1.6 Term. The Partnership's term shall commence upon the filing with the Delaware Secretary of State of a "Certificate of Limited Partnership" and will terminate on December 31, 2050, subject to earlier termination upon the mutual agreement of the Limited Partners and the General Partner to terminate the Partnership or an event of termination otherwise provided by this Agreement or by law.

1.7 Documents. The Partnership will execute and file the documents necessary to

comply with the requirements of the laws of Delaware for the formation, continuation and operation of limited partnerships. The Partners agree to execute all documents and to undertake all other acts, as reasonably may be deemed necessary by the General Partner, in order to comply with the requirements of the laws of Delaware for the formation, continuation and operation of limited partnerships.

ARTICLE 2
CAPITAL

2.1 Capital Contributions. Concurrently with the execution of this Agreement, (a) the Limited Partner shall contribute all of the assets of the Business and all related leases and contracts to the capital of the Partnership subject to all existing liabilities of the Business (the "Assets"). and (b) the General Partner shall contribute cash in the amount of \$500,000 to the capital of the Partnership. The Partners shall not be obligated to contribute any additional capital to the Company.

2.2 Liability of General Partner. The General Partner is not liable to the Limited Partners for the repayment of the Limited Partners' capital contributions and is not obligated to make any advances or contributions of capital to the Partnership, except as otherwise specifically provided herein.

2.3 No Interest on Capital. No interest will be paid to the Partners on capital contributions or on "Capital Account" (defined below) balances.

2.4 Return of Capital. Except as otherwise specifically provided in this Agreement, no time has been agreed upon for the contributions of the Partners to be returned to them. The Limited Partners have no right to demand and receive property other than cash in return for the Limited Partners' capital contributions.

2.5 Loans from Partners. Any Partner, including the General Partner, may advance funds to the Partnership if additional funds are deemed necessary by the General Partner. The advances will be evidenced by the Partnership's note payable to the lending Partner. The note will provide for a rate of interest mutually acceptable to the General Partner and the Partner advancing funds to the Partnership; provided, however, such rate of interest shall be commercially reasonable.

2.6 Capital Accounts. A "Capital Account" shall be maintained for each Partner in accordance with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv)(b) and such other provisions of Treasury Regulations Section 1.704-1(b)(2)(iv) as the General Partner shall reasonably determine. The contribution of the Assets to the capital of the Partnership shall be credited 1% to the Capital Account of the General Partner and 99% to the Capital Account of the Limited Partner.

2.7 Liability of Limited Partners. Except as otherwise specifically provided in this

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Agreement or as required by law, the Limited Partners will not be liable for any of the debts of the Partnership.

2.8 Partnership Percentages. The "Partnership Percentage" of each Partner shall be in the ratio which that Partner's capital contributions bears to the aggregate of all of the capital contributions made by all of the Partners. The initial Partnership Percentages are as follows:

PARTNER -----	PARTNERSHIP PERCENTAGE -----
SALEM RADIO OPERATIONS - PENNSYLVANIA, INC.	1%
SALEM MEDIA OF PENNSYLVANIA, INC.	99%

2.9 Majority-in-Interest. For purposes of this Agreement, a "Majority-in-Interest" of the Limited Partners shall mean those Limited Partners then owning more than fifty percent (50%) of the Partnership Percentages then owned by all of the Limited Partners. Except as otherwise specifically provided in this Agreement, all decisions of the Limited Partners shall be made by a Majority-in-Interest of the Limited Partners.

ARTICLE 3
PROFITS, LOSSES AND DISTRIBUTIONS

3.1 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

3.1.1 "Distributable Cash" is all cash of the Partnership (including, without limitation, cash from the sale of any or all of the Partnership property) less (i) the amount necessary for payment of all costs, expenses, obligations and liabilities of the Partnership then due

(including any then due advances to the Partnership by the Partners) and (ii) the amount deemed necessary by the General Partner, in the exercise of its reasonable discretion, to establish a reserve for the payment of foreseen or unforeseen costs, expenses, obligations or liabilities of the Partnership.

3.1.2 The "Profits" and "Losses" of the Partnership shall be calculated in accordance with the provisions of Treasury Regulations Section 1.703-1, subject to the provisions of Treasury Regulations Section 1.704-1 and 2 as the General Partner shall reasonably determine.

3.1.3 The "Accounting Period" of the Partnership will be each period commencing on the first day following the last day of the immediately preceding Accounting Period (which for the Partnership's first fiscal year shall be deemed to be the date of the commencement of the Partnership) and ending on December 31 (which shall also be the Partnership's fiscal year end), unless another fiscal year is selected by the General Partner and permission to change to such other

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fiscal year is granted by the Internal Revenue Service.

3.2 Allocation of Profits: Profits for any Accounting Period shall be allocated among the Partners in the ratio of their Partnership Percentages.

3.3 Allocation of Losses: Losses for any Accounting Period shall be allocated among the Partners in the ratio of their Partnership Percentages.

3.4 Distributions and Payments: Distributable Cash will be paid and distributed to the Partners in the ratio of their Partnership Percentages.

3.5 Identity of Distributees: Distributions shall be made only to persons who, according to the books and records of the Partnership, are the owners of record of interests in the Partnership on a date to be determined by the General Partner. Neither the General Partner nor the Partnership shall incur any liability for making distributions in accordance with the preceding sentence, whether or not the General Partner has knowledge or notice of any transfer of ownership of any interests in the Partnership.

3.6 Time of Distributions: The General Partner will make distributions to the Partners within thirty (30) days after the General Partner's determination of the availability of cash therefor.

3.7 Sharing Between Transferor and Transferee: If an interest in the Partnership is transferred, the income, gains, losses and deductions allocable to the interest transferred for the Accounting Period during which the transfer occurred will be allocated between the transferor and transferee of the interest in proportion to the time during the Accounting Period that the interest was owned by the transferor and transferee. Credits shall be allocated to the party who owned the interest at the time that the property giving rise to the credit was placed in service. Each transferee will be credited with the Capital Account of the transferee's transferor. If a transferor transfers less than all of the transferor's interest in the Partnership, the Capital Account will be allocated in proportion to the fraction of the interest respectively transferred and retained.

3.8 Equitable Adjustment: For any Accounting Period or Periods, the General Partner is authorized to make an equitable adjustment of the allocation of Profits and/or Losses amongst the Partners so that to the maximum extent reasonably possible, upon the final distribution of cash to the Partners pursuant to Paragraph 7.3.4, the balances of the Partners' Capital Accounts shall be zero.

ARTICLE 4

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REIMBURSEMENT OF GENERAL PARTNER'S EXPENSES AND INDEMNIFICATION OF GENERAL PARTNER

The Partnership will reimburse the General Partner for all ordinary and necessary operating expenses incurred by the General Partner in carrying on the Partnership's business. The General Partner shall not be liable to the Partnership or to any Partner for any act or omission suffered or taken by it in good faith, and the General Partner shall be fully protected and indemnified by the Partnership against all liabilities and losses suffered by virtue of the General Partner's status as General Partner (including amounts paid in respect of judgments, fines or in settlement of litigation and expenses reasonably incurred by it in connection with any pending or threatened

litigation or proceeding) with respect to any action or omission suffered or taken, including but not limited to any action taken by the General Partner in the formation and operation of the Partnership, all decisions made in good faith with respect to the Partnership's interest in the Company and liabilities arising under the IRC and the General Partner's activities as the "TMP" (as defined below); provided that (i) the acts or omissions do not constitute gross negligence, fraud or criminal act by the General Partner, and (ii) the satisfaction of any indemnification and saving harmless will be from and limited to Partnership assets and no Limited Partner will have any personal liability on account of the indemnification and saving harmless of the General Partner. To the extent that the acts or omissions of the General Partner constitute gross negligence, fraud or criminal act by the General Partner, the General Partner shall indemnify and save harmless the Partnership and the Limited Partners from any loss or damage occasioned thereby (including, without limitation, reasonable attorneys' fees). The General Partner shall not be liable to the Partnership or any Limited Partner because any taxing authorities disallow or adjust any deductions, losses, credits or items of income or gain in the Partnership's or any Limited Partner's income tax returns.

ARTICLE 5
POWERS AND OBLIGATIONS OF PARTNERS

5.1 General Partner to Manage Business. The General Partner will manage and control the business of the Partnership and will devote such portion of its time and attention to the conduct of the business of the Partnership as is necessary to carry out the purposes and business of the Partnership. The General Partner shall make all Partnership decisions and shall specifically have the authority to hire attorneys, accountants, and any other necessary consultants or employees and to make all decisions concerning the Partnership's interest in the Company.

5.2 Powers of General Partner. The General Partner will possess and enjoy, without the need to obtain the approval of any Limited Partner (and therefore, without any Limited Partner having any voting rights with respect to such matters), except as otherwise provided by this Agreement, all the rights and powers necessary or desirable to carry out the purposes and business of the Partnership, and all of the power and authority as may be specifically stated in this Agreement or as may be otherwise provided by law, including, but not limited to, the power:

5.2.1 Financing. To encumber all or less than all of any Partnership assets

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or rights;

5.2.2 Loans. To borrow money on behalf of the Partnership and to execute and deliver in the name of the Partnership notes evidencing such borrowings and mortgages, deeds of trust and any other security instruments securing such borrowings;

5.2.3 Expenses. To pay from Partnership assets all expenses of organizing and conducting the business of the Partnership, including without limitation, legal and accounting fees and costs;

5.2.4 Instruments. To execute any and all other instruments and take any and all other action necessary or desirable to carry out the purposes and business of the Partnership;

5.2.5 Sales. To sell, transfer, convey and/or exchange the Partnership's interest in the Company or any portion of it;

5.2.6 General Duties. To assume the overall duties imposed on the General Partner by the Act; and

5.2.7 Authority. The signature of the General Partner alone shall be sufficient to bind the Partnership and all of the Partners with respect to the execution of any documents concerning or affecting the Partnership and the Partnership's interest in the Company and/or sale of any or all of it or the execution of any mortgages, deeds of trust or any other security instruments securing any borrowings by the Partnership.

5.3 Other Interests of Partners. Any Partner or any principal or Affiliate of a Partner may engage in other businesses including the business of a nature which is the same as or similar to or competitive with the business of this Partnership without any duty or obligation to offer any business opportunity to the Partnership or the Partners or to account to the Partnership or any of the Partners regarding the business opportunity or the profits derived from the business opportunity.

5.4 Limitations on Limited Partner and Consents. No Limited Partner shall take part in the Partnership business or have any right or authority to act for or bind the Partnership.

5.5 Affiliates. The General Partner may, in the General Partner's absolute discretion, employ an Affiliate to supply goods or services required by the Partnership; provided such Affiliate is compensated for such goods or services on a basis comparable to that which could be arranged with unaffiliated third parties for comparable goods or service. Any Affiliate employed by the Partnership shall have the absolute right (but not the obligation) to contract with independent third parties in connection with the performance of the foregoing service.

5.6 Officers. The Manager may appoint and/or remove officers of the company from time to time in its sole and absolute discretion. Each officer shall have the title and authority designated by the Manager.

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ARTICLE 6
ADMISSION AND WITHDRAWAL OF PARTNERS
AND TRANSFER OF INTERESTS IN THE PARTNERSHIP

6.1 Definitions.

6.1.1 "Admission" of a Partner means the addition of a new partner to the Partnership.

6.1.2 "Transfer" of an interest in the Partnership means the transfer, alienation, sale, assignment, pledge or other disposition or encumbrance of all or any part of an existing interest in the Partnership, whether voluntarily or involuntarily.

6.1.3 The term "Associate" shall mean with respect to any Partner (i) any other Partner, (ii) any Partner's spouse, lineal ascendants or descendants, or a trust for his or her or their benefit, and (iii) any beneficiary of a trust which is a Partner.

6.2 Admission of or Transfer by a Partner.

6.2.1 Admission Date. Any Admission of a Partner shall be deemed to occur effective either (i) if the Admission or withdrawal occurs from the first through the 15th day of the month, then on the first day of the calendar month in which the admission or withdrawal occurs or (ii) if the Admission or withdrawal occurs from the 16th through the last day of the month, then on the first day of the calendar month after the month in which the Admission or withdrawal occurs.

6.2.2 Limitations on Transfer and Admission. No Transfer of a Partnership interest shall occur and no Admission of a person as a Partner shall occur except for (a) Transfers to Associates and (b) Transfers to persons or entities other than Associates previously approved in writing by the General Partner which approval may be withheld in the General Partners' absolute discretion (collectively referred to herein as "Permitted Transfers"); provided, however, that (i) all such Permitted Transfers must be made in full compliance with all of the transfer requirements contained in Paragraphs 6.2.3 and 6.3 below, (ii) the requirements for the Admission of a person to the Partnership contained in Paragraph 6.4.1 below must be fully complied with before the transferee of a Permitted Transfer can be admitted to the Partnership, and (iii) no Partner may transfer all or any part of his interest in the Partnership to a minor or an incompetent unless the Transfer is to a trust, guardianship, or other legal entity formed for the benefit of the incapacitated party.

6.2.3 Transfer Requirements. No Transfer shall be permitted (i) if the proposed Transfer or the proposed transferee will, or could, impair the ability of the Partnership to be taxed as a partnership under the Federal income tax laws, or (ii) if the Transfer will, or could, cause the Partnership's tax year to close or the Partnership to terminate for Federal income tax purposes, (iii) if the proposed Transfer would be in violation of any of the terms and/or conditions

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of the Master Agreement, and (iv) unless the proposed transferee has acknowledged in writing the liabilities of the transferor and the Partnership which cannot be ascertained from this Agreement.

6.2.4 Partnership Amendments. In the event of the Admission of a Partner, or a Permitted Transfer by a Partner, this Agreement will be promptly amended as necessary to reflect any changes in the profit and

loss allocations of Partners, to reflect the capital contributions of the newly admitted Partner, and to set forth any new provisions or to amend any existing provisions of this Agreement which may be necessary or desirable in light of the Admission of a Partner or Transfer by a Partner.

6.3 Documentation and Costs. Any assignee or transferee shall execute any and all documents reasonably requested by the General Partner and shall pay all reasonable expenses incurred by the Partnership in connection with the Transfer of such interest in the Partnership or the Admission of such assignee or transferee as a Partner, including, but not limited to, the cost of the preparation, filing and publishing of any amendment to this Agreement or any other necessary documentation to evidence an Admission or Transfer.

6.4 Substituted Limited Partners and Assignees.

6.4.1 Rights of Substituted Limited Partner. A transferee who becomes a Substituted Limited Partner succeeds to all of the rights and powers and is subject to all of the obligations, restrictions and liabilities of a Partner for the interest in the Partnership which is acquired by the transferee. Except as hereinafter otherwise provided, a transferee shall become a "Substituted Limited Partner" only upon the agreement of the General Partner (which shall be within the General Partner's sole, absolute and arbitrary discretion) and the transferee executing any and all documents reasonably requested by the General Partner, including without limitation an agreement by which such transferee shall be bound by all of the provisions of this Agreement.

6.4.2 Assignee. A transferee who does not become a Substituted Limited Partner will be entitled only to receive the share of cash and in kind distributions and the return of capital contributions to which the Partner from whom such transferee acquired such transferee's interest in the Partnership would have been entitled for the interest acquired but, notwithstanding any other provisions in this Agreement to the contrary, will have no right to require any information or account of Partnership transactions, no right to inspect the Partnership books and no other rights or powers of a Partner. A transferee nevertheless is subject to all of the provisions of this Agreement and to all of the obligations, restrictions and liabilities under this Agreement for the interest acquired.

6.4.3 Effect of Agreement. Until the time when the transferee of an interest in the Partnership becomes a Substituted Limited Partner, the transferor of the interest remains subject to all of the obligations, restrictions and liabilities under this Agreement for the interest and retains all rights and powers of a Partner for the interest other than the right to receive cash and in kind distributions and the return of capital contributions.

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6.5 Continuation of Partnership. In the event of the happening of any of the events set forth in Section 17-801(3) of the Act, a Majority-in-Interest of the Limited Partners may continue the business of the Partnership for the balance of the term specified in this Agreement by electing one or more successor general partners. Upon the election of one or more successor general partners, the predecessor General Partner's then interest as a general partner in the Partnership shall be converted to that of a limited partner and the General Partner's rights to Profits, Losses and cash distributions shall remain unchanged. The successor general partner will agree in writing to be bound by the provisions of this Agreement, and thereafter, will be deemed to be the "General Partner" under this Agreement. If the Limited Partners do not so elect to continue the business of the Partnership, the Partnership shall terminate.

6.6 Continuation of General Partner's Obligations. The happening of any of the events set forth in Section 17-801(3) of the Act, will not relieve the General Partner of any of the General Partner's obligations to the Limited Partners or the Partnership which previously arose under this Agreement.

6.7 Withdrawal. No Partner may withdraw from the Partnership without the prior written consent of all the other Partners.

ARTICLE 7 DISSOLUTION AND LIQUIDATION

7.1 Events of Termination: The Partnership shall, unless otherwise provided, terminate and dissolve on the happening of any of the following events:

7.1.1 Bankruptcy. The happening of any events set forth in Section 17-801(3) of the Act, unless a Majority-in-Interest of the Limited Partners elect to continue the Partnership in accordance with Paragraph 6.6 (entitled "Continuation of Partnership"), above;

7.1.2 Consent. The mutual consent of the General Partner and a Majority-in- Interest of the Limited Partners;

7.1.3 Sale. The sale of all or substantially all of the Partnership assets and collection of all monies due therefrom (including interest on deferred payments);

7.1.4 Expiration. The expiration of the Partnership term; and

7.1.5 IRC Section 708. Pursuant to the provisions of Section 708 of the Internal Revenue Code of 1986, as amended ("IRC"), but solely for purposes of making any allocations required by Section 1.704-1(b) of the Treasury Regulations ("Regulations", as amended from time to time and including corresponding provisions of succeeding regulations). For state law purposes, the Partnership shall continue in full force and effect despite the transfer of a Partner's Partnership Interest.

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7.2 Winding Up Affairs and Liquidations. Upon the termination and dissolution of the Partnership, the General Partner or the persons required or permitted by law to carry out the winding up of the affairs of the Partnership ("Liquidator") will promptly notify all Partners of such dissolution; shall proceed to the liquidation of the assets of the Partnership by converting such assets to cash insofar as deemed practicable by the General Partner or the Liquidator; will wind up the affairs of the Partnership; and, after paying or providing for the payment of all liabilities and obligations of the Partnership, will distribute the proceeds of liquidation and other assets of the Partnership as provided by law and the terms of this Agreement.

7.3 Distributions on Dissolution. The proceeds of liquidation and other assets of the Partnership shall be applied and distributed in the following order of priority:

7.3.1 Debts. To the payment of debts and liabilities of the Partnership (other than any loans and advances that may have been made by any of the Partners, or amounts owing to any of the Partners) and the expenses of liquidation;

7.3.2 Reserves. To the setting up of any reserves that the General Partner or Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership, which reserves shall be paid over to an escrow holder designated by the General Partner or Liquidator to be held for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies, and, at the expiration of such period, as the General Partner or the Liquidator shall deem advisable, to distribute the balance thereafter remaining in the manner hereinafter provided;

7.3.3 Loans. To the payment of any loans or advances that may have been made by any of the Partners; and

7.3.4 Partners. Any balance then remaining will be distributed to the Partners in accordance with Paragraph 3.4 (entitled "Distributions and Payments"). Any Partner with a deficit in his or its Capital Account shall not be obligated to restore the amount of such deficit to the Partnership or the other Partners.

7.4 Assets Other Than Cash. Assets of the Partnership may be distributed in kind on the basis of the then fair market value of such assets as determined by agreement of the Partners, and if no such agreement of value is reached within 30 days, then such value shall be determined by an independent appraiser appointed by the American Arbitration Association upon application of the General Partner (the cost and expense of said appraisal to be borne by the Partnership). If agreed to by all the Partners, distributions in-kind will be made to the Partners as tenants-in-common. For purposes of making such distribution only, the unrealized profit or loss on any such asset (based on its fair market value) shall be first allocated among the Partners and the distribution of the asset shall be treated as a distribution of cash equal to the fair market value of such asset.

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ARTICLE 8
FISCAL MATTERS

8.1 Books and Journals. The Partnership will maintain full and accurate books of the Partnership at the offices of the Partnership, showing all receipts and expenditures, assets and liabilities, Profits and Losses, and all other records necessary for recording the Partnership's business and affairs or

required by the Act. Each Partner and such Partner's duly authorized representatives shall, during normal business hours, have access to and may inspect and copy any of such books and records.

8.2 Accountants. The accountants shall be such firm of public accountants as may be selected by the General Partner.

8.3 Reports to Partners. The General Partner will have prepared, and shall deliver to each Partner within 90 days after the end of each fiscal year, a copy of the foreign, federal and state income tax information returns of the Partnership for the preceding fiscal year showing each Partner's distributive share of each item of income, gain, loss, deduction, credit or preference which a Partner is required to take into account separately on such Partner's foreign, federal and state income tax returns.

8.4 Bank Accounts. All funds of the Partnership will be deposited in its name and in such bank accounts as the General Partner shall reasonably determine.

8.5 Accounting Decisions. All decisions as to accounting matters, except as specifically provided to the contrary in this Agreement, will be made by the Partnership's accountants subject to the approval of the General Partner.

8.6 Federal Income Tax Elections. The General Partner shall cause the Partnership to make an election (or consent to any such election by a Partner) pursuant to any of IRC Sections 732(d) and/or 754 (or corresponding provisions of succeeding law or state law), as may be determined by the General Partner in the General Partner's discretion, except to the extent the General Partner is otherwise directed by this Agreement.

ARTICLE 9 MISCELLANEOUS PROVISIONS

9.1 Notices. All notices, consents, waivers, offers, requests, votes or other instruments or communications provided for under this Agreement ("notice") will be in writing, signed by the parties giving the notice, and will be deemed properly given and effective when actually received or, unless otherwise provided in this Agreement, when deposited in the United States mail, if sent by registered or certified mail, return receipt requested, first class postage and fees prepaid, addressed to the addresses as set forth on the signature pages hereof. Each Partner may, from time to time, by notice to all other Partners, specify a new address for the receipt of notices.

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9.2 Consents Deemed Given If Not Withheld. Whenever a consent, approval, waiver or affirmative vote of the Limited Partners is required under this Agreement or is desirable regarding any transaction, the Limited Partners will be given notice requesting the consent, approval, waiver or affirmative vote. If a Limited Partner does not respond within 10 business days (or any later time period specified if a different period is provided in the notice) after actual receipt of the notice, by delivery of a notice to the General Partner (which includes a telegram or telex) specifically withholding, or indicating an inability at the time to give such Limited Partner's consent, approval, waiver or affirmative vote, or requesting additional pertinent documentation or information, then such Limited Partner will be deemed conclusively to have given such Limited Partner's consent, approval, waiver or affirmative vote.

9.3 Limited Power of Attorney. Each Limited Partner, by such Limited Partner's execution of this Agreement, irrevocably constitutes and appoints the General Partner as such Limited Partner's true and lawful attorney and agent, with full power and authority in such Limited Partner's name, place and stead only to execute, acknowledge and deliver and to file or record in any appropriate public office: (i) any certificate or other instrument which may be necessary, desirable or appropriate to qualify or to continue the Partnership as a limited partnership or to transact business as a limited partnership in any jurisdiction in which the Partnership conducts business; (ii) any amendment to this Agreement or to any certificate or other instrument which may be necessary, desirable or appropriate to reflect the Admission of a Partner (including pursuant to Section 2.2.2), the withdrawal of a Partner or the Transfer of all or any part of the interest of a Partner in the Partnership or any additional capital contributions or withdrawal of capital contributions made by a Partner, all in accordance with the provisions of this Agreement; and (iii) any certificates or instruments which may be appropriate, necessary or desirable to reflect the dissolution and termination of the Partnership. This power of attorney will be deemed to be coupled with an interest and will survive the transfer by any Limited Partner of such Limited Partner's interest in the Partnership. Notwithstanding the existence of this power of attorney, each Limited Partner agrees to join in the execution, acknowledgement and delivery of the instruments referred to above if requested to do so by the General Partner.

This power of attorney granted to the General Partner is a limited power of attorney that does not authorize the General Partner to act on behalf of any Limited Partner except to execute the documents described in this Paragraph 9.3.

9.4 Integration. This Agreement sets forth the entire agreement between the parties with regard to the subject matter hereof. All agreements, covenants, representations and warranties, express and implied, oral and written, of the parties with regard to the subject matter of this Agreement are contained in this Agreement and the documents referred to in this Agreement or implementing the provisions of this Agreement. No other agreements, covenants, representations or warranties, express or implied, oral or written, have been made by either party to the other with respect to the subject matter of this Agreement. All prior and contemporaneous conversations, negotiations, possible and alleged agreements and representations, covenants, and warranties with respect to the subject matter of this Agreement are waived, merged herein and therein and superseded by this Agreement. This is an integrated agreement.

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9.5 Applicable Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Delaware.

9.6 Counterparts. This Agreement may be executed in counterparts and all counterparts so executed shall constitute one Agreement binding on all the parties. It shall not be necessary for each party to execute the same counterpart.

9.7 Severability. In case any one or more of the provisions contained in this Agreement or any application of the provisions shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions or the remaining applications will not in any way be affected or impaired.

9.8 Captions. The captions and headings in this Agreement are for convenience only and will not be considered in interpreting any provision of this Agreement.

9.9 Binding Effect. Except as otherwise provided to the contrary, this Agreement will be binding upon, and inure to the benefit of, the Partners and their respective heirs, executors, administrators, successors and assigns.

9.10 Gender and Number. Whenever required by the context, the singular will be deemed to include the plural, and the plural will be deemed to include the singular, and the masculine, feminine and neuter genders will each be deemed to include the other.

9.11 Amendment. Except as otherwise permitted in this Agreement, this Agreement may be amended in whole or in part only by an agreement in writing signed by the General Partner and the Limited Partners; provided, however, this Agreement may also be amended by the execution of the General Partner and those Limited Partners then owning a Majority-in-Interest of the Partnership Percentages then owned by the Limited Partners wherever this Agreement specifically permits action by the Limited Partners upon the approval or consent of less than all of the Limited Partners.

9.12 Exhibits. All Exhibits attached hereto are incorporated herein by reference as though fully set forth herein.

9.13 Interpretation. No provision of this Agreement is to be interpreted for or against either party because that party or that party's legal representative drafted such provision.

9.14 Partnership Tax Audits.

9.14.1 Designation. The General Partner is designated as the Partnership's "Tax Matters Partner" ("TMP") in accordance with the provisions of IRC Section 6231(a)(7).

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9.14.2 Notification of Partners. The TMP shall keep all Partners apprised of the status of all administrative and judicial proceedings regarding the determination of Partnership tax items, including, without limitation, the commencement of an audit, settlement offers proposed by the Internal Revenue Service and the status of any litigation. The TMP shall not enter into a settlement agreement with the Internal Revenue Service on behalf of any Partner without such Partner's consent.

9.14.3 Receipt of FPAA. Promptly upon the TMP's receipt

of a Notice of Final Partnership Administrative Adjustment ("FPAA"), within the meaning of IRC Section 6226, the TMP shall solicit the written directives of the Partners as to the choice of judicial forum in which to contest the FPAA. The TMP shall comply with the written directives of the Limited Partner. In the event that no such written directive is obtained, the TMP shall file a petition in the United States Tax Court.

9.14.4 Notification to IRS. If the Limited Partner wishes to receive notices directly from the Internal Revenue Service, the Limited Partner shall so notify the TMP within thirty (30) days after the execution of this Agreement, and the TMP shall thereafter furnish the Internal Revenue Service with the name and address of the Limited Partner and shall designate the Limited Partner as a "Notice Partner" pursuant to the provisions of IRC Sections 6223 and 6231(a)(8).

9.14.5 Special Notices. Nothing contained in this Agreement shall be deemed to prohibit any Partner from requesting special notice or exercising any other rights permitted pursuant to IRC Sections 6221 through 6231.

9.15 No Partition: Each Partner waives any right to maintain an action to partition any investment or asset of the Partnership (including without limitation the Partnership's interest in the Company) during the term of the Partnership.

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

ADDRESSES:
- -----

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

GENERAL PARTNER:

SALEM RADIO OPERATIONS -
PENNSYLVANIA, INC., a Delaware
corporation

By: /s/ Jonathan L. Block

Name: Jonathan L. Block
Title: Vice President

LIMITED PARTNER:

14-

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

SALEM MEDIA OF PENNSYLVANIA,
INC., a Pennsylvania corporation,

By: /s/ Jonathan L. Block

Name: Jonathan L. Block
Title: Vice President

15-

ENDORSED
STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 02:15 PM 12/18/2000
001634414 - 3331788

CERTIFICATE OF LIMITED PARTNERSHIP
OF
INSPIRATION MEDIA OF PENNSYLVANIA, LP

The undersigned, desiring to form a limited partnership pursuant to Delaware Revised Uniform Limited Partnership Act, 6 Delaware Code, Chapter 17, do hereby certify as follows:

- 1. The name of the limited partnership is Inspiration Media of Pennsylvania, LP.
- II The address of the Partnership's registered office in the State of Delaware is 9 East Loockerman Street, Kent County, Dover, Delaware 19901. The name of the Partnership's registered agent for service of process in the State of Delaware at such address is National Registered Agents, Inc.
- II The name and mailing address of the sole general partner is as follows:

NAME: -----	MAILING ADDRESS: -----
Salem Radio Operation - New York, Inc.	4880 Santa Rosa Road Suite 300 Camarillo, CA 93012

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Limited Partnership of Salem Media of New York, LP, as of December 13, 2000.

SALEM RADIO OPERATION - NEW
YORK, INC., a Delaware corporation, as the
General Partner

By: /s/ Jonathan L. Block

Name: Jonathan L. Block

Title: Vice President

ENDORSED
STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 05:00 PM 04/05/2001
010168715 - 3331788

CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF LIMITED PARTNERSHIP
OF
INSPIRATION MEDIA OF PENNSYLVANIA, LP.

The undersigned, desiring to amend the Certificate of Limited Partnership of Inspiration Media of Pennsylvania, LP does hereby certify the following:

1. The name of the limited partnership is Inspiration Media of Pennsylvania, LP.
2. The name and mailing address of the sole general partner is amended as follows:

NAME:	MAILING ADDRESS:
----	-----
Salem Radio Operations - Pennsylvania, Inc.	4880 Santa Rose Road, Suite 300 Camarillo, CA 93012

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment effective as of December 18, 2000.

SALEM RADIO OPERATIONS -
PENNSYLVANIA, INC., a
Delaware corporation, as the General Partner

By: /s/ Jonathan L. Block

Jonathan L. Block, Vice President

ENDORSED
STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 04:30 PM 03/14/2001
010128038 - 2988989

CERTIFICATE OF CONVERSION

OF

ONEPLACE, LTD.

OnePlace, Ltd., a Delaware corporation (the "Corporation"), does hereby certify the following in accordance with Section 266 of the General Corporation Law of the State of Delaware:

1. The name of the Corporation is "OnePlace, Ltd." The name of the Corporation has not changed since it was originally incorporated in the State of Delaware.

2. The original Certificate of Incorporation for the Corporation was filed on January 5, 1999, with the Delaware Secretary of State.

3. The name of the Delaware limited liability company into which the Corporation is being converted is "OnePlace, LLC".

4. The conversion of the Corporation into a Delaware limited liability company has been approved by the unanimous vote of all of the directors and all of the stockholders of the Corporation in accordance with the provisions of Section 266 of the General Corporation Law of the State of Delaware.

5. This Certificate of Conversion shall become effective on March 9, 2001.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Conversion of OnePlace, Ltd. effective as of March 9, 2001.

OnePlace, Ltd.,
a Delaware corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

ENDORSED
STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 04:30 PM 03/14/2001
010128038 - 2988989

CERTIFICATE OF FORMATION

OF

ONEPLACE, LLC

1. The name of the limited liability company ("Company") is OnePlace, LLC.

2. The address of the Company's registered office in the State of Delaware is 9 East Loockerman Street, in the City of Dover, County of Kent. The name of its registered agent at such address is National Registered Agents, Inc.

3. This Certificate of Formation shall be effective on March 9, 2001.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of OnePlace, LLC effective as of March 9, 2001.

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block, Vice President

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS DOCUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF DELAWARE OR ANY OTHER JURISDICTION. THE MEMBERSHIP INTERESTS MAY NOT BE SOLD, PLEDGED, GIVEN, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE SECURITIES LAWS UNLESS APPROPRIATE EXEMPTIONS FROM SUCH REGISTRATIONS ARE AVAILABLE AS EVIDENCED EITHER BY THE DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OR SUBMISSION TO THE MANAGER OF OTHER EVIDENCE SATISFACTORY TO THE MANAGER.

OPERATING AGREEMENT OF
ONEPLACE, LLC,
A DELAWARE LIMITED LIABILITY COMPANY

THIS OPERATING AGREEMENT OF ONEPLACE, LLC, a Delaware limited liability company ("Agreement"), is entered into effective as of March 9, 2001, by and between SALEM MEDIA CORPORATION, a New York corporation (the "Manager"), and SALEM RADIO OPERATIONS, LLC, a Delaware limited liability company ("SRO"). The Manager and SRO are sometimes referred to collectively as the "Members" or the "parties" and individually as a "Member" or a "party". In consideration of the mutual covenants in this Agreement, the Members agree as follows.

ARTICLE 1

ORGANIZATION AND PURPOSE

1.1 Formation. The Company has been converted to a limited liability company pursuant to the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101 et seq. (as from time to time amended including any successor statute of similar import, the "Act"), subject to the terms contained in this Agreement. Prior to its conversion, the Company was a Delaware corporation. The business and affairs of the Company shall be managed by one Manager.

1.2 Name. The name of the Company is "ONEPLACE, LLC" and all business of the Company will be conducted under the name of the Company. The Manager may change the Company's name and all of the Members shall be notified of such change.

1.3 Purpose. The business of the Company shall continue to be to (a) own, hold, operate, finance, refinance, maintain, manage, develop, lease and/or sell the business heretofore operated by Company while in the form of a corporation the (the "Business") and (b) to engage in any other legal activity which a limited liability company is permitted to do pursuant to the Act, all as the Manager shall reasonably determine.

1.4 Registered Office and Registered Agent. The Company's initial office shall be at 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012. The Company's registered agent in Delaware shall be National Registered Agents, Inc. and its registered office in Delaware shall be 9 East Loockerman Street, City of Dover, County of Kent, State of Delaware. The registered office and agent of the Company in Delaware may be changed from time to time by the Manager by filing the address of the new registered office and/or the name of the new agent with the Delaware Secretary of State.

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1.5 Addresses of Members. The addresses of the Members are set forth on the signature pages of this Agreement.

1.6 Term. The Company's term shall continue until December 31, 2050, subject to earlier termination upon an event of termination otherwise provided by this Agreement or by law.

1.7 Documents. The Company will execute and file the documents necessary to comply with the requirements of the Act and the other laws of Delaware for the formation, continuation and operation of limited liability companies. The Members agree to execute all documents and to undertake all other acts, as reasonably may be deemed necessary by the Manager, in order to comply with the requirements of the laws of Delaware for the formation, continuation and operation of limited liability companies. The Manager will further execute and file the documents necessary to qualify the Company to do business in any other jurisdictions in which the Company shall do business.

1.8 Membership Interest. "Membership Interest" shall mean a Member's rights in the Company, collectively, including such Member's economic interest, any right to vote and participate in management, and any right to information concerning the business and affairs of the Company provided under this Agreement or the Act.

ARTICLE 2

CAPITAL

2.1 Manager's Capital Contribution. Oneplace, Inc., a Delaware corporation, converted into the Company. As a result, the Company continues to own all of the assets of the Business. The Manager was the sole shareholder of Oneplace, Inc. The Manager shall not be obligated to contribute any additional capital to the Company.

2.2 SRO's Capital Contribution. Concurrently with the execution of this Agreement, SRO shall contribute cash in the amount of \$96,000 to the capital of the Company. SRO shall not be obligated to contribute any additional capital to the Company.

2.3 Liability. No Member or Manager is liable to any other Member for the repayment of any Member's capital contributions and, except as otherwise provided

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in Sections 2.1 and 2.2 of this Agreement, no Member is obligated to make any advances or contributions of capital to the Company. Except as otherwise provided in this Agreement or as required by law, the Members and Manager will not be liable for any of the debts of the Company.

2.4 No Interest on Capital. Except as otherwise provided in this Agreement, no interest will be paid to the Members on capital contributions or on "Capital Account" (defined below) balances.

2.5 Return of Capital. Except as otherwise provided in this Agreement, no time has been agreed upon for the contributions of the Members to be returned to them. The Manager does not, in any way, guarantee the return of the Members' capital contributions or a profit for the Members from the operations of the Company. The Members have no right to demand and receive property other than cash in return for the Members' capital contributions.

2.6 Loans from Members. Any Member may advance funds to the Company if funds are deemed necessary by the Manager. The advances will be evidenced by the Company's note payable to the lending Member. The note will provide for a rate of interest mutually acceptable to the Manager and the Member advancing funds to the Company; provided, however, such rate of interest shall be commercially reasonable.

2.7 Capital Accounts. A "Capital Account" shall be maintained for each Member in accordance with the provisions of Paragraph 1 of Exhibit "A".

2.8 Membership Percentages. The "Membership Percentages" of the Members are as follows:

<TABLE>
<CAPTION>

MEMBER	MEMBERSHIP PERCENTAGE
-----	-----
<S>	<C>
Salem Radio Operations, LLC	1%
Salem Media Corporation	99%

Total	100%
	====

</TABLE>

2.9 Majority-in-Interest. For purposes of this Agreement, a "Majority-in-Interest" of the Members shall mean those Members then owning more than 50% of the Membership Percentages then owned by all of the Members who are then entitled to vote. Except as otherwise provided in this Agreement or by the Act, all decisions of the Members shall be made by a Majority-in-Interest of the Members.

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ARTICLE 3

PROFITS, LOSSES AND DISTRIBUTIONS

3.1 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

3.1.1 "Distributable Cash" is all cash of the Company (including without limitation cash from the sale of any or all of the Company property) less (i) the amount necessary for payment of all costs, expenses, obligations and liabilities of the Company then due (including any then due advances to the Company by the Members) and (ii) the amount deemed necessary by the Manager, in the exercise of its reasonable discretion, for the operation of the Company and to establish a reserve for the payment of foreseen or unforeseen costs, expenses, obligations or liabilities of the Company.

3.1.2 The "Profits" and "Losses" of the Company (as determined for book purposes) shall be calculated in accordance with Paragraph 1.2.3 of attached Exhibit "A".

3.1.3 The "Accounting Period" of the Company will be each period commencing on the first day following the last day of the immediately preceding Accounting Period (which for the Company's first fiscal year shall be deemed to be the date of the commencement of the Company) and ending on December 31 (which shall also be the Company's fiscal year end), unless another fiscal year is selected by the Manager and permission to change to such other fiscal year is granted by the Internal Revenue Service.

3.2 Allocation of Profits: Except as otherwise provided in Exhibit "A" to this Agreement, Profits for any Accounting Period shall be allocated among the Members in the ratio of their respective Membership Percentages.

3.3 Allocation of Losses: Except as otherwise provided in Exhibit "A" to this Agreement, Losses for any Accounting Period shall be allocated among the Members in the ratio of their respective Membership Percentages.

3.4 Distributions and Payments: For each Accounting Period, on a cumulative basis, Distributable Cash shall be paid and distributed to the Members in the ratio of their respective Membership Percentages.

3.5 Identity of Distributees. Distributions shall be made only to persons who, according to the books and records of the Company, are the owners of record of

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Membership Interests on a date to be determined by the Manager. Neither the Manager nor the Company shall incur any liability for making distributions in accordance with the preceding sentence, whether or not the Manager has knowledge or notice of any transfer of ownership of any Membership Interests.

3.6 Time of Distributions. Distributions shall be made to the Members as soon as possible after the Manager's determination of the availability of cash for such purposes, which determination shall be within the reasonable discretion of the Manager.

3.7 Sharing Between Transferor and Transferee. If a Membership Interest is transferred, the income, gains, losses and deductions allocable to the Membership Interest transferred for the Accounting Period during which the transfer occurred will be allocated between the transferor and transferee of the Membership Interest in proportion to the time during the Accounting Period that the Membership Interest was owned by the transferor and transferee. Credits shall be allocated to the Member who owned the Membership Interest at the time that the property giving rise to the credit was placed in service. Each transferee will be credited with the Capital Account of the transferee's transferor. If a transferor transfers less than all of the transferor's Membership Interest, the Capital Account will be allocated in proportion to the fraction of the Membership Interest respectively transferred and retained.

ARTICLE 4

REIMBURSEMENT OF MANAGER'S EXPENSES

AND INDEMNIFICATION OF MANAGER

The Company will reimburse the Manager for all ordinary and necessary operating expenses incurred by the Manager in carrying on the

Company's business. The Manager shall not be liable to the Company or to any Member for any act or omission suffered or taken by the Manager in good faith, and the Manager shall be fully protected and indemnified by the Company against all liabilities and losses suffered by virtue of its status as the Manager, including amounts paid in respect of judgments, fines or in settlement of litigation and expenses reasonably incurred by the Company or the Manager in connection with any pending or threatened litigation or proceeding, with respect to any action or omission suffered or taken, including but not limited to any action taken by the Manager in the formation and operation of the Company or in the financing, refinancing, improvement and sale of any assets of the Company, liabilities arising under the "IRC" (as defined below) and the Manager's activities as the "TMP" (as defined below), provided that (i) the acts or omissions do not constitute gross

-5-

negligence, fraud or criminal act by such Manager, and (ii) the satisfaction of any indemnification and saving harmless will be from and limited to Company assets. No Member will have any personal liability on account of the indemnification and saving harmless of the Manager. To the extent that the acts or omissions of the Manager constitute gross negligence, fraud or criminal act, the Manager shall indemnify and save harmless the Company and the Members from any loss or damage occasioned thereby (including, without limitation, reasonable attorneys' fees). The Manager shall not be liable to the Company or any Member because any taxing authorities disallow or adjust any deductions, losses, credits or items of income or gain in the Company's or any Member's income tax returns.

ARTICLE 5

RIGHTS AND OBLIGATIONS OF MANAGER

5.1 Manager to Manage Business. The business and affairs of the Company shall be managed by one Manager. The Manager shall be SALEM MEDIA CORPORATION, a New York corporation, who shall serve as Manager until its dissolution, resignation or removal. The Manager shall direct, manage and control the business of the Company to the best of its ability and shall devote such portion of its time and attention to the conduct of the business of the Company as is necessary to carry out the purposes and business of the Company.

5.2 Powers of the Manager. The Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business, including, but not limited to the power:

5.2.1 To encumber all or less than all Company assets or rights;

5.2.2 To make all decisions concerning the operational aspects of the Company;

5.2.3 To execute and deliver all leases, contracts, deeds and other instrumentation and documentation in connection with the operations or business of the Company;

5.2.4 To borrow money on behalf of the Company and to execute and deliver in the name of the Company notes evidencing such borrowings and mortgages, deeds of trust and any other security instruments securing such borrowings;

-6-

5.2.5 To pay from Company assets all expenses of organizing and conducting the business of the Company, including without limitation, legal and accounting fees and costs;

5.2.6 To execute any and all other instruments and take any and all other action necessary or desirable to carry out the purposes and business of the Company;

5.2.7 To sell, transfer, convey and/or exchange all or any portion of the property or assets of the Company; and

5.2.8 To do any other lawful act or thing in furtherance of the Company's business.

5.3 Restrictions on Authority of the Manager. The Manager shall

not have the authority or right to do any of the following acts:

5.3.1 To act in contravention of this Agreement.

5.3.2 To act in any manner that would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Agreement;

5.3.3 To possess property, or assign rights in specific property, for other than a Company purpose; or

5.3.4 To knowingly perform any act that would cause the Company to conduct business in a state which has neither enacted legislation which permits limited liability companies to organize in such state nor permits the Company to register to do business in such state as a foreign limited liability company.

5.4 Right to Rely on the Manager. The Manager shall have the absolute authority to bind the Company by its signature alone and anyone dealing with the Company shall have the right to rely on such authority. Except as otherwise expressly authorized by this Agreement or by the Manager, no Member (other than the Manager), attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable pecuniarily for any purpose. Any person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Manager as to: the identity of the Manager or any Member; the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company; the persons and/or entities who are authorized to execute and deliver any instrument or document of the Company; or any act or failure to act by the Company or any other matter whatsoever involving the Company or any Member.

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5.5 Manager Has No Exclusive Duty to Company. The Manager shall not be required to manage the Company as its sole and exclusive function. Subject to the fulfillment of the Manager's obligations pursuant to this Agreement, the Manager may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Manager or to the income or proceeds derived therefrom. The Manager shall not incur any liability to the Company or to any of the Members as a result of engaging in any other business or venture.

5.6 Affiliates. The Manager may, in the Manager's absolute discretion, employ an Affiliate in any capacity on a basis comparable to that which could be arranged with unaffiliated third parties for comparable service. Any Affiliate employed by the Company shall have the absolute right (but not the obligation) to contract with independent third parties in connection with the performance of the foregoing service. For purposes of this Agreement, an "Affiliate" shall include any and all firms and entities, including, without limitation, corporations, partnerships, joint ventures, trusts, limited liability companies and associations, which are directly or indirectly owned or controlled, in whole or in part, by or in common with, any Member or Members or Manager and/or any of such entities or any combination of any such persons or entities.

5.7 Removal.

5.7.1 The "removal" of the Manager shall automatically take place in the event that any of the following occurs:

5.7.1.1 The Manager becoming bankrupt. The Manager shall be deemed to be bankrupt upon: (a) the filing of an application by the Manager for, or its consent to, the appointment of a trustee, receiver, or custodian of its assets; (b) the entry of an order for relief with respect to the Manager in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by the Manager of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver or custodian of the assets of the Manager unless the proceedings and the trustee, receiver or custodian appointed are dismissed within ninety (90) days; or (e) the failure by the Manager generally to pay its debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of its inability to pay its debts as they become due.

5.7.1.2 The Manager is dissolved.

5.7.2 The removal of a Manager shall not affect such Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.8 Vacancies. Upon any vacancy occurring for any reason in the office of Manager of the Company, the vacancy may be filled by the affirmative vote of a Majority-in-Interest of the Members.

5.9 Officers. The Manager may appoint and/or remove officers of the company from time to time in its sole and absolute discretion. Each officer shall have the title and authority designated by the Manager

ARTICLE 6

MEETINGS OF MEMBERS

6.1 Meetings. Any Member may call a meeting at any time on not less than five (5) business days' prior written notice to all Members. Any notice for a meeting must identify the nature of the business to be discussed at such meeting.

6.2 Designees. Any Member may at any time, and from time to time, by written notice to the other Members, designate a person ("Designee") to act on its behalf at any meeting of the Members. Such Designee shall have all of the voting rights of such Member. A Member who has named a Designee may subsequently revoke such designation and may, at the same time or subsequently, name a replacement Designee.

6.3 Meeting of all Members. If all of the Members shall meet at any time and place, either within or outside of the State of Delaware and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken.

6.4 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Paragraph 6.4, such determination shall apply to any adjournment.

6.5 Quorum. A Majority-In-Interest of the Members, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Membership Percentages so represented may adjourn the meeting from time to time for a period not to exceed 60 days without further notice. However, if the adjournment is for more than 60 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of

the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Membership Percentages whose absence would cause less than a quorum.

6.6 Manner of Acting. If a quorum is present, the affirmative vote of Majority-in-Interest of the Members (whether or not all are present) shall be the act of the Members, unless the vote of a greater proportion or number is otherwise required by the Act, by the Articles of Organization, or by this Agreement. Unless otherwise expressly provided in this Agreement or required under applicable law, Members who have an interest (economic or otherwise) in the outcome of any particular matter upon which the Members are being asked to vote or consent may vote or consent upon any such matter and their Membership Percentage, vote or consent, as the case may be, shall be counted in the determination of whether the requisite matter was approved by the Members.

6.7 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Members of the Company before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

6.8 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if

the action is evidenced by one or more written consents signed by all Members.

6.9 Waiver of Notice. When any notice is required to be given to any Member, a waiver in writing signed by the person entitled to such notice, whether before, at, or after the time stated in such notice shall be equivalent to the giving of such notice.

ARTICLE 7

ADMISSION AND WITHDRAWAL OF MEMBERS AND TRANSFER OF MEMBERSHIP INTERESTS

7.1 Definitions.

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7.1.1 "Admission" means the addition of a new Member to the Company.

7.1.2 "Transfer" means the transfer, alienation, sale, assignment, pledge or other disposition or encumbrance of all or any part of a Membership Interest, whether voluntarily or involuntarily.

7.1.3 The term "Associate" shall mean with respect to any Member (i) any other Member, (ii) any beneficiary of a trust which is a Member, (iii) any spouse or adult lineal ascendants or descendants of any such Member or beneficiary, or a trust for his or her or their benefit (including minor descendants), and (iv) any and all firms and entities, including, without limitation, corporations, limited liability companies, partnerships, joint ventures, trusts and associations, which are directly or indirectly owned or controlled by, or in common with, one or more of the previously identified persons.

7.2 Transfer and Admission.

7.2.1 Transfer. Except as otherwise provided in this Agreement, no Member may effect a Transfer of any Membership Interest except for (i) Transfers to Associates, (ii) Transfers previously approved in writing by the Manager, which approval may be withheld in the Manager's absolute discretion, and (iii) Transfers to persons pursuant to Paragraph 7.4 (entitled "Right of First Refusal") (collectively referred to as "Permitted Transfers"); provided, however, that (a) all such Permitted Transfers must be made in full compliance with all requirements contained in this Agreement and (b) no Member may transfer all or any part of such Member's Membership Interest to a minor or an incompetent unless the Transfer is to a trust, guardianship, or other legal entity formed for the benefit of the incapacitated party. Any Transfer of a Membership Interest which does not comply with the provisions of this Agreement shall be invalid and shall not vest any interest in the transferee.

7.2.2 Admission. Except as otherwise provided in this Agreement, a person shall become a Member only upon (i) the approval of the Manager, which approval may be withheld in the Manager's absolute discretion, and (ii) the person executing any and all documents reasonably requested by the Manager, including without limitation an agreement by which such person shall be bound by all of the provisions of this Agreement. Notwithstanding the foregoing, if a Member transfers a Membership Interest to an Associate or a Membership Interest is transferred to a successor upon the death of a Member, the Associate or the successor shall be entitled to Admission without the approval of the Manager, provided that all other requirements contained in this Agreement must be complied with prior to such Admission.

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7.2.3 Admission Date. Any Admission shall be deemed to occur effective either (i) if the Admission occurs from the first through the 15th day of the month, then on the first day of the calendar month in which the admission occurs or (ii) if the Admission occurs from the 16th through the last day of the month, then on the first day of the calendar month after the month in which the Admission occurs.

7.2.4 Additional Requirements. No Transfer or Admission shall be permitted (i) if the proposed Transfer, transferee or Admission will, or could, impair the ability of the Company to be taxed as a partnership under the Federal income tax laws, or (ii) if the Transfer or Admission will, or could, cause the Company's tax year to close or the Company to terminate for Federal income tax purposes, and (iii) no Admission shall be permitted unless the proposed Member has acknowledged in writing the liabilities of the transferor and the Company which cannot be ascertained from this Agreement.

7.2.5 Necessary Amendments. In the event of the Admission of a Member or a Permitted Transfer by a Member, this Agreement will be promptly amended as necessary to reflect any changes in the profit and loss allocations of Members, to reflect the capital contributions of the newly admitted Member and to set forth any new provisions or to amend any existing provisions of this Agreement which may be necessary or desirable in light of the Admission of a Member or Transfer by a Member.

7.2.6 Enforceability of Transfer Restrictions. Each Member acknowledges the reasonableness of the restrictions on the transferability of Membership Interests imposed by this Agreement in view of the Company purposes and the relationship of the Members. Accordingly, the restrictions on transferability contained in this Agreement shall be specifically enforceable.

7.3 Members and Assignees.

7.3.1 Rights of Admitted Member. A transferee who becomes a Member succeeds to all of the rights and powers and is subject to all of the obligations, restrictions and liabilities of a Member for the Membership Interest which is acquired by the transferee;

7.3.2 Rights of Assignee. A transferee who does not become a Member ("Assignee") will be entitled only to (i) receive, to the extent assigned, the distributions and the allocations of income, gains, losses, deductions, credit or similar items to which the assignor would be entitled and (ii) require information and accounts of Company transactions and to inspect the Company books only as required by the Act, and an Assignee shall have no other rights or powers of a Member. An Assignee nevertheless is subject to all of the provisions of this Agreement and to all of the obligations, restrictions and liabilities under this Agreement for the Membership Interest

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acquired.

7.3.3 Duties of Assignor. Until the time when the transferee of a Membership Interest becomes a Member, the transferor of the Membership Interest remains subject to all of the obligations, restrictions and liabilities under this Agreement for the Membership Interest and retains all rights and powers of a Member for the Membership Interest other than the right to receive cash and in kind distributions and the return of capital contributions.

7.4 Right of First Refusal.

7.4.1 A Member ("Selling Member") who desires to sell all or any portion of such Member's Membership Interest (the "Offered Interest") to a third party purchaser ("Third Party") shall obtain from such Third Party a bona fide written offer to purchase such Offered Interest stating the price and other terms and conditions for the proposed purchase (the "Offer"). The Selling Member shall give written notification to the remaining Members of the Selling Member's intention to so transfer the Offered Interest (the "Offer Notice") and shall include with the Offer Notice a copy of the Offer.

7.4.2 The remaining Members shall have the right to exercise a right of first refusal to purchase, in proportion to the Membership Percentages of the remaining Members who exercise such right, all (but not less than all) of the Offered Interest upon the same terms and conditions as stated in the Offer by giving written notification to the Selling Member of their exercise of such right (the "Exercise Notice") within 30 days after the Offer Notice is given. If any of the remaining Members (in the aggregate) exercise their right to purchase all of the Offered Interest, then the transaction shall close within 90 days after the date upon which the last Exercise Notice is given. If no remaining Members exercise their right to purchase all of the Offered Interest, then the Selling Member may sell the Offered Interest on the terms and conditions stated in the Offer to the purchaser named in the Offer within 120 days after the Offer Notice is given. The purchaser shall become either a Member or an Assignee in accordance with Paragraph 7.2 (entitled "Transfer and Admission") and shall not otherwise be entitled to Admission. Whether or not the Offered Interest is so sold, it shall remain subject to all of the terms and conditions of this Agreement, including without limitation this Paragraph 7.4.

7.5 Withdrawal. No Member may withdraw or resign from the Company or take any other voluntary action which would cause the dissolution of the Company without the consent of the Manager, which consent may be withheld in its absolute discretion.

7.6 Death of a Member. Upon the death of a Member who is an individual, the Membership Interest of the deceased Member shall be transferred to his or her lawful successor(s)-in-interest. Any such successor shall become a

accordance with the provisions of this Article 7.

ARTICLE 8

DISSOLUTION AND LIQUIDATION

8.1 Events of Termination: The Company shall, unless otherwise provided, terminate and dissolve on the happening of any of the following events:

8.1.1 Expiration. When the period fixed for the duration of the Company shall expire pursuant to Paragraph 1.6 (entitled "Term");

8.1.2 Consent. By the consent in writing of the Manager and a Majority-in-Interest of the Members; or

8.1.3 Statutory Dissolution. The happening of any events set forth in Section 18-801 of the Act, unless the business of the Company is continued by the consent of a Majority-in-Interest of the remaining Members within 90 days after the happening of that event and there are at least two remaining Members.

8.2 Winding Up Affairs and Liquidations. Upon the termination and dissolution of the Company, the Manager or the persons required or permitted by law to carry out the winding up of the affairs of the Company ("Liquidator") will promptly notify all Members of such dissolution; shall proceed to the liquidation of the assets of the Company by converting such assets to cash insofar as deemed practicable by the Manager or the Liquidator; will wind up the affairs of the Company; and, after paying or providing for the payment of all liabilities and obligations of the Company, will distribute the proceeds of liquidation and other assets of the Company as provided by law and the terms of this Agreement. Upon the dissolution of the Company as the result of the occurrence of an event described in Paragraph 8.1 (entitled "Events of Termination"), the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a Certificate of Dissolution. Upon the completion of the winding up of the affairs of the Company, the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Delaware Secretary of State, a Certificate of Cancellation of Certificate of Formation.

8.3 Continuation of Business for Purpose of Winding Up Affairs. Upon the filing with the Delaware Secretary of State of a Certificate of Dissolution, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business.

8.4 Distributions on Dissolution. The proceeds of liquidation and other assets of the Company shall be applied and distributed in the following order of priority:

8.4.1 Debts. To the payment of debts and liabilities of the Company (other than any loans and advances that may have been made by any of the Members, or amounts owing to any of the Members) and the expenses of liquidation;

8.4.2 Reserves. To the setting up of any reserves that the Manager or Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company, which reserves shall be paid over to an escrow holder designated by the Manager or Liquidator to be held for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies, and, at the expiration of such period, as the Manager or the Liquidator shall deem advisable, to distribute the balance thereafter remaining in the manner hereinafter provided;

8.4.3 Member Loans. To the payment of any loans or advances that may have been made by any of the Members; and

8.4.4 Members. Any balance then remaining will be distributed to the Members in accordance with Paragraph 3.4 (entitled "Distributions and Payments").

8.5 Assets Other Than Cash. Assets of the Company may be distributed in kind on the basis of the then fair market value of such assets as determined by agreement of the Members, and if no such agreement of value is

reached within 30 days, then such value shall be determined by an independent appraiser appointed by the Members (the cost and expense of said appraisal to be borne by the Company). If agreed to by all the Members, distributions in-kind will be made to the Members as tenants-in-common. For purposes of making such distribution only, the unrealized profit or loss on any such asset (based on its fair market value) shall be first allocated among the Members and the distribution of the asset shall be treated as a distribution of cash equal to the fair market value of such asset.

ARTICLE 9

FISCAL MATTERS

9.1 Books and Journals. The Company will maintain full and accurate books of the Company at the offices of the Company, showing all receipts and

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expenditures, assets and liabilities, Profits and Losses, and all other records necessary for recording the Company's business and affairs or required by the Act. Each Member and such Member's duly authorized representatives shall, during normal business hours, have access to and may inspect and copy any of such books and records. Furthermore, upon the request of any Member, copies of any portion of such books and records shall be delivered to such Member at such Member's sole cost and expense.

9.2 Accountants. The accountants shall be such firm of certified public accountants as may be selected by the Manager.

9.3 Reports to Members. Within 90 days after the end of each fiscal year, each Member shall be furnished a copy of the foreign, federal and state income tax information returns of the Company for the preceding fiscal year showing each Member's distributive share of each item of income, gain, loss, deduction, credit or preference which a Member is required to take into account separately on such Member's foreign, federal and state income tax returns.

9.4 Bank Accounts. All funds of the Company will be deposited in its name and in such bank accounts as the Manager shall reasonably determine.

9.5 Accounting Decisions. All decisions as to accounting matters, except as specifically provided to the contrary in this Agreement, will be made by the Company's accountants subject to the approval of the Manager.

9.6 Federal Income Tax Elections. The Manager shall cause the Company to make an election (or consent to any such election by a Member) pursuant to any of IRC Sections 732(d) and/or 754 (or corresponding provisions of succeeding law or state law), as may be determined by the Manager in the Manager's sole, absolute and arbitrary discretion, except to the extent otherwise directed by this Agreement.

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ARTICLE 10

MISCELLANEOUS PROVISIONS

10.1 Notices. Any notice required under this Agreement shall be given in writing (at the addresses set forth on the signature page for Members and at Company's registered office for the Company) by any of the following means: (i) personal service; (ii) electronic communicating by telegram, telecopying or fax transmission; (iii) overnight courier; or (iv) registered or certified, first class mail, postage prepaid with return receipt requested. Such addresses may be changed by notice to the other parties given in the same manner as above provided. Any notice sent pursuant to either (i) or (ii), above, shall be deemed received upon such personal service or upon confirmation of receipt by electronic means (unless confirmation occurs after 4:00 P.M. on the day sent or the day sent is not a business day, in either of which events confirmation shall be deemed to occur on the next following business day). Any notice sent pursuant to (iii), above, shall be deemed received on the next business day following deposit with the overnight courier, and any notice sent pursuant to (iv), above, shall be deemed received two (2) business days following deposit in the mail.

10.2 Limited Power of Attorney. Each Member, by such Member's execution of this Agreement, irrevocably constitutes and appoints the Manager as such Member's true and lawful attorney and agent, with full power and authority in such Member's name, place and stead only to execute, acknowledge and deliver

and to file or record in any appropriate public office: (i) any certificate or other instrument which may be necessary, desirable or appropriate to qualify or to continue the Company as a limited liability company or to transact business as a limited liability company in any jurisdiction in which the Company conducts business; (ii) any amendment to this Agreement or to any certificate or other instrument which may be necessary, desirable or appropriate to reflect an Admission, Transfer, withdrawal or any additional capital contributions, all in accordance with the provisions of this Agreement; and (iii) any certificates or instruments which may be appropriate, necessary or desirable to reflect the dissolution and termination of the Company. This power of attorney will be deemed to be coupled with an interest and will survive the transfer by any Member of such Member's Membership Interest. Notwithstanding the existence of this power of attorney, each Member agrees to join in the execution, acknowledgment and delivery of the instruments referred to above if requested to do so by the Members. This power of attorney granted to the Manager is a limited power of attorney that does not authorize the Manager to act on behalf of any Member except to execute the documents described in this Paragraph 11.2.

10.3 Integration. This Agreement sets forth the entire agreement between the parties with regard to the subject matter of this Agreement. All

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agreements, covenants, representations and warranties, express and implied, oral and written, of the parties with regard to the subject matter of this Agreement are contained in this Agreement and the documents referred to in this Agreement or implementing the provisions of this Agreement. No other agreements, covenants, representations or warranties, express or implied, oral or written, have been made by any Member to the other with respect to the subject matter of this Agreement. All prior and contemporaneous conversations, negotiations, possible and alleged agreements and representations, covenants, and warranties with respect to the subject matter of this Agreement are waived, merged in this Agreement and/or the other referenced documents and superseded by this Agreement. This is an integrated agreement.

10.4 Applicable Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Delaware.

10.5 Counterparts. This Agreement may be executed in counterparts and all counterparts so executed shall constitute one Agreement binding on all the parties. It shall not be necessary for each Member to execute the same counterpart.

10.6 Severability. In case any one or more of the provisions contained in this Agreement or any application of the provisions shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions or the remaining applications will not in any way be affected or impaired.

10.7 Captions. The captions and headings in this Agreement are for convenience only and will not be considered in interpreting any provision of this Agreement.

10.8 Binding Effect. Except as otherwise provided to the contrary, this Agreement will be binding upon, and inure to the benefit of, the Members and their respective heirs, executors, administrators, successors and assigns.

10.9 Gender and Number. Whenever required by the context, the singular will be deemed to include the plural, and the plural will be deemed to include the singular, and the masculine, feminine and neuter genders will each be deemed to include the other.

10.10 Amendment. Except as otherwise permitted in this Agreement, this Agreement may be amended in whole or in part only by an agreement in writing signed by all of the Members.

10.11 Exhibits. All attached Exhibits are incorporated in this Agreement by reference as though fully set forth in this Agreement.

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10.12 Interpretation. No provision of this Agreement is to be interpreted for or against any Member because that Member or that Member's legal representative drafted such provision. The term "including" shall not be limiting and shall mean "including but not limited to."

10.13 Company Tax Audits. The Manager is designated as the Company's "Tax Matters Partner" ("TMP") in accordance with the provisions of IRC Section 6231(a)(7).

10.14 Waiver of Action for Partition. Each Member irrevocably waives any right that such Member may have to maintain any action for partition of the Company or any of its property during the term of the Company. Each Member hereby acknowledges having been previously advised as to his or her partition rights and further acknowledges entering into this Agreement in reliance on the waiver of these rights by each other Member.

10.15 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any Member shall not preclude or waive the right to use any or all other remedies. All rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

10.16 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

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

ADDRESS
- - - - -

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

MANAGER
- - - - -

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

[signatures continued on the following page]

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[signatures continued from previous page]

MEMBERS
- - - - -

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

SALEM RADIO OPERATIONS, LLC, a
Delaware limited liability company

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

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EXHIBIT "A"

ALLOCATION PROVISIONS

1. Capital Accounts and Definitions.

1.1 Capital Account. A Capital Account shall be maintained for each Member in accordance with Regulations Section 1.704-1(b)(2)(iv). If the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits to the Capital Accounts (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or a

Member), are computed in order to comply with such Regulations, the Manager may make such modification, provided that the modification is not likely to have a material affect on the amounts distributable to any Member pursuant to Article 9 of this Agreement upon the dissolution of the Company. The Manager also shall make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) (2) (iv).

1.2 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

1.2.1 Depreciation. "Depreciation" means, for each Accounting Period (as defined below) of the Company, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Accounting Period, except that if the "Gross Asset Value" (defined below) of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Accounting Period, Depreciation shall, in accordance with Regulations Section 1.704- 1(b) (2) (iv) (g) (3), be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if such asset has a zero adjusted tax basis, Depreciation shall be determined using any reasonable method selected by the Members.

1.2.2 Gross Asset Value. "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

1.2.2.1 Initial Value. The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset at the time of contribution, as mutually agreed by the contributing Member and the Manager.

1.2.2.2 Adjustments. The Gross Asset Values of
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Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (i) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis capital contribution; (ii) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b) (2) (ii) (g); provided, however, that adjustments pursuant to clauses (i) and (ii) above shall be made only if the Manager reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

1.2.2.3 Distributions. The Gross Asset Value of any Company asset distributed to any Member shall be the gross fair market value of such asset on the date of distribution; and

1.2.2.4 Special Adjustments. The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to IRC Section 734(b) or IRC Section 743(b), but only to the extent that such adjustments are required to be taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b) (2) (iv) (m) and subparagraph 2.4 of this Exhibit "A"; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph 1.2.2.4 to the extent the Manager determines that an adjustment pursuant to subparagraph 1.2.2.2 of this Exhibit "A" is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph 1.2.2.4. If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraphs 1.2.2.1 or 1.2.2.2 of this Exhibit "A" or this subparagraph 1.2.2.4, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing "Profits" and "Losses" (as defined below).

1.2.2.5 Manager's Determination. Except as otherwise provided in subparagraph 1.2.2.1 of this Exhibit "A", for purposes of determining the Gross Asset Value of any Company asset, the reasonable determination of the Manager shall control.

1.2.3 Profits and Losses. "Profits" and "Losses" means, for each Accounting Period of the Company, an amount equal to the Company's taxable income or loss for such year, determined in accordance with IRC Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to IRC Section 703(a) (1) shall be included in taxable income or loss), with the following adjustments:

1.2.3.1 Income. Any income of the Company that

is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this subparagraph 1.2.3 shall be added to such taxable

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income or loss;

1.2.3.2 Special Expenditures. Any expenditures of the Company described in IRC Section 705(a)(2)(B) or treated as IRC Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses pursuant to this subparagraph 1.2.3 shall be subtracted from such taxable income or loss;

1.2.3.3 Disposition. If the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph 1.2.2.2 or subparagraph 1.2.2.3 of this Exhibit "A", the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset;

1.2.3.4 Gross Asset Value Adjustment. Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

1.2.3.5 Special Depreciation. In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Accounting Period, computed in accordance with subparagraph 1.2.1 of this Exhibit "A"; and

1.2.3.6 Special Allocations. Notwithstanding any other provision of this Paragraph 1, any items which are specially allocated pursuant to Paragraphs 2 or 3 of this Exhibit "A" shall not be taken into account in computing Profits or Losses.

1.2.4 Adjusted Capital Account Deficit. For purposes of this Agreement, "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Accounting Period after giving effect to the following adjustments:

1.2.4.1 Restoration Amounts. Credit to such Capital Account any amounts which such Member is obligated to restore pursuant to any provision of the Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

1.2.4.2 Special Debits. Debit to such Capital Account the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and/or 1.704-1(b)(2)(ii)(d)(6).

The definition of Adjusted Capital Account Deficit is intended

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to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

2. Special Allocations: The following special allocations shall be made in the following order:

2.1 Minimum Gain Chargeback. Each Member shall be specially allocated items of Company income and gain to the extent necessary to comply with the "minimum gain chargeback" requirements in Regulations Sections 1.704-2(f), (i)(4).

2.2 Qualified Income Offset. Each Member shall be specially allocated items of Company income and gain to the extent necessary to comply with the "qualified income offset" requirements in Regulations Section 1.704-1(b)(2)(d).

2.3 Recourse and Nonrecourse Debt. Each Member shall be specially allocated items of Company loss, deduction and IRC Section 705(a)(2)(B) expenditure to the extent necessary to comply with the allocation requirements for "partner nonrecourse deductions" and "nonrecourse deductions" in Regulations Sections 1.704-2(i), (c).

2.4 Special Tax Basis Adjustments. To the extent that Regulations Section 1.704-1(b)(2)(iv)(m) requires an adjustment to the adjusted tax basis of any Company property under IRC Sections 734(b) or 743(b) to be

taken into account in determining Capital Accounts, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

2.5 Adjusted Capital Account Deficits. The Losses allocated pursuant to Paragraph 3.3 of this Agreement shall not exceed the maximum amount of Losses that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Accounting Period. In the event that some but not all of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses under Paragraph 3.2 of this Agreement, the limitation set forth in this Paragraph 2.5 shall be applied on a Member by Member basis so as to allocate the maximum permissible loss to each Member under Regulations Section 1.704-1(b)(2)(ii)(d).

3. Other Allocation Rules:

3.1 Method of Allocation. For any Company Accounting Period, all items of Company income, gain, loss, deduction and any other items not otherwise allocated pursuant to this Agreement shall be divided among the Members in the same proportions as they share Profits or Losses, as the case may be, for such Company Accounting Period.

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3.2 Acknowledgment by Members. The Members are aware of the income tax consequences of the allocations made by Article 3 of this Agreement and this Exhibit "A" and agree to be bound by the provisions of Article 3 of this Agreement and this Exhibit "A" in reporting their shares of Company income and loss for income tax purposes.

3.3 Contributed Property. In accordance with IRC Section 704(c) and the Regulations, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with subparagraph 1.2.2.1 of this Exhibit "A").

3.4 Tax Purposes. In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph 1.2.2.2 of this Exhibit "A", subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under IRC Section 704(c) and the Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Manager in a manner that reasonably reflects the purpose and intention of the Agreement. Allocations pursuant to this Paragraph 3 are solely for purposes of federal and state income taxes and shall not, except to the extent required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

3.5 Liquidation of Member's Interest. Upon liquidation of any Member's interest in the Company, the liquidating distributions shall be made in accordance with the positive Capital Account balances of the Members adjusted as otherwise required by the provisions of this Agreement. A liquidation of a Member's interest shall occur as required pursuant to Regulations Section 1.704-1(b)(2)(ii)(g).

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ENDORSED
FILED in the Office of the
Secretary of State of Texas
March 16, 2001
Corporations Section

ARTICLES OF CONVERSION
OF
INSPIRATION MEDIA OF TEXAS, INC.

Inspiration Media of Texas, Inc., a Texas corporation (the "Corporation"), does hereby certify the following in accordance with Article 5.18 of the Texas Business Corporation Act:

1. The name of the Corporation is "Inspiration Media of Texas, Inc." The Corporation is a Texas corporation. The Corporation is the converting entity.

2. The name of the Texas limited liability company into which the Corporation is being converted (the "LLC") is "Inspiration Media of Texas, LLC". The LLC is the converted entity.

3. A Plan of Conversion has been approved by the unanimous vote of all of the directors and all of the stockholders of the Corporation in accordance with the provisions of Article 5.17 of the Texas Business Corporation Act.

4. An executed Plan of Conversion is on file at the principal place of business of the Corporation at 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012, and an executed Plan of Conversion will be on file, from and after the conversion, at the principal place of business of the LLC at 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012.

5. A copy of the Plan of Conversion will be furnished by the Corporation (prior to the conversion) or the LLC (after the conversion), on written request and without cost, to any owner of either the Corporation or the LLC.

6. The total number of outstanding shares of each class of the Corporation are as follows:

<TABLE>	CLASS	NUMBER OF SHARES
	-----	-----
	<S>	<C>
	Common	1,000

</TABLE>

7. One hundred percent (100%) of the outstanding shares of the Corporation voted

1

for the Plan of Conversion.

8. These Articles of Conversion shall become effective on March 9, 2001.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Conversion of Inspiration Media of Texas, Inc. effective as of March 9, 2001.

INSPIRATION MEDIA OF TEXAS, INC.,
a Texas Corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

ATTACHED DOCUMENT

CERTIFICATE OF ORGANIZATION OF
INSPIRATION MEDIA OF TEXAS, LLC

The undersigned, as Secretary of State of Texas, hereby certifies that the attached Articles of Organization for the above named company have been received in this office and are found to conform to law.

Filed: MARCH 16, 2001

Effective: MARCH 16, 2001

Henry Cuellar
Secretary of State

ARTICLES OF ORGANIZATION

OF

INSPIRATION MEDIA OF TEXAS, LLC

1. The name of the limited liability company ("Company") is "OnePlace, LLC". The period of duration of the Company shall expire on December 31, 2050.

2. The purpose for which the Company is organized is the transaction of any or all lawful business for which limited liability companies may be organized under the Texas Limited Liability Company Act.

3. The address of the Company's initial registered office in the State of Texas is 545 E. John Carpenter Freeway, Suite 450, Irving, Texas 75062. The name of the Company's initial registered agent at such address is Greg Anderson.

4. The Company shall be managed by one manager. The name and mailing address of the manager is as follows:

NAME: ----- Salem Media Corporation	MAILING ADDRESS: ----- 4880 Santa Rosa Road Suite 300 Camarillo, CA 93012
---	---

5. The Company is being organized pursuant to a Plan of Conversion. The converting entity is Inspiration Media of Texas, Inc., a corporation incorporated in Texas on July 24, 1995 and whose address is: 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012.

6. These Articles of Organization shall be effective on March 9, 2001.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Organization effective as of March 9, 2001.

SALEM MEDIA CORPORATION,

a New York Corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS DOCUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF TEXAS OR ANY OTHER JURISDICTION. THE MEMBERSHIP INTERESTS MAY NOT BE SOLD, PLEDGED, GIVEN, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE SECURITIES LAWS UNLESS APPROPRIATE EXEMPTIONS FROM SUCH REGISTRATIONS ARE AVAILABLE AS EVIDENCED EITHER BY THE DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OR SUBMISSION TO THE MANAGER OF OTHER EVIDENCE SATISFACTORY TO THE MANAGER.

OPERATING AGREEMENT OF
INSPIRATION MEDIA OF TEXAS, LLC,
A TEXAS LIMITED LIABILITY COMPANY

THIS OPERATING AGREEMENT OF INSPIRATION MEDIA OF TEXAS, LLC, a Texas limited liability company ("Agreement"), is entered into effective as of March 9, 2001, by and between SALEM MEDIA CORPORATION, a New York corporation (the "Manager"), and SALEM RADIO OPERATIONS, LLC, a Delaware limited liability company ("SRO"). The Manager and SRO are sometimes referred to collectively as the "Members" or the "parties" and individually as a "Member" or a "party". In consideration of the mutual covenants in this Agreement, the Members agree as follows.

ARTICLE 1

ORGANIZATION AND PURPOSE

1.1 Formation. The Company has been converted to a limited liability company pursuant to the Texas Limited Liability Company Act (as from time to time amended including any successor statute of similar import, the "Act"), subject to the terms contained in this Agreement. Prior to its conversion, the Company was a Texas corporation. The business and affairs of the Company shall be managed by one Manager.

1.2 Name. The name of the Company is "Inspiration Media of Texas, LLC" and all business of the Company will be conducted under the name of the Company. The Manager may change the Company's name and all of the Members shall be notified of such change.

1.3 Purpose. The business of the Company shall continue to be to (a) own, hold, operate, finance, refinance, maintain, manage, develop, lease and/or sell the business heretofore operated by Company while in the form of a corporation the (the "Business") and (b) to engage in any other legal activity which a limited liability company is permitted to do pursuant to the Act, all as the Manager shall reasonably determine.

1.4 Registered Office and Registered Agent. The Company's initial office shall be at 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012. The Company's registered agent in Texas shall be Greg Anderson and its registered office in Texas shall be 545 E. John Carpenter Freeway, Suite 450, Irving, Texas, 75062. The registered office and agent of the Company in Texas may be changed from time to time by the Manager by filing the address of the new registered office and/or the name of the new agent with the Texas Secretary of State.

1.5 Addresses of Members. The addresses of the Members are set forth on the signature pages of this Agreement.

1.6 Term. The Company's term shall continue until December 31,

1.7 Documents. The Company will execute and file the documents necessary to comply with the requirements of the Act and the other laws of Texas for the formation, continuation and operation of limited liability companies. The Members agree to execute all documents and to undertake all other acts, as reasonably may be deemed necessary by the Manager, in order to comply with the requirements of the laws of Texas for the formation, continuation and operation of limited liability companies. The Manager will further execute and file the documents necessary to qualify the Company to do business in any other jurisdictions in which the Company shall do business.

1.8 Membership Interest. "Membership Interest" shall mean a Member's rights in the Company, collectively, including such Member's economic interest, any right to vote and participate in management, and any right to information concerning the business and affairs of the Company provided under this Agreement or the Act.

ARTICLE 2

CAPITAL

2.1 Manager's Capital Contribution. Inspiration Media of Texas, Inc., a Texas corporation, converted into the Company. As a result, the Company continues to own all of the assets of the Business. The Manager was the sole shareholder of Inspiration Media of Texas, Inc. The Manager shall not be obligated to contribute any additional capital to the Company.

2.2 SRO's Capital Contribution. Concurrently with the execution of this Agreement, SRO shall contribute cash in the amount of \$1,350,000 to the capital of the Company. SRO shall not be obligated to contribute any additional capital to the Company.

2.3 Liability. No Member or Manager is liable to any other Member for the repayment of any Member's capital contributions and, except as otherwise provided in Sections 2.1 and 2.2 of this Agreement, no Member is obligated to make any advances or contributions of capital to the Company. Except as otherwise provided in this Agreement or as required by law, the Members and Manager will not be liable for any of the debts of the Company.

2.4 No Interest on Capital. Except as otherwise provided in this

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Agreement, no interest will be paid to the Members on capital contributions or on "Capital Account" (defined below) balances.

2.5 Return of Capital. Except as otherwise provided in this Agreement, no time has been agreed upon for the contributions of the Members to be returned to them. The Manager does not, in any way, guarantee the return of the Members' capital contributions or a profit for the Members from the operations of the Company. The Members have no right to demand and receive property other than cash in return for the Members' capital contributions.

2.6 Loans from Members. Any Member may advance funds to the Company if funds are deemed necessary by the Manager. The advances will be evidenced by the Company's note payable to the lending Member. The note will provide for a rate of interest mutually acceptable to the Manager and the Member advancing funds to the Company; provided, however, such rate of interest shall be commercially reasonable.

2.7 Capital Accounts. A "Capital Account" shall be maintained for each Member in accordance with the provisions of Paragraph 1 of Exhibit "A".

2.8 Membership Percentages. The "Membership Percentages" of the Members are as follows:

<TABLE>
<CAPTION>

MEMBER -----	MEMBERSHIP PERCENTAGE -----
<S>	<C>
Salem Radio Operations, LLC	1%
Salem Media Corporation	99%

Total	100%
	===

</TABLE>

2.9 Majority-in-Interest. For purposes of this Agreement, a "Majority-in-Interest" of the Members shall mean those Members then owning more

than 50% of the Membership Percentages then owned by all of the Members who are then entitled to vote. Except as otherwise provided in this Agreement or by the Act, all decisions of the Members shall be made by a Majority-in-Interest of the Members.

ARTICLE 3

PROFITS, LOSSES AND DISTRIBUTIONS

3.1 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

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3.1.1 "Distributable Cash" is all cash of the Company (including without limitation cash from the sale of any or all of the Company property) less (i) the amount necessary for payment of all costs, expenses, obligations and liabilities of the Company then due (including any then due advances to the Company by the Members) and (ii) the amount deemed necessary by the Manager, in the exercise of its reasonable discretion, for the operation of the Company and to establish a reserve for the payment of foreseen or unforeseen costs, expenses, obligations or liabilities of the Company.

3.1.2 The "Profits" and "Losses" of the Company (as determined for book purposes) shall be calculated in accordance with Paragraph 1.2.3 of attached Exhibit "A".

3.1.3 The "Accounting Period" of the Company will be each period commencing on the first day following the last day of the immediately preceding Accounting Period (which for the Company's first fiscal year shall be deemed to be the date of the commencement of the Company) and ending on December 31 (which shall also be the Company's fiscal year end), unless another fiscal year is selected by the Manager and permission to change to such other fiscal year is granted by the Internal Revenue Service.

3.2 Allocation of Profits: Except as otherwise provided in Exhibit "A" to this Agreement, Profits for any Accounting Period shall be allocated among the Members in the ratio of their respective Membership Percentages.

3.3 Allocation of Losses: Except as otherwise provided in Exhibit "A" to this Agreement, Losses for any Accounting Period shall be allocated among the Members in the ratio of their respective Membership Percentages.

3.4 Distributions and Payments: For each Accounting Period, on a cumulative basis, Distributable Cash shall be paid and distributed to the Members in the ratio of their respective Membership Percentages.

3.5 Identity of Distributees. Distributions shall be made only to persons who, according to the books and records of the Company, are the owners of record of Membership Interests on a date to be determined by the Manager. Neither the Manager nor the Company shall incur any liability for making distributions in accordance with the preceding sentence, whether or not the Manager has knowledge or notice of any transfer of ownership of any Membership Interests.

3.6 Time of Distributions. Distributions shall be made to the Members as soon as possible after the Manager's determination of the availability of cash for such purposes, which determination shall be within the reasonable discretion of the Manager.

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3.7 Sharing Between Transferor and Transferee. If a Membership Interest is transferred, the income, gains, losses and deductions allocable to the Membership Interest transferred for the Accounting Period during which the transfer occurred will be allocated between the transferor and transferee of the Membership Interest in proportion to the time during the Accounting Period that the Membership Interest was owned by the transferor and transferee. Credits shall be allocated to the Member who owned the Membership Interest at the time that the property giving rise to the credit was placed in service. Each transferee will be credited with the Capital Account of the transferee's transferor. If a transferor transfers less than all of the transferor's Membership Interest, the Capital Account will be allocated in proportion to the fraction of the Membership Interest respectively transferred and retained.

ARTICLE 4

REIMBURSEMENT OF MANAGER'S EXPENSES

AND INDEMNIFICATION OF MANAGER

The Company will reimburse the Manager for all ordinary and necessary operating expenses incurred by the Manager in carrying on the Company's business. The Manager shall not be liable to the Company or to any Member for any act or omission suffered or taken by the Manager in good faith, and the Manager shall be fully protected and indemnified by the Company against all liabilities and losses suffered by virtue of its status as the Manager, including amounts paid in respect of judgments, fines or in settlement of litigation and expenses reasonably incurred by the Company or the Manager in connection with any pending or threatened litigation or proceeding, with respect to any action or omission suffered or taken, including but not limited to any action taken by the Manager in the formation and operation of the Company or in the financing, refinancing, improvement and sale of any assets of the Company, liabilities arising under the "IRC" (as defined below) and the Manager's activities as the "TMP" (as defined below), provided that (i) the acts or omissions do not constitute gross negligence, fraud or criminal act by such Manager, and (ii) the satisfaction of any indemnification and saving harmless will be from and limited to Company assets. No Member will have any personal liability on account of the indemnification and saving harmless of the Manager. To the extent that the acts or omissions of the Manager constitute gross negligence, fraud or criminal act, the Manager shall indemnify and save harmless the Company and the Members from any loss or damage occasioned thereby (including, without limitation, reasonable attorneys' fees). The Manager shall not be liable to the Company or any Member because any taxing authorities disallow or adjust any deductions, losses, credits or items of income or gain in the Company's or any Member's income tax returns.

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ARTICLE 5

RIGHTS AND OBLIGATIONS OF MANAGER

5.1 Manager to Manage Business. The business and affairs of the Company shall be managed by one Manager. The Manager shall be SALEM MEDIA CORPORATION, a New York corporation limited liability company, who shall serve as Manager until its dissolution, resignation or removal. The Manager shall direct, manage and control the business of the Company to the best of its ability and shall devote such portion of its time and attention to the conduct of the business of the Company as is necessary to carry out the purposes and business of the Company.

5.2 Powers of the Manager. The Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business, including, but not limited to the power:

5.2.1 To encumber all or less than all Company assets or rights;

5.2.2 To make all decisions concerning the operational aspects of the Company;

5.2.3 To execute and deliver all leases, contracts, deeds and other instrumentation and documentation in connection with the operations or business of the Company;

5.2.4 To borrow money on behalf of the Company and to execute and deliver in the name of the Company notes evidencing such borrowings and mortgages, deeds of trust and any other security instruments securing such borrowings;

5.2.5 To pay from Company assets all expenses of organizing and conducting the business of the Company, including without limitation, legal and accounting fees and costs;

5.2.6 To execute any and all other instruments and take any and all other action necessary or desirable to carry out the purposes and business of the Company;

5.2.7 To sell, transfer, convey and/or exchange all or any portion of the property or assets of the Company; and

5.2.8 To do any other lawful act or thing in furtherance of the Company's business.

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5.3 Restrictions on Authority of the Manager. The Manager shall not have

the authority or right to do any of the following acts:

5.3.1 To act in contravention of this Agreement.

5.3.2 To act in any manner that would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Agreement;

5.3.3 To possess property, or assign rights in specific property, for other than a Company purpose; or

5.3.4 To knowingly perform any act that would cause the Company to conduct business in a state which has neither enacted legislation which permits limited liability companies to organize in such state nor permits the Company to register to do business in such state as a foreign limited liability company.

5.4 Right to Rely on the Manager. The Manager shall have the absolute authority to bind the Company by its signature alone and anyone dealing with the Company shall have the right to rely on such authority. Except as otherwise expressly authorized by this Agreement or by the Manager, no Member (other than the Manager), attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable pecuniarily for any purpose. Any person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Manager as to: the identity of the Manager or any Member; the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company; the persons and/or entities who are authorized to execute and deliver any instrument or document of the Company; or any act or failure to act by the Company or any other matter whatsoever involving the Company or any Member.

5.5 Manager Has No Exclusive Duty to Company. The Manager shall not be required to manage the Company as its sole and exclusive function. Subject to the fulfillment of the Manager's obligations pursuant to this Agreement, the Manager may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Manager or to the income or proceeds derived therefrom. The Manager shall not incur any liability to the Company or to any of the Members as a result of engaging in any other business or venture.

5.6 Affiliates. The Manager may, in the Manager's absolute discretion, employ an Affiliate in any capacity on a basis comparable to that which could be

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arranged with unaffiliated third parties for comparable service. Any Affiliate employed by the Company shall have the absolute right (but not the obligation) to contract with independent third parties in connection with the performance of the foregoing service. For purposes of this Agreement, an "Affiliate" shall include any and all firms and entities, including, without limitation, corporations, partnerships, joint ventures, trusts, limited liability companies and associations, which are directly or indirectly owned or controlled, in whole or in part, by or in common with, any Member or Members or Manager and/or any of such entities or any combination of any such persons or entities.

5.7 Removal.

5.7.1 The "removal" of the Manager shall automatically take place in the event that any of the following occurs:

5.7.1.1 The Manager becoming bankrupt. The Manager shall be deemed to be bankrupt upon: (a) the filing of an application by the Manager for, or its consent to, the appointment of a trustee, receiver, or custodian of its assets; (b) the entry of an order for relief with respect to the Manager in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by the Manager of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver or custodian of the assets of the Manager unless the proceedings and the trustee, receiver or custodian appointed are dismissed within ninety (90) days; or (e) the failure by the Manager generally to pay its debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of its inability to pay its debts as they become due.

5.7.1.2 The Manager is dissolved.

5.7.2 The removal of a Manager shall not affect such Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.8 Vacancies. Upon any vacancy occurring for any reason in the office of Manager of the Company, the vacancy may be filled by the affirmative vote of

a Majority-in-Interest of the Members.

5.9 Officers. The Manager may appoint and/or remove officers of the company from time to time in its sole and absolute discretion. Each officer shall have the title and authority designated by the Manager.

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ARTICLE 6

MEETINGS OF MEMBERS

6.1 Meetings. Any Member may call a meeting at any time on not less than five (5) business days' prior written notice to all Members. Any notice for a meeting must identify the nature of the business to be discussed at such meeting.

6.2 Designees. Any Member may at any time, and from time to time, by written notice to the other Members, designate a person ("Designee") to act on its behalf at any meeting of the Members. Such Designee shall have all of the voting rights of such Member. A Member who has named a Designee may subsequently revoke such designation and may, at the same time or subsequently, name a replacement Designee.

6.3 Meeting of all Members. If all of the Members shall meet at any time and place, either within or outside of the State of Texas and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken.

6.4 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Paragraph 6.4, such determination shall apply to any adjournment.

6.5 Quorum. A Majority-In-Interest of the Members, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Membership Percentages so represented may adjourn the meeting from time to time for a period not to exceed 60 days without further notice. However, if the adjournment is for more than 60 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Membership Percentages whose absence would cause less than a quorum.

6.6 Manner of Acting. If a quorum is present, the affirmative vote of Majority-in-Interest of the Members (whether or not all are present) shall be the act of

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the Members, unless the vote of a greater proportion or number is otherwise required by the Act, by the Articles of Organization, or by this Agreement. Unless otherwise expressly provided in this Agreement or required under applicable law, Members who have an interest (economic or otherwise) in the outcome of any particular matter upon which the Members are being asked to vote or consent may vote or consent upon any such matter and their Membership Percentage, vote or consent, as the case may be, shall be counted in the determination of whether the requisite matter was approved by the Members.

6.7 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Members of the Company before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

6.8 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents signed by all Members.

6.9 Waiver of Notice. When any notice is required to be given to any Member, a waiver in writing signed by the person entitled to such notice, whether before, at, or after the time stated in such notice shall be equivalent

to the giving of such notice.

ARTICLE 7

ADMISSION AND WITHDRAWAL OF MEMBERS AND TRANSFER OF MEMBERSHIP INTERESTS

7.1 Definitions.

7.1.1 "Admission" means the addition of a new Member to the Company.

7.1.2 "Transfer" means the transfer, alienation, sale, assignment, pledge or other disposition or encumbrance of all or any part of a Membership Interest, whether voluntarily or involuntarily.

7.1.3 The term "Associate" shall mean with respect to any Member (i) any other Member, (ii) any beneficiary of a trust which is a Member, (iii) any spouse

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or adult lineal ascendants or descendants of any such Member or beneficiary, or a trust for his or her or their benefit (including minor descendants), and (iv) any and all firms and entities, including, without limitation, corporations, limited liability companies, partnerships, joint ventures, trusts and associations, which are directly or indirectly owned or controlled by, or in common with, one or more of the previously identified persons.

7.2 Transfer and Admission.

7.2.1 Transfer. Except as otherwise provided in this Agreement, no Member may effect a Transfer of any Membership Interest except for (i) Transfers to Associates, (ii) Transfers previously approved in writing by the Manager, which approval may be withheld in the Manager's absolute discretion, and (iii) Transfers to persons pursuant to Paragraph 7.4 (entitled "Right of First Refusal") (collectively referred to as "Permitted Transfers"); provided, however, that (a) all such Permitted Transfers must be made in full compliance with all requirements contained in this Agreement and (b) no Member may transfer all or any part of such Member's Membership Interest to a minor or an incompetent unless the Transfer is to a trust, guardianship, or other legal entity formed for the benefit of the incapacitated party. Any Transfer of a Membership Interest which does not comply with the provisions of this Agreement shall be invalid and shall not vest any interest in the transferee.

7.2.2 Admission. Except as otherwise provided in this Agreement, a person shall become a Member only upon (i) the approval of the Manager, which approval may be withheld in the Manager's absolute discretion, and (ii) the person executing any and all documents reasonably requested by the Manager, including without limitation an agreement by which such person shall be bound by all of the provisions of this Agreement. Notwithstanding the foregoing, if a Member transfers a Membership Interest to an Associate or a Membership Interest is transferred to a successor upon the death of a Member, the Associate or the successor shall be entitled to Admission without the approval of the Manager, provided that all other requirements contained in this Agreement must be complied with prior to such Admission.

7.2.3 Admission Date. Any Admission shall be deemed to occur effective either (i) if the Admission occurs from the first through the 15th day of the month, then on the first day of the calendar month in which the admission occurs or (ii) if the Admission occurs from the 16th through the last day of the month, then on the first day of the calendar month after the month in which the Admission occurs.

7.2.4 Additional Requirements. No Transfer or Admission shall be permitted (i) if the proposed Transfer, transferee or Admission will, or could, impair the ability of the Company to be taxed as a partnership under the Federal income tax laws, or (ii) if the Transfer or Admission will, or could, cause the Company's tax year to close or the Company to terminate for Federal income tax purposes, and (iii) no Admission shall be permitted unless the proposed Member has acknowledged in writing the

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liabilities of the transferor and the Company which cannot be ascertained from this Agreement.

7.2.5 Necessary Amendments. In the event of the Admission of a Member or a Permitted Transfer by a Member, this Agreement will be promptly amended as necessary to reflect any changes in the profit and loss allocations of Members, to reflect the capital contributions of the newly admitted Member

and to set forth any new provisions or to amend any existing provisions of this Agreement which may be necessary or desirable in light of the Admission of a Member or Transfer by a Member.

7.2.6 Enforceability of Transfer Restrictions. Each Member acknowledges the reasonableness of the restrictions on the transferability of Membership Interests imposed by this Agreement in view of the Company purposes and the relationship of the Members. Accordingly, the restrictions on transferability contained in this Agreement shall be specifically enforceable.

7.3 Members and Assignees.

7.3.1 Rights of Admitted Member. A transferee who becomes a Member succeeds to all of the rights and powers and is subject to all of the obligations, restrictions and liabilities of a Member for the Membership Interest which is acquired by the transferee;

7.3.2 Rights of Assignee. A transferee who does not become a Member ("Assignee") will be entitled only to (i) receive, to the extent assigned, the distributions and the allocations of income, gains, losses, deductions, credit or similar items to which the assignor would be entitled and (ii) require information and accounts of Company transactions and to inspect the Company books only as required by the Act, and an Assignee shall have no other rights or powers of a Member. An Assignee nevertheless is subject to all of the provisions of this Agreement and to all of the obligations, restrictions and liabilities under this Agreement for the Membership Interest acquired.

7.3.3 Duties of Assignor. Until the time when the transferee of a Membership Interest becomes a Member, the transferor of the Membership Interest remains subject to all of the obligations, restrictions and liabilities under this Agreement for the Membership Interest and retains all rights and powers of a Member for the Membership Interest other than the right to receive cash and in kind distributions and the return of capital contributions.

7.4 Right of First Refusal.

7.4.1 A Member ("Selling Member") who desires to sell all or any portion of such Member's Membership Interest (the "Offered Interest") to a third party purchaser ("Third Party") shall obtain from such Third Party a bona fide written offer to

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purchase such Offered Interest stating the price and other terms and conditions for the proposed purchase (the "Offer"). The Selling Member shall give written notification to the remaining Members of the Selling Member's intention to so transfer the Offered Interest (the "Offer Notice") and shall include with the Offer Notice a copy of the Offer.

7.4.2 The remaining Members shall have the right to exercise a right of first refusal to purchase, in proportion to the Membership Percentages of the remaining Members who exercise such right, all (but not less than all) of the Offered Interest upon the same terms and conditions as stated in the Offer by giving written notification to the Selling Member of their exercise of such right (the "Exercise Notice") within 30 days after the Offer Notice is given. If any of the remaining Members (in the aggregate) exercise their right to purchase all of the Offered Interest, then the transaction shall close within 90 days after the date upon which the last Exercise Notice is given. If no remaining Members exercise their right to purchase all of the Offered Interest, then the Selling Member may sell the Offered Interest on the terms and conditions stated in the Offer to the purchaser named in the Offer within 120 days after the Offer Notice is given. The purchaser shall become either a Member or an Assignee in accordance with Paragraph 7.2 (entitled "Transfer and Admission") and shall not otherwise be entitled to Admission. Whether or not the Offered Interest is so sold, it shall remain subject to all of the terms and conditions of this Agreement, including without limitation this Paragraph 7.4.

7.5 Withdrawal. No Member may withdraw or resign from the Company or take any other voluntary action which would cause the dissolution of the Company without the consent of the Manager, which consent may be withheld in its absolute discretion.

7.6 Death of a Member. Upon the death of a Member who is an individual, the Membership Interest of the deceased Member shall be transferred to his or her lawful successor(s)-in-interest. Any such successor shall become a Member in accordance with the provisions of this Article 7.

ARTICLE 8

DISSOLUTION AND LIQUIDATION

8.1 Events of Termination: The Company shall, unless otherwise provided, terminate and dissolve on the happening of any of the following events:

8.1.1 Expiration. When the period fixed for the duration of the Company shall expire pursuant to Paragraph 1.6 (entitled "Term");

8.1.2 Consent. By the consent in writing of the Manager and a Majority-in-Interest of the Members; or

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8.1.3 Statutory Dissolution. The happening of any events set forth in Section 6.01(A) of the Act, unless the business of the Company is continued by the consent of a Majority-in-Interest of the remaining Members within 90 days after the happening of that event and there are at least two remaining Members.

8.2 Winding Up Affairs and Liquidations. Upon the termination and dissolution of the Company, the Manager or the persons required or permitted by law to carry out the winding up of the affairs of the Company ("Liquidator") will promptly notify all Members of such dissolution; shall proceed to the liquidation of the assets of the Company by converting such assets to cash insofar as deemed practicable by the Manager or the Liquidator; will wind up the affairs of the Company; and, after paying or providing for the payment of all liabilities and obligations of the Company, will distribute the proceeds of liquidation and other assets of the Company as provided by law and the terms of this Agreement. Upon the dissolution of the Company as the result of the occurrence of an event described in Paragraph 8.1 (entitled "Events of Termination"), the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Texas Secretary of State, a Certificate of Dissolution. Upon the completion of the winding up of the affairs of the Company, the Manager or Liquidator shall cause to be filed in the office of, and on a form prescribed by, the Texas Secretary of State, a Certificate of Cancellation of Articles of Organization.

8.3 Continuation of Business for Purpose of Winding Up Affairs. Upon the filing with the Texas Secretary of State of a Certificate of Dissolution, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business.

8.4 Distributions on Dissolution. The proceeds of liquidation and other assets of the Company shall be applied and distributed in the following order of priority:

8.4.1 Debts. To the payment of debts and liabilities of the Company (other than any loans and advances that may have been made by any of the Members, or amounts owing to any of the Members) and the expenses of liquidation;

8.4.2 Reserves. To the setting up of any reserves that the Manager or Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company, which reserves shall be paid over to an escrow holder designated by the Manager or Liquidator to be held for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies, and, at the expiration of such period, as the Manager or the Liquidator shall deem advisable, to distribute the balance thereafter remaining in the manner hereinafter provided;

8.4.3 Member Loans. To the payment of any loans or advances

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that may have been made by any of the Members; and

8.4.4 Members. Any balance then remaining will be distributed to the Members in accordance with Paragraph 3.4 (entitled "Distributions and Payments").

8.5 Assets Other Than Cash. Assets of the Company may be distributed in kind on the basis of the then fair market value of such assets as determined by agreement of the Members, and if no such agreement of value is reached within 30 days, then such value shall be determined by an independent appraiser appointed by the Members (the cost and expense of said appraisal to be borne by the Company). If agreed to by all the Members, distributions in-kind will be made to the Members as tenants-in-common. For purposes of making such distribution only, the unrealized profit or loss on any such asset (based on its fair market value) shall be first allocated among the Members and the distribution of the asset shall be treated as a distribution of cash equal to the fair market value of such asset.

ARTICLE 9

FISCAL MATTERS

9.1 Books and Journals. The Company will maintain full and accurate books of the Company at the offices of the Company, showing all receipts and expenditures, assets and liabilities, Profits and Losses, and all other records necessary for recording the Company's business and affairs or required by the Act. Each Member and such Member's duly authorized representatives shall, during normal business hours, have access to and may inspect and copy any of such books and records. Furthermore, upon the request of any Member, copies of any portion of such books and records shall be delivered to such Member at such Member's sole cost and expense.

9.2 Accountants. The accountants shall be such firm of certified public accountants as may be selected by the Manager.

9.3 Reports to Members. Within 90 days after the end of each fiscal year, each Member shall be furnished a copy of the foreign, federal and state income tax information returns of the Company for the preceding fiscal year showing each Member's distributive share of each item of income, gain, loss, deduction, credit or preference which a Member is required to take into account separately on such Member's foreign, federal and state income tax returns.

9.4 Bank Accounts. All funds of the Company will be deposited in its name and in such bank accounts as the Manager shall reasonably determine.

9.5 Accounting Decisions. All decisions as to accounting matters, except as specifically provided to the contrary in this Agreement, will be made by the

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Company's accountants subject to the approval of the Manager.

9.6 Federal Income Tax Elections. The Manager shall cause the Company to make an election (or consent to any such election by a Member) pursuant to any of IRC Sections 732(d) and/or 754 (or corresponding provisions of succeeding law or state law), as may be determined by the Manager in the Manager's sole, absolute and arbitrary discretion, except to the extent otherwise directed by this Agreement.

ARTICLE 10

MISCELLANEOUS PROVISIONS

10.1 Notices. Any notice required under this Agreement shall be given in writing (at the addresses set forth on the signature page for Members and at Company's registered office for the Company) by any of the following means: (i) personal service; (ii) electronic communicating by telegram, telecopying or fax transmission; (iii) overnight courier; or (iv) registered or certified, first class mail, postage prepaid with return receipt requested. Such addresses may be changed by notice to the other parties given in the same manner as above provided. Any notice sent pursuant to either (i) or (ii), above, shall be deemed received upon such personal service or upon confirmation of receipt by electronic means (unless confirmation occurs after 4:00 P.M. on the day sent or the day sent is not a business day, in either of which events confirmation shall be deemed to occur on the next following business day). Any notice sent pursuant to (iii), above, shall be deemed received on the next business day following deposit with the overnight courier, and any notice sent pursuant to (iv), above, shall be deemed received two (2) business days following deposit in the mail.

10.2 Limited Power of Attorney. Each Member, by such Member's execution of this Agreement, irrevocably constitutes and appoints the Manager as such Member's true and lawful attorney and agent, with full power and authority in such Member's name, place and stead only to execute, acknowledge and deliver and to file or record in any appropriate public office: (i) any certificate or other instrument which may be necessary, desirable or appropriate to qualify or to continue the Company as a limited liability company or to transact business as a limited liability company in any jurisdiction in which the Company conducts business; (ii) any amendment to this Agreement or to any certificate or other instrument which may be necessary, desirable or appropriate to reflect an Admission, Transfer, withdrawal or any additional capital contributions, all in accordance with the provisions of this Agreement; and (iii) any certificates or instruments which may be appropriate, necessary or desirable to reflect the dissolution and termination of the Company. This power of attorney will be deemed to be coupled with an interest and will survive the transfer by any Member of such Member's Membership Interest. Notwithstanding the existence of this power of attorney, each Member agrees to join in the execution, acknowledgment and delivery of

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the instruments referred to above if requested to do so by the Members. This power of attorney granted to the Manager is a limited power of attorney that does not authorize the Manager to act on behalf of any Member except to execute

the documents described in this Paragraph 11.2.

10.3 Integration. This Agreement sets forth the entire agreement between the parties with regard to the subject matter of this Agreement. All agreements, covenants, representations and warranties, express and implied, oral and written, of the parties with regard to the subject matter of this Agreement are contained in this Agreement and the documents referred to in this Agreement or implementing the provisions of this Agreement. No other agreements, covenants, representations or warranties, express or implied, oral or written, have been made by any Member to the other with respect to the subject matter of this Agreement. All prior and contemporaneous conversations, negotiations, possible and alleged agreements and representations, covenants, and warranties with respect to the subject matter of this Agreement are waived, merged in this Agreement and/or the other referenced documents and superseded by this Agreement. This is an integrated agreement.

10.4 Applicable Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Texas.

10.5 Counterparts. This Agreement may be executed in counterparts and all counterparts so executed shall constitute one Agreement binding on all the parties. It shall not be necessary for each Member to execute the same counterpart.

10.6 Severability. In case any one or more of the provisions contained in this Agreement or any application of the provisions shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions or the remaining applications will not in any way be affected or impaired.

10.7 Captions. The captions and headings in this Agreement are for convenience only and will not be considered in interpreting any provision of this Agreement.

10.8 Binding Effect. Except as otherwise provided to the contrary, this Agreement will be binding upon, and inure to the benefit of, the Members and their respective heirs, executors, administrators, successors and assigns.

10.9 Gender and Number. Whenever required by the context, the singular will be deemed to include the plural, and the plural will be deemed to include the singular, and the masculine, feminine and neuter genders will each be deemed to include the other.

10.10 Amendment. Except as otherwise permitted in this Agreement, this Agreement may be amended in whole or in part only by an agreement in writing signed

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by all of the Members.

10.11 Exhibits. All attached Exhibits are incorporated in this Agreement by reference as though fully set forth in this Agreement.

10.12 Interpretation. No provision of this Agreement is to be interpreted for or against any Member because that Member or that Member's legal representative drafted such provision. The term "including" shall not be limiting and shall mean "including but not limited to."

10.13 Company Tax Audits. The Manager is designated as the Company's "Tax Matters Partner" ("TMP") in accordance with the provisions of IRC Section 6231(a)(7).

10.14 Waiver of Action for Partition. Each Member irrevocably waives any right that such Member may have to maintain any action for partition of the Company or any of its property during the term of the Company. Each Member hereby acknowledges having been previously advised as to his or her partition rights and further acknowledges entering into this Agreement in reliance on the waiver of these rights by each other Member.

10.15 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any Member shall not preclude or waive the right to use any or all other remedies. All rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

10.16 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

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

ADDRESS

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

MANAGER

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

[signatures continued on the following page]

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[signatures continued from previous page]

MEMBERS

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

SALEM RADIO OPERATIONS, LLC, a
Delaware limited liability company

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

4880 Santa Rosa Road
Suite 300
Camarillo, CA 93012

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block,
Vice President

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EXHIBIT "A"

ALLOCATION PROVISIONS

1. Capital Accounts and Definitions.

1.1 Capital Account. A Capital Account shall be maintained for each Member in accordance with Regulations Section 1.704-1(b) (2) (iv). If the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits to the Capital Accounts (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or a Member), are computed in order to comply with such Regulations, the Manager may make such modification, provided that the modification is not likely to have a material affect on the amounts distributable to any Member pursuant to Article 9 of this Agreement upon the dissolution of the Company. The Manager also shall make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) (2) (iv).

1.2 Definitions. For purposes of this Agreement, the following capitalized terms are defined as follows:

1.2.1 Depreciation. "Depreciation" means, for each Accounting Period (as defined below) of the Company, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Accounting Period, except that if the "Gross Asset Value" (defined below) of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Accounting Period, Depreciation shall, in accordance with Regulations Section 1.704- 1(b) (2) (iv) (g) (3), be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if such asset has a zero adjusted tax basis, Depreciation shall be determined using any

reasonable method selected by the Members.

1.2.2 Gross Asset Value. "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

1.2.2.1 Initial Value. The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset at the time of contribution, as mutually agreed by the contributing Member and the Manager.

1.2.2.2 Adjustments. The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as

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determined by the Manager, as of the following times: (i) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis capital contribution; (ii) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (i) and (ii) above shall be made only if the Manager reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

1.2.2.3 Distributions. The Gross Asset Value of any Company asset distributed to any Member shall be the gross fair market value of such asset on the date of distribution; and

1.2.2.4 Special Adjustments. The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to IRC Section 734(b) or IRC Section 743(b), but only to the extent that such adjustments are required to be taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and subparagraph 2.4 of this Exhibit "A"; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph 1.2.2.4 to the extent the Manager determines that an adjustment pursuant to subparagraph 1.2.2.2 of this Exhibit "A" is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph 1.2.2.4. If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraphs 1.2.2.1 or 1.2.2.2 of this Exhibit "A" or this subparagraph 1.2.2.4, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing "Profits" and "Losses" (as defined below).

1.2.2.5 Manager's Determination. Except as otherwise provided in subparagraph 1.2.2.1 of this Exhibit "A", for purposes of determining the Gross Asset Value of any Company asset, the reasonable determination of the Manager shall control.

1.2.3 Profits and Losses. "Profits" and "Losses" means, for each Accounting Period of the Company, an amount equal to the Company's taxable income or loss for such year, determined in accordance with IRC Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to IRC Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

1.2.3.1 Income. Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this subparagraph 1.2.3 shall be added to such taxable income or loss;

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1.2.3.2 Special Expenditures. Any expenditures of the Company described in IRC Section 705(a)(2)(B) or treated as IRC Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses pursuant to this subparagraph 1.2.3 shall be subtracted from such taxable income or loss;

1.2.3.3 Disposition. If the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph 1.2.2.2 or subparagraph 1.2.2.3 of this Exhibit "A", the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset;

1.2.3.4 Gross Asset Value Adjustment. Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

1.2.3.5 Special Depreciation. In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Accounting Period, computed in accordance with subparagraph 1.2.1 of this Exhibit "A"; and

1.2.3.6 Special Allocations. Notwithstanding any other provision of this Paragraph 1, any items which are specially allocated pursuant to Paragraphs 2 or 3 of this Exhibit "A" shall not be taken into account in computing Profits or Losses.

1.2.4 Adjusted Capital Account Deficit. For purposes of this Agreement, "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Accounting Period after giving effect to the following adjustments:

1.2.4.1 Restoration Amounts. Credit to such Capital Account any amounts which such Member is obligated to restore pursuant to any provision of the Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

1.2.4.2 Special Debits. Debit to such Capital Account the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and/or 1.704-1(b)(2)(ii)(d)(6).

The definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be

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interpreted consistently therewith.

2. Special Allocations: The following special allocations shall be made in the following order:

2.1 Minimum Gain Chargeback. Each Member shall be specially allocated items of Company income and gain to the extent necessary to comply with the "minimum gain chargeback" requirements in Regulations Sections 1.704-2(f), (i)(4).

2.2 Qualified Income Offset. Each Member shall be specially allocated items of Company income and gain to the extent necessary to comply with the "qualified income offset" requirements in Regulations Section 1.704-1(b)(2)(d).

2.3 Recourse and Nonrecourse Debt. Each Member shall be specially allocated items of Company loss, deduction and IRC Section 705(a)(2)(B) expenditure to the extent necessary to comply with the allocation requirements for "partner nonrecourse deductions" and "nonrecourse deductions" in Regulations Sections 1.704-2(i), (c).

2.4 Special Tax Basis Adjustments. To the extent that Regulations Section 1.704-1(b)(2)(iv)(m) requires an adjustment to the adjusted tax basis of any Company property under IRC Sections 734(b) or 743(b) to be taken into account in determining Capital Accounts, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

2.5 Adjusted Capital Account Deficits. The Losses allocated pursuant to Paragraph 3.3 of this Agreement shall not exceed the maximum amount of Losses that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Accounting Period. In the event that some but not all of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses under Paragraph 3.2 of this Agreement, the limitation set forth in this Paragraph 2.5 shall be applied on a Member by Member basis so as to allocate the maximum permissible loss to each Member under Regulations Section 1.704-1(b)(2)(ii)(d).

3. Other Allocation Rules:

3.1 Method of Allocation. For any Company Accounting Period, all items of Company income, gain, loss, deduction and any other items not otherwise allocated pursuant to this Agreement shall be divided among the Members in the same proportions as they share Profits or Losses, as the case may be, for such Company Accounting Period.

3.2 Acknowledgment by Members. The Members are aware of the income tax consequences of the allocations made by Article 3 of this Agreement and

this Exhibit "A" and agree to be bound by the provisions of Article 3 of this Agreement and this Exhibit "A" in reporting their shares of Company income and loss for income tax purposes.

3.3 Contributed Property. In accordance with IRC Section 704(c) and the Regulations, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with subparagraph 1.2.2.1 of this Exhibit "A").

3.4 Tax Purposes. In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph 1.2.2.2 of this Exhibit "A", subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under IRC Section 704(c) and the Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Manager in a manner that reasonably reflects the purpose and intention of the Agreement. Allocations pursuant to this Paragraph 3 are solely for purposes of federal and state income taxes and shall not, except to the extent required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

3.5 Liquidation of Member's Interest. Upon liquidation of any Member's interest in the Company, the liquidating distributions shall be made in accordance with the positive Capital Account balances of the Members adjusted as otherwise required by the provisions of this Agreement. A liquidation of a Member's interest shall occur as required pursuant to Regulations Section 1.704-1(b)(2)(ii)(g).

SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation, as Successor
Issuer

ATEP RADIO, INC.,
BISON MEDIA, INC.,
CARON BROADCASTING, INC.,
CCM COMMUNICATIONS, INC.,
COMMON GROUND BROADCASTING, INC.,
GOLDEN GATE BROADCASTING COMPANY, INC.,
INLAND RADIO, INC.,
INSPIRATION MEDIA, INC.,
INSPIRATION MEDIA OF PENNSYLVANIA, LP,
INSPIRATION MEDIA OF TEXAS, LLC,
KINGDOM DIRECT, INC.,
NEW ENGLAND CONTINENTAL MEDIA, INC.,
NEW INSPIRATION BROADCASTING COMPANY, INC.,
OASIS RADIO, INC.,
ONEPLACE, LLC,
PENNSYLVANIA MEDIA ASSOCIATES, INC.,
RADIO 1210, INC.,
REACH SATELLITE NETWORK, INC.
SALEM MEDIA CORPORATION,
SALEM MEDIA OF COLORADO, INC.,
SALEM MEDIA OF GEORGIA, INC.,
SALEM MEDIA OF HAWAII, INC.,
SALEM MEDIA OF ILLINOIS, LLC,
SALEM MEDIA OF KENTUCKY, INC.,
SALEM MEDIA OF NEW YORK, LLC,
SALEM MEDIA OF OHIO, INC.,
SALEM MEDIA OF OREGON, INC.,
SALEM MEDIA OF PENNSYLVANIA, INC.,
SALEM MEDIA OF TEXAS, INC.,
SALEM MEDIA OF VIRGINIA, INC.,
SALEM MUSIC NETWORK, INC.,
SALEM RADIO NETWORK INCORPORATED,
SALEM RADIO OPERATIONS, LLC,
SALEM RADIO OPERATIONS-PENNSYLVANIA, INC.,
SALEM RADIO PROPERTIES, INC.,
SALEM RADIO REPRESENTATIVES, INC.,
SOUTH TEXAS BROADCASTING, INC.,
SRN NEWS NETWORK, INC. and
VISTA BROADCASTING, INC.,
as Guarantors
and

THE BANK OF NEW YORK, as Trustee

SUPPLEMENTAL INDENTURE NO. 3
Dated as of March 9, 2001

to

INDENTURE

Dated as of September 25, 1997

THIS SUPPLEMENTAL INDENTURE NO. 3, dated as of March 9, 2001 (this "Supplemental Indenture No. 3"), is hereby entered into by and between SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation, (the "Successor Issuer") as successor to Salem Communications Corporation, a Delaware corporation (the "First Successor Issuer") and Salem Communications Corporation, a California corporation (the "Initial Issuer"), the guarantors listed on the signature pages hereto (collectively, the "Guarantors") and THE BANK OF NEW YORK, a New York banking corporation, as indenture trustee (the "Trustee").

RECITALS

WHEREAS, the Initial Issuer, the guarantors named therein and the Trustee have previously executed and delivered an Indenture, dated as of September 25, 1997, providing for the issuance of 9.5% Senior Subordinated Notes due 2007 in the aggregate principal amount of \$150,000,000 (the "Indenture" and together with the Supplemental Indenture No. 1, Supplemental Indenture No. 2 and this Supplemental Indenture No. 3, the "Supplemented Indenture");

WHEREAS, pursuant to an Agreement and Plan of Merger dated as of March 31, 1999, between the Initial Issuer and the First Successor Issuer, First

Successor Issuer was merged with and into the Initial Issuer (the "Merger"), the First Successor Issuer being the surviving corporation;

WHEREAS, the First Successor Issuer, the guarantors named therein and the Trustee have executed and delivered a Supplemental Indenture No. 1, dated as of March 31, 1999 (the "Supplemental Indenture No. 1"), providing for assumption by the First Successor Issuer of the obligations of the Initial Issuer under the Indenture and affirming the guarantors' obligations to guarantee the obligations of the First Successor Issuer;

WHEREAS, pursuant to an Assignment and Assumption Agreement dated as of August 24, 2000 between the First Successor Issuer and the Successor Issuer, First Successor Issuer assigned all of its assets (other than the common stock of Successor Issuer and the common stock of Salem Communications Acquisition Corporation, an Unrestricted Subsidiary) and liabilities to Successor Issuer and Successor Issuer agreed to assume such assets and liabilities (the "Assignment");

WHEREAS, the Successor Issuer, the guarantors named therein and the Trustee have executed and delivered a Supplemental Indenture No. 2, dated as of August 24, 2000 (the "Supplemental Indenture No. 2"), providing for assumption by the Successor Issuer of the obligations of the First Successor Issuer under the Supplemental Indenture No. 1 and affirming the guarantors' obligations to guarantee the obligations of the Successor Issuer;

WHEREAS, Section 901 of the Supplemented Indenture provides, among other things, that without the consent of any Holders, the Successor Issuer and the guarantors, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more supplemental indentures to evidence the addition of a guarantor pursuant to the requirements of Section 1014 of the Supplemented Indenture.

WHEREAS, Salem Radio Operations, LLC is a newly formed Delaware limited liability company and a wholly-owned subsidiary of Salem Media Corporation, a Guarantor; Salem Media of Illinois, LLC and Salem Media of New York, LLC are each a newly-formed Delaware limited liability company and each a subsidiary of Salem Media Corporation, a Guarantor (99% interest), and Salem Radio Operations, LLC (1% interest); and Salem Radio Operations-Pennsylvania, Inc. is a newly-formed Delaware corporation and Inspiration Media of Pennsylvania, LP is a newly-formed Delaware limited partnership and each is a direct or indirect wholly-owned subsidiary of Salem Media of Pennsylvania, Inc., a Guarantor; and it is desired that each of Salem Radio Operations, LLC; Salem Media of Illinois, LLC; Salem Media of New York, LLC; Salem Radio Operations-Pennsylvania, Inc.; and Inspiration Media of Pennsylvania, LP become a Guarantor under the Supplemental Indenture (the "Guarantor Addition");

WHEREAS, in accordance with Section 903 of the Supplemented Indenture, the Successor Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the Guarantor Addition and this Supplemental Indenture No. 3 comply with and are permitted by the Supplemented Indenture and that all conditions precedent provided in the Supplemented Indenture relating to Guarantor Addition and this Supplemental Indenture No. 3 to the Assignment have been complied with; and

WHEREAS, the Board Resolution condition has been satisfied, as evidenced by the unanimous written consents attached hereto as Exhibit A-1, Exhibit A-2, Exhibit A-3 and Exhibit A-4;

NOW, THEREFORE, each party hereto agrees as follows for the benefit of the other party:

ARTICLE I

RELATION TO SUPPLEMENTED INDENTURE; DEFINITIONS

SECTION 1.01. This Supplemental Indenture No. 3 constitutes an integral part of the Supplemented Indenture.

SECTION 1.02. For all purposes of this Supplemental Indenture No. 3, capitalized terms used herein without definition shall have the meanings specified in the Supplemented Indenture.

ARTICLE II

ASSUMPTION OF OBLIGATIONS

SECTION 2.01. Each Guarantor named herein hereby expressly assumes all of the obligations, covenants and duties of a Guarantor under the Guarantee and the Supplemented Indenture, and, as hereby amended and supplemented, the Supplemented Indenture shall remain in full force and effect.

SECTION 2.02. Inspiration Media of Texas, Inc. and OnePlace, Ltd., each

guarantors under Supplemental Indenture No. 2, have been converted, respectively, into Inspiration Media of Texas, LLC, a Texas limited

liability company, and OnePlace, LLC, a Delaware limited liability company. Subsequent to their respective conversions, each of Inspiration Media of Texas, LLC and OnePlace, LLC remain Guarantors.

ARTICLE III

MISCELLANEOUS

SECTION 3.01. This Supplemental Indenture No. 3 shall be construed in connection with and as a part of the Supplemented Indenture.

SECTION 3.02. The headings herein are for convenience only and shall not affect the construction thereof.

SECTION 3.03. All covenants and agreements in this Supplemental Indenture No. 3 by the Guarantors shall bind their respective successors and assigns, whether so expressed or not. All agreements of the Trustee in this Supplemental Indenture No. 3 shall bind its successors, co-indenture trustees, if any, and agents.

SECTION 3.04. In case any provision in this Supplemental Indenture No. 3 shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 3.05. THIS SUPPLEMENTAL INDENTURE NO. 3 SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICTS OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 3.06. This Supplemental Indenture No. 3 may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 3.07. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture No. 3.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 3 to be duly executed by their respective officers hereunto duly authorized, as of the day and year first above written.

SALEM COMMUNICATIONS HOLDING CORPORATION,
a Delaware corporation,
as Successor Issuer

Attest: /s/ Jonathan L. Block

Jonathan L. Block
Secretary

By: /s/ Edward G. Atsinger III

Edward G. Atsinger III
President and Chief Executive Officer

THE BANK OF NEW YORK,
a New York banking corporation, as Trustee

By: /s/ Stacey Poindexter

Name: Stacey Poindexter
Title: Assistant Treasurer

ATEP RADIO, INC.
BISON MEDIA, INC.
CARON BROADCASTING, INC.
CCM COMMUNICATIONS, INC.
COMMON GROUND BROADCASTING, INC.

GOLDEN GATE BROADCASTING COMPANY, INC.
 INLAND RADIO, INC.
 INSPIRATION MEDIA, INC.
 INSPIRATION MEDIA OF PENNSYLVANIA, LP
 INSPIRATION MEDIA OF TEXAS, LLC
 KINGDOM DIRECT, INC.
 NEW ENGLAND CONTINENTAL MEDIA, INC.
 NEW INSPIRATION BROADCASTING COMPANY, INC.
 OASIS RADIO, INC.
 ONEPLACE, LLC,
 PENNSYLVANIA MEDIA ASSOCIATES, INC.
 RADIO 1210, INC.
 REACH SATELLITE NETWORK, INC.
 SALEM MEDIA CORPORATION
 SALEM MEDIA OF COLORADO, INC.
 SALEM MEDIA OF GEORGIA, INC.
 SALEM MEDIA OF HAWAII, INC.
 SALEM MEDIA OF ILLINOIS, LLC,
 SALEM MEDIA OF KENTUCKY, INC.
 SALEM MEDIA OF NEW YORK, LLC
 SALEM MEDIA OF OHIO, INC.
 SALEM MEDIA OF OREGON, INC.
 SALEM MEDIA OF PENNSYLVANIA, INC.
 SALEM MEDIA OF TEXAS, INC.
 SALEM MEDIA OF VIRGINIA, INC.
 SALEM MUSIC NETWORK, INC.
 SALEM RADIO NETWORK INCORPORATED
 SALEM RADIO OPERATIONS, LLC
 SALEM RADIO OPERATIONS-PENNSYLVANIA, INC.
 SALEM RADIO PROPERTIES, INC.
 SALEM RADIO REPRESENTATIVES, INC.
 SOUTH TEXAS BROADCASTING, INC.
 SRN NEWS NETWORK, INC.
 VISTA BROADCASTING, INC.
 as Guarantors

Attest: /s/ Jonathan L. Block

By: /s/ Edward G. Atsinger III

 Jonathan L. Block
 Secretary

 Edward G. Atsinger III
 President and Chief Executive Officer

STATE OF CALIFORNIA)
 COUNTY OF VENTURA)
 CITY OF CAMARILLO)

On the 12th day of March, 2001, before me, Sharon B. Marshall, Notary Public, personally came Edward G. Atsinger III and Jonathan L. Block, personally known to me, to be the persons whose names are subscribed to the within instrument as President and Chief Executive Officer and Secretary, respectively, of Salem Communications Holding Corporation (DE), ATEP Radio, Inc., Bison Media, Inc., Caron Broadcasting, Inc., CCM Communications, Inc., Common Ground Broadcasting, Inc., Golden Gate Broadcasting Company, Inc., Inland Radio, Inc., Inspiration Media, Inc., Inspiration Media of Pennsylvania, LP, Inspiration Media of Texas, LLC, Kingdom Direct, Inc., New England Continental Media, Inc., New Inspiration Broadcasting Company, Inc., Oasis Radio, Inc., OnePlace, LLC, Pennsylvania Media Associates, Inc., Radio 1210, Inc., Reach Satellite Network, Inc., Salem Media Corporation, Salem Media of Colorado, Inc., Salem Media of Georgia, Inc., Salem Media of Hawaii, Inc., Salem Media of Illinois, LLC, Salem Media of Kentucky, Inc., Salem Media of New York, LLC, Salem Media of Ohio, Inc., Salem Media of Oregon, Inc., Salem Media of Pennsylvania, Inc., Salem Media of Texas, Inc., Salem Media of Virginia, Inc., Salem Music Network, Inc., Salem Radio Network, Incorporated, Salem Radio Operations, LLC, Salem Radio Operations-Pennsylvania, Inc., Salem Radio Properties, Inc., Salem Radio Representatives, Inc., South Texas Broadcasting, Inc., SRN News Network, Inc., and Vista Broadcasting, Inc., the entities described in and which executed the foregoing instrument; and that they signed their names thereto pursuant to authority of the boards of directors of such corporations.

WITNESS my hand and official seal.

[SEAL]

/s/ Sharon B. Marshall

 Notary Public

EXHIBIT A-1

BOARD RESOLUTIONS OF SCHC

ACTION BY UNANIMOUS WRITTEN CONSENT OF
THE BOARD OF DIRECTORS
OF SALEM COMMUNICATIONS HOLDING CORPORATION

The undersigned, constituting all of the members of the Board of Directors of Salem Communications Holding Corporation, a Delaware corporation (the "Corporation"), pursuant to Section 141(f) of the Delaware General Corporation Law, hereby consent to the adoption of the following resolutions, in lieu of holding a special meeting of the Board of Directors of the Corporation, effective as of March 9, 2001.

APPROVAL OF SUPPLEMENTAL INDENTURE NO. 3

WHEREAS, by separate resolutions of even date herewith, the Board of Directors of the Corporation (the "Board"), the Board of Directors of Salem Media Corporation, a New York corporation ("SMC") and the Board of Directors of Salem Media of Pennsylvania, Inc. ("SMP") have carefully considered and approved the terms of certain written contribution agreements dated as of March 9, 2001 (the "Contribution Agreements") for the partial reorganization of the Corporation's subsidiaries;

WHEREAS, pursuant to the Contribution Agreements, (a) the Corporation will contribute to SMC all of the capital stock of the Corporation's subsidiaries Inspiration Media of Texas, Inc., a Texas corporation ("IMT"), and OnePlace, Ltd., a Delaware corporation ("OP"); (b) SMC will contribute its assets and liabilities to three newly-formed subsidiaries of SMC, Salem Media of Illinois, LLC, a Delaware limited liability company ("SMI LLC"), Salem Media of New York, LLC, a Delaware limited liability company ("SMNY LLC"), and Salem Radio Operations, LLC, a Delaware limited liability company ("SRO LLC"); (c) SMP will contribute its assets and liabilities to two newly-formed subsidiaries of SMP, Salem Radio Operations-Pennsylvania, Inc., a Delaware corporation ("SRO-P"), and Inspiration Media of Pennsylvania, LP, a Delaware limited partnership ("IMP"); (d) Inspiration Media of Texas, Inc. will be converted by operation of law into Inspiration Media of Texas, LLC ("IMT LLC"), a Texas limited liability company; and (e) OnePlace, Ltd. will be converted by operation of law into OnePlace, LLC, a Delaware limited liability company ("OP LLC");

WHEREAS, the consummation of the transactions contemplated by the Contribution Agreements, requires the consent of the parties to the Credit Agreement, dated September 25, 1997, by and among the Corporation's predecessor corporation, Salem Communications Corporation, a California corporation, The Bank of New York as Administrative Agent, Bank of America NT&SA as Documentation Agent and other Lenders party thereto with BNY Capital Markets, Inc. as Arranger, as amended and restated (the "Credit Agreement") and the guaranty of the Corporation's obligations under the Credit Agreement by newly-formed indirect subsidiaries of the Corporation, SMI LLC, SMNY LLC, SRO-P, IMP and SRO LLC (the "Subsidiary Guarantys"), which guarantys of the Credit Agreement have been approved by the Board by separate resolutions of even date herewith;

WHEREAS, the consummation of the Subsidiary Guarantys requires a Supplemental Indenture No. 3 (the "Supplemental Indenture No. 3"), as required by the terms of the Indenture,

dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, as issuer, the guarantors named therein as guarantors, and The Bank of New York, as Trustee (the "Trustee"), as supplemented by Supplemental Indenture No. 1, dated as of March 31, 1999, by and among Salem Communications Corporation, a Delaware corporation as successor issuer, the guarantors named therein as guarantors, and the Trustee, as supplemented by Supplemental Indenture No. 2, dated as of August 24, 2000, by and among the Corporation as successor issuer, the guarantors named therein as guarantors, and the Trustee (the "Indenture"), it is desired that Supplemental Indenture No. 3 be authorized to provide for the assumption of the obligations, covenants and

duties of a guarantor under the Indenture by each of SMI LLC, SMNY LLC, SRO LLC, SRO-P and IMP and the confirmation of the remaining guarantors' guarantee under the Indenture (the "Guarantor Addition");

WHEREAS, the conversion of IMT into IMT LLC and the conversion of OP into OP LLC results in a change of name of those guarantors of the Indenture, such renamed converted entities IMT LLC and OP LLC remain guarantors under the Indenture; and

WHEREAS, the Board has determined that it is in the best interests of the Corporation to proceed with execution and implementation of the Supplemental Indenture No. 3;

NOW THEREFORE, BE IT RESOLVED, that the form, terms and provisions of the Supplemental Indenture No. 3, in substantially the form presented to and reviewed by the Board and attached as Exhibit A, and each of the transactions contemplated thereby, and the performance by the Corporation of all of its obligations pursuant thereto, be, and they hereby are, in all respects, authorized and approved;

FURTHER RESOLVED that Edward G. Atsinger III in his capacity as President, Eileen E. Hill in her capacity as Vice President, and Jonathan L. Block in his capacity as Secretary of the Corporation be, and each of them acting alone hereby is, authorized and empowered to execute and deliver or cause to be executed and delivered, in the name and on behalf of the Corporation, the Supplemental Indenture No. 3 on the terms and conditions presented to the Board, with such changes and modifications thereto as may be approved by the officer or officers executing the same, such approval to be conclusively evidenced by his or their execution and delivery thereof; and

FURTHER RESOLVED, that the foregoing officers of the Corporation be, and each of them acting alone hereby is authorized, empowered and directed to pay or cause to be paid all fees and expenses, to do or cause to be done all such acts or things and to make, file, execute, seal or deliver, or caused to be made, filed, executed, sealed or delivered, all such agreements, documents, instruments, payments, applications and certificates in the name of and on behalf of the Corporation and under its corporation seal or otherwise as such, in his discretion, may deem necessary or advisable to carry out and perform the Supplemental Indenture No. 3 and to consummate any and all of the transactions contemplated by such documents.

GENERAL RATIFICATION AND AUTHORIZATION

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized to take any other action and execute and deliver any other agreements, documents and instruments, including powers of attorney, as any of the officers deem necessary or appropriate to carry out the purpose and intent of the foregoing resolutions; and

RESOLVED FURTHER, that any action of the Board, the officers of the Corporation in furtherance of the purposes of the foregoing resolutions, whether taken before or after the adoption or effectiveness of these resolutions, are hereby approved, confirmed, ratified and adopted.

IN WITNESS WHEREOF, this unanimous written consent has been executed by each of the Directors of the Corporation as of the date first written above.

/s/ Edward G. Atsinger III

Edward G. Atsinger III

/s/ Jonathan L. Block

Jonathan L. Block

BOARD RESOLUTIONS OF CORPORATE GUARANTORS

A-2-1

ACTION BY UNANIMOUS WRITTEN CONSENT OF
THE BOARD OF DIRECTORS

The undersigned, constituting all of the members of the Board of Directors (the "Board") of the following corporations ("Corporation"), hereby take the following actions by written consent:

<TABLE>	
<S>	<C>
ATEP Radio, Inc.	Salem Media of Georgia, Inc.
Bison Media, Inc.	Salem Media of Hawaii, Inc.
Caron Broadcasting, Inc.	Salem Media of Kentucky, Inc.
CCM Communications, Inc.	Salem Media of Ohio, Inc.
Common Ground Broadcasting, Inc.	Salem Media of Oregon, Inc.
Golden Gate Broadcasting Co., Inc.	Salem Media of Pennsylvania, Inc.
Inland Radio, Inc.	Salem Media of Texas, Inc.
Inspiration Media, Inc.	Salem Media of Virginia, Inc.
Kingdom Direct, Inc.	Salem Music Network, Inc.
New England Continental Media, Inc.	Salem Radio Network Incorporated
New Inspiration Broadcasting Co., Inc.	Salem Radio Operations-Pennsylvania, Inc.
Oasis Radio, Inc.	Salem Radio Properties, Inc.
Pennsylvania Media Associates, Inc.	Salem Radio Representatives, Inc.
Radio 1210, Inc.	South Texas Broadcasting, Inc.
Reach Satellite Network, Inc.	SRN News Network, Inc.
Salem Media Corporation	Vista Broadcasting, Inc.
Salem Media of Colorado, Inc.	
</TABLE>	

WHEREAS, by separate resolutions of even date herewith, the Board of Directors of Salem Communications Holding Corporation, a Delaware corporation ("SCHC") has carefully considered and approved the terms of the Supplemental Indenture No. 3 (the "Supplemental Indenture No. 3"), the form of which is attached hereto as Exhibit A, as required by the terms of the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, as issuer, the guarantors named therein as guarantors, and The Bank of New York, as Trustee (the "Trustee"), as supplemented by Supplemental Indenture No. 1, dated as of March 31, 1999, by and among Salem Communications Holding Corporation, a Delaware corporation, as successor issuer, the guarantors named therein as guarantors, and the Trustee, as supplemented by Supplemental Indenture No. 2 dated as of August 24, 2000, among SCHC, as successor issuer, the guarantors named therein as guarantors and the Trustee (the "Indenture"), to provide, inter alia, for the assumption of the obligations, covenants and duties of a guarantor under the Indenture by each of Salem Media of Illinois, LLC, a Delaware limited liability company, Salem Media of New York, LLC, a Delaware limited liability company, Salem Radio Operations, LLC, a Delaware limited liability company, Salem Radio Operations-

A-2-2

Pennsylvania, Inc., a Delaware corporation, and Inspiration Media of Pennsylvania, LP, a Delaware limited partnership; and the confirmation of the remaining guarantors' guarantee under the Indenture; and

WHEREAS, the Board has determined that it is in the best interests of

the Corporation to proceed with execution and implementation of the Supplemental Indenture No. 3 whereby Salem Media of Illinois, LLC, Salem Media of New York, LLC, Salem Radio Operations, LLC, Salem Radio Operations-Pennsylvania, Inc. and Inspiration Media of Pennsylvania, LP will become guarantors under the Indenture;

NOW THEREFORE, BE IT RESOLVED, that the form, terms and provisions of the Supplemental Indenture No. 3, in substantially the form presented to and reviewed by the Board and attached as Exhibit A, and each of the transactions contemplated thereby, and the performance by the Corporation of all of its obligations pursuant thereto, be, and they hereby are, in all respects, authorized and approved;

FURTHER RESOLVED that Edward G. Atsinger III in his capacity as President, Eileen E. Hill in her capacity as Vice President, and Jonathan L. Block in his capacity as Secretary of the Corporation be, and each of them acting alone hereby is, authorized and empowered to execute and deliver or cause to be executed and delivered, in the name and on behalf of the Corporation, the Supplemental Indenture No. 3 on the terms and conditions presented to the Board, with such changes and modifications thereto as may be approved by the officer or officers executing the same, such approval to be conclusively evidenced by his or their execution and delivery thereof; and

FURTHER RESOLVED, that the foregoing officers of the Corporation be, and each of them acting alone hereby is authorized, empowered and directed to pay or cause to be paid all fees and expenses, to do or cause to be done all such acts or things and to make, file, execute, seal or deliver, or caused to be made, filed, executed, sealed or delivered, all such agreements, documents, instruments, payments, applications and certificates in the name of and on behalf of the Corporation and under its corporation seal or otherwise as such, in his discretion, may deem necessary or advisable to carry out and perform the Supplemental Indenture No. 3 and to consummate any and all of the transactions contemplated by such documents.

GENERAL RATIFICATION AND AUTHORIZATION

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized to take any other action and execute and deliver any other agreements, documents and instruments, including powers of attorney, as any of the officers deem necessary or appropriate to carry out the purpose and intent of the foregoing resolutions; and

RESOLVED FURTHER, that any action of the Board, the officers of the Corporation in furtherance of the purposes of the foregoing resolutions, whether taken before or after the adoption or effectiveness of these resolutions, are hereby approved, confirmed, ratified and adopted.

A-2-3

IN WITNESS WHEREOF, this unanimous written consent has been executed by each of the Directors of the Corporation as of the 9th day of March, 2001.

/s/ Edward G. Atsinger III

Edward G. Atsinger III

/s/ Jonathan L. Block

Jonathan L. Block

A-2-4

EXHIBIT A-3

MANAGEMENT RESOLUTIONS OF LLC GUARANTORS

A-3-1

ACTION BY WRITTEN CONSENT OF
THE MANAGER OF
ONEPLACE, LLC,

INSPIRATION MEDIA OF TEXAS, LLC,
SALEM MEDIA OF NEW YORK, LLC,
SALEM MEDIA OF ILLINOIS, LLC, AND
SALEM RADIO OPERATIONS, LLC

The undersigned, as Manager of OnePlace, LLC, a Delaware limited liability company ("OP LLC"), Inspiration Media of Texas, LLC, a Texas limited liability company ("IMT LLC"), Salem Media of New York, LLC, a Delaware limited liability company ("SMNY LLC"), Salem Media of Illinois, LLC, a Delaware limited liability company ("SMI LLC") and Salem Radio Operations, LLC, a Delaware limited liability company ("SRO LLC" and together, the "New LLCs"), hereby takes the following actions by written consent:

WHEREAS, by separate resolutions of even date herewith, the Board of Directors of Salem Communications Holding Corporation, a Delaware corporation ("SCHC") has carefully considered and approved the terms of the Supplemental Indenture No. 3 (the "Supplemental Indenture No. 3"), the form of which is attached hereto as Exhibit A, as required by the terms of the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, as issuer, the guarantors named therein as guarantors, and The Bank of New York, as Trustee (the "Trustee"), as supplemented by Supplemental Indenture No. 1, dated as of March 31, 1999, by and among Salem Communications Holding Corporation, a Delaware corporation, as successor issuer, the guarantors named therein as guarantors, and the Trustee, as supplemented by Supplemental Indenture No. 2 dated as of August 24, 2000, among SCHC, as successor issuer, the guarantors named therein as guarantors and the Trustee (the "Indenture"), to provide, inter alia, for the assumption of the obligations, covenants and duties of a guarantor under the Indenture by each of SMI LLC, SMNY LLC, SRO LLC, Salem Radio Operations-Pennsylvania, Inc., a Delaware corporation, and Inspiration Media of Pennsylvania, LP, a Delaware limited partnership;

WHEREAS, Inspiration Media of Texas, Inc., a Texas corporation, and OnePlace, Ltd., a Delaware corporation, each guarantors under Supplemental Indenture No. 2, have been converted, respectively, into IMT LLC and OP LLC; subsequent to their respective conversions, IMT LLC and OP LLC remain guarantors under Supplemental Indenture No. 3;

WHEREAS, the Manager has determined that it is in the best interests of the New LLCs to proceed with execution and implementation of the Supplemental Indenture No. 3 whereby SMI LLC, SMNY LLC and SRO LLC will become guarantors and IMT LLC and OP LLC will remain guarantors under the Indenture;

NOW THEREFORE, BE IT RESOLVED, that pursuant to the Delaware Limited Liability Company Act as to OP LLC, SMNY LLC, SMI LLC and SRO LLC and the Texas Limited Liability Company Act as to IMT LLC, and pursuant to the operating agreements of each of the New LLCs, the undersigned, as Manager of the New LLCs, hereby consents to, approves and adopts the following:

A-3-2

RESOLVED that the form, terms and provisions of the Supplemental Indenture No. 3, in substantially the form presented to and reviewed by the undersigned, in his capacity as Manager of the New LLCs, and attached as Exhibit A, and each of the transactions contemplated thereby, and the performance by the New LLCs of all of their obligations pursuant thereto, be, and they hereby are, in all respects, authorized and approved by the undersigned, in his capacity as Manager of the New LLCs;

RESOLVED that the Manager is authorized and empowered to execute and deliver or cause to be executed and delivered, in the name and on behalf of the New LLCs, the Supplemental Indenture No. 3 on the terms and conditions presented to the Manager, with such changes and modifications thereto as may be approved by the Manager, such approval to be conclusively evidenced by his execution and delivery thereof; and

RESOLVED, that the Manager is authorized, empowered and directed to pay or cause to be paid all fees and expenses, to do or cause to be done all such acts or things and to make, file, execute, seal or deliver, or caused to be made, filed, executed, sealed or delivered, all such agreements, documents, instruments, payments, applications and certificates in the name of and on behalf of the New LLCs or otherwise as such, in his discretion, may deem necessary or advisable to carry out and perform the Supplemental Indenture No. 3 and to consummate any and all of the transactions contemplated by such documents.

GENERAL RATIFICATION AND AUTHORIZATION

RESOLVED, that the Manager is, authorized to take any other action and execute and deliver any other agreements, documents and instruments, including powers of attorney, as he deems necessary or appropriate to carry out the purpose and intent of the foregoing resolutions; and

RESOLVED FURTHER, that any action of the Manager, in furtherance of the purposes of the foregoing resolutions, whether taken before or after the adoption or effectiveness of these resolutions, are hereby approved, confirmed, ratified and adopted.

A-3-3

IN WITNESS WHEREOF, this written consent has been executed by the undersigned, as Manager of the New LLCs, as of the 9th day of March, 2001.

MANAGER

SALEM MEDIA CORPORATION,
a New York corporation

By: /s/ Jonathan L. Block

Jonathan L. Block
Vice President

A-3-4

EXHIBIT A-4

GENERAL PARTNER RESOLUTIONS OF LP GUARANTOR

A-4-1

ACTION BY UNANIMOUS WRITTEN CONSENT OF
THE BOARD OF DIRECTORS OF
SALEM RADIO OPERATIONS-PENNSYLVANIA, INC.

The undersigned, constituting all of the members of the Board of Directors (the "Board") of Salem Radio Operations-Pennsylvania, Inc., a Delaware corporation (the "Corporation"), hereby takes the following actions by written consent in accordance with the authority contained in Section 141(f) of the General Corporation Law of the State of Delaware:

WHEREAS, the Corporation is the sole general partner of Inspiration Media of Pennsylvania, LP, a Delaware limited partnership ("IMP LP");

WHEREAS, by separate resolutions of even date herewith, the Board of Directors of Salem Communications Holding Corporation, a Delaware corporation ("SCHC") has carefully considered and approved the terms of the Supplemental Indenture No. 3 (the "Supplemental Indenture No. 3"), the form of which is attached hereto as Exhibit A, as required by the terms of the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, as issuer, the guarantors named therein as guarantors, and The Bank of New York, as Trustee (the "Trustee"), as supplemented by Supplemental Indenture No. 1, dated as of March 31, 1999, by and among Salem Communications Holding Corporation, a Delaware corporation, as successor issuer, the guarantors named therein as guarantors, and the Trustee, as supplemented by Supplemental Indenture No. 2 dated as of August 24, 2000, among SCHC, as successor issuer, the guarantors named therein as guarantors and the Trustee (the "Indenture"), to provide, inter alia, for the assumption of the obligations, covenants and duties of a guarantor under the Indenture by each of Salem Media of Illinois, LLC, a Delaware limited liability company, Salem Media of New York, LLC, a Delaware limited liability company, Salem Radio Operations, LLC, a Delaware limited liability company, Salem Radio Operations-Pennsylvania, Inc., a Delaware corporation, and IMP LP; and the confirmation of the remaining guarantors' guarantee under the Indenture; and

WHEREAS, the Board has determined that it is in the best interests of the Corporation, in its capacity as sole general partner of IMP LP, to proceed with the execution and implementation of the Supplemental Indenture No. 3 whereby IMP LP will become a guarantor under the Indenture;

NOW THEREFORE, BE IT RESOLVED, that pursuant to the IMP LP partnership agreement and Delaware Revised Uniform Limited Partnership Act, the Board of the Corporation, in its capacity as sole general partner of IMP LP, hereby consents

to, approves and adopts the following:

RESOLVED that the form, terms and provisions of the Supplemental Indenture No. 3, in substantially the form presented to and reviewed by the Board, in its capacity as sole general partner of IMP LP, and attached as Exhibit A, and each of the transactions contemplated thereby, and the performance by IMP LP of all of its obligations pursuant thereto, be, and they hereby are, in all respects, authorized and approved by the Board, in its capacity as sole general partner of IMP LP;

A-4-2

RESOLVED that Edward G. Atsinger III in his capacity as President and Jonathan L. Block in his capacity as Secretary of the Corporation, in its capacity as sole general partner of IMP LP, be, and each of them acting alone hereby is, authorized and empowered to execute and deliver or cause to be executed and delivered, in the name and on behalf of IMP LP, the Supplemental Indenture No. 3 on the terms and conditions presented to the Board, as the general partner of IMP LP, with such changes and modifications thereto as may be approved by the officer or officers, acting in the capacity as sole general partner of IMP LP, executing the same, such approval to be conclusively evidenced by his or their execution and delivery thereof; and

FURTHER RESOLVED, that the foregoing officers of the Corporation, acting in the capacity as sole general partner of IMP LP, be, and each of them acting alone hereby is authorized, empowered and directed to pay or cause to be paid all fees and expenses, to do or cause to be done all such acts or things and to make, file, execute, seal or deliver, or caused to be made, filed, executed, sealed or delivered, all such agreements, documents, instruments, payments, applications and certificates in the name of and on behalf of IMP LP or otherwise as such, in his discretion, may deem necessary or advisable to carry out and perform the Supplemental Indenture No. 3 and to consummate any and all of the transactions contemplated by such documents.

GENERAL RATIFICATION AND AUTHORIZATION

RESOLVED, that the officers of the Corporation, acting in its capacity as sole general partner of IMP LP, be, and each of them hereby is, authorized to take any other action and execute and deliver any other agreements, documents and instruments, including powers of attorney, as any of the officers deem necessary or appropriate to carry out the purpose and intent of the foregoing resolutions; and

RESOLVED FURTHER, that any action of the Board or officers of the Corporation, acting in its capacity as sole general partner of IMP LP, in furtherance of the purposes of the foregoing resolutions, whether taken before or after the adoption or effectiveness of these resolutions, are hereby approved, confirmed, ratified and adopted.

A-4-3

IN WITNESS WHEREOF, this unanimous written consent has been executed by each of the Directors of the Corporation as of the 9th day of March, 2001.

/s/ Edward G. Atsinger III

Edward G. Atsinger III

/s/ Jonathan L. Block

Jonathan L. Block

A-4-4

SUPPLEMENT TO
SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY

SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY AND SECURITY AGREEMENT, dated as of August 24, 2000, by and among the Guarantors party thereto, Salem Communications Holding Corporation and The Bank of New York, as Administrative Agent (as the same may be amended, supplemented or otherwise modified from time to time, the "Agreement").

November 7, 2000

Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Agreement. Pursuant to Section 15 of the Agreement, by execution and delivery of this Supplement and, upon acceptance hereof by the Administrative Agent, the undersigned (i) shall be, and shall be deemed to be, a "Guarantor" under, and as such term is defined in, the Agreement, (ii) shall have made, and shall be deemed to have made, the representations and warranties contained in Section 5 of the Agreement on and as of the date hereof, (iii) as security for the payment and performance in full of its Guarantor Obligations, does hereby create and grant to the Administrative Agent, its successors and permitted assigns, for its benefit and the ratable benefit of the Secured Parties, their respective successors and permitted assigns, a security interest in the Collateral (as defined in the Agreement) of the Additional Guarantor and (iv) shall have made, and shall be deemed to have made, all of the covenants and agreements of a Guarantor set forth in the Agreement.

SALEM COMMUNICATIONS ACQUISITION
CORPORATION

By: /s/ Jonathan L. Block

Name: Jonathan L. Block

Title: Vice President, Secretary and General Counsel

Address for Notices:

Attention: Jonathan L. Block

Telephone: (805) 987-0400

Telecopy: (805) 384-4505

Ex 4.19.01 cont'd

Accepted and agreed to as
of the date first above written:

THE BANK OF NEW YORK, as Administrative Agent

By: /s/ Stephen M. Nettler

Name: Stephen M. Nettler

Title: Vice President

[SCHEDULES CORRESPONDING TO THE SCHEDULES
IN THE AGREEMENT ARE TO BE ATTACHED]

SUPPLEMENT TO
SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY

SECOND AMENDED AND RESTATED SUBSIDIARY GUARANTY AND SECURITY AGREEMENT,
dated as of August 24, 2000, by and among the Guarantors party thereto, Salem
Communications Holding Corporation and The Bank of New York, as Administrative
Agent (as the same may be amended, supplemented or otherwise modified from time
to time, the "Agreement").

November 7, 2000

Capitalized terms used herein which are not otherwise defined herein shall
have the respective meanings ascribed thereto in the Agreement. Pursuant to
Section 15 of the Agreement, by execution and delivery of this Supplement and,
upon acceptance hereof by the Administrative Agent, the undersigned (i) shall
be, and shall be deemed to be, a "Guarantor" under, and as such term is defined
in, the Agreement, (ii) shall have made, and shall be deemed to have made, the
representations and warranties contained in Section 5 of the Agreement on and
as of the date hereof, (iii) as security for the payment and performance in
full of its Guarantor Obligations, does hereby create and grant to the
Administrative Agent, its successors and permitted assigns, for its benefit and
the ratable benefit of the Secured Parties, their respective successors and
permitted assigns, a security interest in the Collateral (as defined in the
Agreement) of the Additional Guarantor and (iv) shall have made, and shall be
deemed to have made, all of the covenants and agreements of a Guarantor set
forth in the Agreement.

SCA LICENSE CORPORATION

By: /s/ Jonathan L. Block
Name: Jonathan L. Block
Title: Vice President,
Secretary and General Counsel

Address for Notices:

Attention: Jonathan L. Block

Telephone: (805) 987-0400
Telecopy: (805) 384-4505

Ex 4.19.02 cont'd

Accepted and agreed to as
of the date first above written:

THE BANK OF NEW YORK, as Administrative Agent

By: /s/ Stephen M. Nettler

Name: Stephen M. Nettler

Title: Vice President

[SCHEDULES CORRESPONDING TO THE SCHEDULES
IN THE AGREEMENT ARE TO BE ATTACHED]

PROMISSORY NOTE

\$450,000.00

December 31, 2000

FOR VALUE RECEIVED, the undersigned, Edward G. Atsinger III ("MAKER"), hereby promises to pay to Salem Communications Corporation, a Delaware corporation ("LENDER"), or its assigns, at such address as Lender may specify and in accordance with the terms of this Promissory Note (this "NOTE"), the principal amount of FOUR HUNDRED AND FIFTY THOUSAND DOLLARS (\$450,000.00), together with all accrued and unpaid interest thereon (the "LOAN").

1. INTEREST. Interest will accrue on the unpaid principal balance of the Loan, from the date hereof until such date that the Loan has been entirely repaid, at a simple rate per annum equal to 8%.

2. REPAYMENT OF LOAN. The entire Loan will become immediately due and payable upon the earliest to occur of the following events:

(a) demand by Lender, to be made at any time after the date hereof;

(b) acceleration of this Note after the occurrence of any Event of Default (as defined below); or

(c) December 31, 2001.

3. PREPAYMENT. The Loan may prepaid in whole or in part at any time without penalty.

4. DEFAULT AND ACCELERATION.

(a) Event of Default. "EVENT OF DEFAULT" means the occurrence of any of the following:

(i) the failure of Maker to repay any amount due under the Note within 5 business days after the date such amount becomes due and payable after Lender has demanded such repayment or within 5 business days after such other date such amount becomes due and payable;

(ii) the failure of Maker to punctually and faithfully observe or perform any of the other covenants, conditions or obligations imposed upon Maker by this Note, which failure is not remedied within 20 business days following written notice thereof from Lender;

(iii) an assignment by Maker for the benefit of creditors or a composition with creditors;

(iv) Maker petitions or applies to any tribunal for, or consents to the appointment of, or the taking of possession by, a trustee, receiver, custodian, liquidator or similar

official of any substantial amount of his assets, or commences any proceedings under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or other liquidation law of any jurisdiction;

(v) an order for relief is entered in an involuntary case under the bankruptcy laws of the United States, or an order, judgment or decree is entered appointing a trustee, receiver, custodian, liquidator or similar official or adjudicating Maker bankrupt or insolvent, or ordering or approving Maker's liquidation or reorganization, or any significant modification of the rights of his creditors or approving the petition in any such proceedings and such order, judgment or decree remains in effect for 10 business days; or any involuntary petition or complaint is filed against Maker under the bankruptcy laws of the United States seeking the appointment of a trustee, receiver, custodian, liquidator or similar official and such petition or complaint has not been dismissed within 20 business days of the filing thereof; or

(vi) there is levied any writ of execution or other judicial process upon any material portion of the property of Maker not released within 5 business days thereafter.

(b) Acceleration. In the event any Event of Default has occurred and is continuing, the unpaid balance of the Loan will automatically and immediately become due and payable without any action by Lender, whereupon this Note will forthwith mature and become due and payable without presentment, demand, protest or other notice, all of which are hereby waived, and Lender may proceed to protect and enforce Lender's rights by suit in equity, action at law or other

appropriate proceeding, whether for the specific performance of any obligation herein contained, or for an injunction against a violation of any of the terms or provisions hereof, or in aid of the exercise of any power granted hereby or by equity or at law.

(c) Expenses. In the event any Event of Default has occurred, Maker shall pay to Lender such additional amount as will be sufficient to cover the reasonable costs and expenses of enforcement and collection, including without limitation, actual attorneys' fees, costs and disbursements.

5. MISCELLANEOUS.

(a) Good Faith Best Efforts. Maker shall not take any action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by Maker. Maker shall at all times in good faith use his best efforts in carrying out all such action as may be necessary or appropriate under the terms of this Note.

(b) Amendment and Waiver. This Note may not be modified or amended, and the observance of any term of this Note may not be waived (either generally or in a particular instance and either retroactively or prospectively), without the prior written consent of Lender.

(c) Rights, Powers, Privileges and Remedies. No delay or omission on the part of Lender in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any waiver or omission on the part of Lender of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder nor will any single or partial exercise of any right, power or privilege hereunder preclude any other or further

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exercise thereof or the exercise of any other right, power or privilege hereunder. All remedies, either under this Note or at law or otherwise afforded to Lender, will be cumulative.

(d) Governing Law. This Note will be construed in accordance with, and the rights of the parties hereto will be governed by, the internal laws of the State of California, without regard to conflict of laws.

(e) Successors and Assigns. This Note will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part by Maker to any person or entity without the prior written consent of Lender.

(f) Replacement Notes. Upon receipt of evidence satisfactory to Maker of the loss, theft, destruction or mutilation of this Note, Maker shall issue a new Note of like tenor in lieu of such lost, stolen, destroyed or mutilated Note.

(g) Severability. If any provision of this Note, or application of it to any party or circumstance, is held to be invalid, the remainder of this Note, and the application of such provision to other parties or circumstances, shall not be affected thereby, the provisions of this Note being severable in any such instance.

(h) Notices. All notices and other communications required or permitted hereunder must be in writing and must be delivered by facsimile, courier or nationally-recognized overnight delivery service addressed as follows:

If to Maker:

Edward G. Atsinger III
4880 Santa Rosa Road, Suite 300
Camarillo, CA 93012
Telephone: (805) 987-0400
Facsimile: (805) 987-6072

If to Lender:

Jonathan L. Block
Vice President, General Counsel and Secretary
Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, CA 93012
Telephone: (805) 987-0400
Facsimile: (805) 384-4505

[The remainder of this page has been intentionally left blank; signature page follows.]

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IN WITNESS WHEREOF, this Note has been duly executed and delivered as of the date first above written.

MAKER:

EDWARD G. ATSINGER III

By: /s/ Edward G. Atsinger III

Edward G. Atsinger III

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AGREEMENT

This agreement is made and entered into this 7th day of August, 2000, by and between SALEM COMMUNICATIONS CORPORATION ("Client") and ERIC H. HALVORSON ("Consultant").

WHEREAS Client desires to retain Consultant to perform certain consulting services set forth below and Consultant is willing to render such consulting services to Client on the terms and conditions set forth herein;

NOW THEREFORE in consideration of the mutual covenants and conditions contained herein the parties agree as follows:

1. CONSULTING SERVICES. During the term of this agreement Consultant shall devote such time and effort to the affairs of Client as Client and Consultant mutually deem reasonably necessary to fulfill duties for Client consistent with his area of expertise, including advice and services to the Legal Department of Client and such other duties as the CEO or Board of Directors of Salem may prescribe ("Consulting Services"). The term "Consulting Services," as used herein, shall not mean or refer to any services Consultant performs in connection with his duties as a member of the Board of Directors of Client. Consultant shall report directly to both the General Counsel and Chief Executive Officer of Salem.

2. TERM. This agreement shall commence on August 16, 2000, and shall continue in full force and effect on a month-to-month basis until such time as Consultant or Client provides notice to the other that this agreement shall terminate; provided such notice shall not, in any event, be given by Client on or before June 30, 2001.

3. CONSULTING FEES. In consideration of the duties to be performed by Consultant pursuant to this agreement, Client agrees to pay Consultant FOUR THOUSAND DOLLARS (\$4,000) per month; provided, however, in the event Consultant provides Consulting Services in excess of twenty (20) hours per month, Consultant shall be entitled to a fee of \$200 per hour over twenty (20) hours per month, which amount shall be paid within thirty (30) days of Client's receipt of Consultant's written invoice. In addition to the foregoing, Client shall allow Consultant to continue on the medical insurance plans of Client, and Client shall continue to pay the costs thereof, consistent with the amount Client historically paid while Consultant was an employee of Client.

4. EXPENSES. In addition to the fees described in Section 3, above, within thirty (30) days after receipt of Consultant's invoice, Client shall reimburse Consultant for all reasonable and necessary business expenses, including travel, incurred by Consultant in the course of performing the Consulting Services for Client and which were approved in advance by Client. Consultant shall keep accurate records and receipts of such expenditures and shall submit such accounts and proof thereof as may be reasonably necessary to establish to the satisfaction of Client that the expenses incurred by

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Consultant were ordinary and necessary business expenses incurred by Consultant on behalf of Client.

5. CONFIDENTIALITY. Consultant agrees that it will not disclose to any other party, without the prior written consent of Client, any information or records that Client furnishes Consultant or that Consultant generates in the course of performing the Consulting Services including, without limitation, information relating to Client's finances, plans, strategies, operations and employees. Consultant further agrees that Consultant shall return to Client all documents, records and similar items containing confidential information furnished by Client or which Consultant generated in the course of performing the Consulting Services and any and all copies of said documents, records or similar items at such time as the agreement is terminated, or within a reasonable time thereafter. Notwithstanding any provision in this agreement to the contrary, the provisions of this Section 5 shall survive the termination of this agreement.

6. WORK PRODUCT. Under no circumstances may Consultant use the work product generated pursuant to this agreement or any other documents of Client for any purpose other than to further the purposes of Client's retention of Consultant which work product and documents shall be the sole and exclusive property of Client.

7. INDEPENDENT CONTRACTOR. Client and Consultant acknowledge and agree that in performing the consulting services hereunder, Consultant is acting as an independent contractor and consultant of Client. Nothing contained herein or otherwise shall be construed in such manner as to create the relationship of principal and agent between Consultant and Client or the relationship of

employer/employee between Client, Consultant and/or any of Client's employees. No party will have the authority to enter into agreements of any kind on behalf of the other or otherwise bind or obligate the other in any manner to any third party. ACCORDINGLY, CONSULTANT UNDERSTANDS THAT CLIENT SHALL NOT WITHHOLD FROM ANY AMOUNTS PAYABLE TO CONSULTANT NOR PAY ANY AMOUNTS NORMALLY WITHHELD OR PAID IN AN EMPLOYEE/EMPLOYER RELATIONSHIP INCLUDING, WITHOUT LIMITATION, SOCIAL SECURITY, FEDERAL TAXES, STATE TAXES, UNEMPLOYMENT INSURANCE, DISABILITY INSURANCE OR WORKERS' COMPENSATION INSURANCE.

8. PERSONAL CONDUCT. Consultant agrees promptly and faithfully to comply with all policies, requirements, directions, requests and rules and regulations of Client. Consultant further agrees to conform to all laws and regulations including, without limitation, the rules and regulations of the Federal Communications Commission, and not at any time to commit any act or become involved in any situation or occurrence tending to bring Client, its subsidiaries or affiliated entities into public scandal, ridicule or which will reflect unfavorably on the reputation of Client, its subsidiaries or affiliated entities.

9. WORK FOR HIRE. Consultant hereby agrees that any creative services for the Client will be undertaken in the capacity of an "employee for hire" as is defined under the

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United States Copyright Act and that all results of his work for the Client pursuant to this Agreement, including, by way of example, the development of programs, themes, titles and characters, and such other intellectual property as may be created in connection herewith, shall be the sole and exclusive property of the Client.

10. ASSIGNMENT. The parties acknowledge that this agreement is one for the personal services of Consultant and shall not be assigned by either party hereto.

11. MISCELLANEOUS. This agreement and all questions of its interpretation, performance, enforceability, and the right and remedies of the parties hereto shall be determined in accordance with the laws of the State of California.

12. FORUM SELECTION. Consultant agrees that any dispute of any kind arising out of or relating to this Agreement, other than for equitable enforcement of Sections 5 and 6 of this Agreement, shall be submitted to final, conclusive and binding arbitration before and according to the rules then prevailing of, at the election of Consultant, Christian Conciliatory Services or the American Arbitration Association, in Ventura County, California. The results of any such arbitration proceeding shall be final and binding both upon Client and upon Consultant, and shall be subject to judicial confirmation as provided by the Federal Arbitration Act or other applicable law. Notwithstanding the foregoing, Consultant agrees that Client may seek equitable enforcement of Section 6 and 7 of this Agreement in any court with competent jurisdiction, without obligation to prove actual damages or to post bond or other security.

IN WITNESS WHEREOF, the parties have entered into this agreement as of the date first written above.

By: /s/ Eric H. Halvorson

Eric H. Halvorson

By: /s/ Edward G. Atsinger III

Edward G. Atsinger III
President & CEO
Salem Communications Corporation

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MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is dated as of August 25, 2000, by and among Salem Communications Holding Corporation, a Delaware corporation ("HoldCo"), and Salem Communications Corporation ("Parent") and each direct or indirect subsidiary of Parent (other than HoldCo) who agrees to be bound by the terms hereof by executing the master copy of this agreement and causes its name to be added to Schedule A hereto ("Subsidiary" or "Subsidiaries").

RECITALS

Whereas, Salem Communications Corporation ("Parent") has historically provided various management and other services to or on behalf of each of its direct and indirect subsidiaries.

Whereas, as part of a restructuring of Parent's subsidiary holdings, Parent has assigned to AcqCo the proceeds of its Bridge Credit Agreement (as defined below) as well as its contract rights to acquire the assets of radio station KALC-FM (Denver, CO).

Whereas, following the assignment to AcqCo described above, Parent assigned to HoldCo, substantially all of its remaining assets, rights and liabilities, excluding the common stock of HoldCo and AcqCo.

Whereas, HoldCo, AcqCo and Parent have approved the terms of the Second Amended and Restated Credit Agreement dated as of August 24, 2000, by and among Salem Communications Holding Corporation, The Bank of New York as Administrative Agent, Bank of America, N.A. as Syndication Agent, Fleet National Bank as Documentation Agent, Union Bank of California, N.A. and The Bank of Nova Scotia, as Co-Agents, and the other Lenders party thereto (the "Second Amended and Restated Credit Agreement").

Now therefore, for good and valuable consideration, including without limitation, the covenants and conditions contained herein, the receipts and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. From and after the date first stated above, HoldCo agrees to provide management, treasury, finance, procurement, reporting (including to the Securities and Exchange Commission), regulatory, legal, accounting, tax, computer and support services (the "Services") to Parent and each subsidiary of Parent, as reasonably requested including, without limitation, AcqCo. The parties hereto acknowledge that all officers, directors, employees, agents and consultants employed or retained by HoldCo and that all operations conducted at the offices of HoldCo in Camarillo, California, are employed, retained, or conducted (as the case may be) in connection with the provision of Services, including those to be provided pursuant to this Agreement.

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2. All direct and indirect subsidiaries of Parent that are or become borrowers or guarantors of any obligations under (i) the Second Amended and Restated Credit Agreement or (ii) the Credit Agreement dated as of August 24, 2000 among Parent, the lenders party thereto and ING (U.S.) Capital LLC, as administrative agent, (the "Bridge Credit Agreement" and, together with the Second Amended and Restated Credit Agreement, the "Credit Agreement") may join this Agreement as Subsidiaries, in which event, the name of such subsidiary shall be added to Schedule A hereto.

3. Parent and each Subsidiary, without duplication, shall be required to reimburse HoldCo for Services provided hereunder as set forth on Schedule B hereto.

4. Nothing in this Agreement shall prohibit Parent or any Subsidiary directly, or in conjunction with other Subsidiaries, from employing or retaining any individual or entity to provide services that are similar to the Services provided.

5. Parent shall have the right to assess each Subsidiary its share of the costs of Services allocated to all Subsidiaries hereunder, as determined by Parent hereunder, at such times as Parent shall determine.

6. Any dispute or ambiguity concerning the calculation or basis of determination of any payment provided for under this Agreement shall be resolved by Parent. The judgment of Parent shall be conclusive and binding upon the parties hereto.

7. The parties hereto specifically recognize that from time to time other companies may become direct or indirect subsidiaries of Parent and hereby agree that such new subsidiaries to the extent they become borrowers or guarantors under the Credit Agreements on either of them, may become parties to this Agreement by executing the master copy of this Agreement which shall be maintained at Parent's headquarters and its name will be added to Schedule A attached hereto. It will not be necessary, for all the other parties to re-execute the Agreement but the new subsidiary may simply execute the existing Agreement and it will be effective as if the old Subsidiaries had re-executed this Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto (including each Subsidiary, whether or not such entity was a Subsidiary upon the original execution of this Agreement) and their respective successors and permitted assigns to the same extent as if such successors or assigns (or such future members) had been original parties to this Agreement.

8. This Agreement sets forth the entire agreement and understanding of the parties in respect of the subject matter contained in this Agreement and supercedes all prior or contemporaneous agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any party or by any officer, employee or representative of any party. Except as provided in Section 12, this Agreement shall not be modified, supplemented or terminated except by a writing duly signed by each of the parties hereto, and no waiver of any provision of this Agreement shall be effective unless in writing duly signed by the party sought to be bound.

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9. Any payment, notice, communication or approval required or permitted to be given under this Agreement shall be deemed to have been duly given if delivered by hand or deposited in the United States mail, postage prepaid and sent by certified or registered mail, addressed to Parent or any Subsidiary at:

4880 Santa Rosa Road, Suite 300
Camarillo, CA 93012
Attention: Corporate Secretary

10. Except as specifically set forth or referred to in this Agreement, nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or give to any person or corporation other than the parties hereto (and, in accordance with Section 7, their successor or assigns) any rights or remedies under or by reason of this Agreement.

11. This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of California.

12. The term of this Agreement shall be one (1) year. This Agreement shall automatically renew for successive one (1) year terms unless any party (the "Terminating Party") hereto shall give written notice in advance of such date indicating it does not intend this Agreement to, as to such party, renew. In which event, at the expiration of the existing term, this Agreement shall continue as to such other parties, but the Terminating Party shall have no further obligations hereunder.

13. If any provision of this Agreement or the application thereof to any party is held invalid or unenforceable, the remainder of this Agreement and the application of such provision to other parties or circumstances will not be affected thereby, the provisions of this Agreement being severable in any such instance.

14. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(Signatures to follow on the next page)

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

Salem Communications Corporation

By: /s/ Jonathan L. Block

Name: Jonathan L. Block
Title: Vice President

(More signatures to follow on the next page)

Salem Communications Holding Corporation

By: /s/ Jonathan L. Block

Name: Jonathan L. Block
Title: Vice President

(More signatures to follow on the next page)

ATEP RADIO, INC.
BISON MEDIA, INC.
CARON BROADCASTING, INC.
CCM COMMUNICATIONS, INC.
COMMON GROUND BROADCASTING, INC.
GOLDEN GATE BROADCASTING COMPANY, INC.
INLAND RADIO, INC.
INSPIRATION MEDIA OF PENNSYLVANIA, LP
INSPIRATION MEDIA OF TEXAS, LLC.
INSPIRATION MEDIA, INC.
KINGDOM DIRECT, INC.
NEW ENGLAND CONTINENTAL MEDIA, INC.
NEW INSPIRATION BROADCASTING COMPANY, INC.
OASIS RADIO, INC.
ONEPLACE, LLC.
PENNSYLVANIA MEDIA ASSOCIATES, INC.
RADIO 1210, INC.
REACH SATELLITE NETWORK, INC.
SALEM MEDIA CORPORATION
SALEM MEDIA OF COLORADO, INC.
SALEM MEDIA OF GEORGIA, INC.
SALEM MEDIA OF HAWAII, INC.
SALEM MEDIA OF ILLINOIS, LLC.
SALEM MEDIA OF KENTUCKY, INC.
SALEM MEDIA OF NEW YORK, LLC.
SALEM MEDIA OF OHIO, INC.
SALEM MEDIA OF OREGON, INC.
SALEM MEDIA OF PENNSYLVANIA, INC.
SALEM MEDIA OF TEXAS, INC.
SALEM MEDIA OF VIRGINIA, INC.
SALEM MUSIC NETWORK, INC.
SALEM RADIO NETWORK INCORPORATED
SALEM RADIO OPERATIONS, LLC.
SALEM RADIO OPERATIONS - PENNSYLVANIA, INC.
SALEM RADIO PROPERTIES, INC.
SALEM RADIO REPRESENTATIVES, INC.
SCA LICENSE CORPORATION
SOUTH TEXAS BROADCASTING, INC.
SRN NEWS NETWORK, INC.
VISTA BROADCASTING, INC.

By: /s/ Jonathan L. Block

Name: Jonathan L. Block
Title: Vice President

SCHEDULE A

ATEP RADIO, INC.
BISON MEDIA, INC.
CARON BROADCASTING, INC.
CCM COMMUNICATIONS, INC.
COMMON GROUND BROADCASTING, INC.
GOLDEN GATE BROADCASTING COMPANY, INC.
INLAND RADIO, INC.
INSPIRATION MEDIA OF PENNSYLVANIA, LP
INSPIRATION MEDIA OF TEXAS, LLC.
INSPIRATION MEDIA, INC.
KINGDOM DIRECT, INC.
NEW ENGLAND CONTINENTAL MEDIA, INC.
NEW INSPIRATION BROADCASTING COMPANY, INC.
OASIS RADIO, INC.
ONEPLACE, LLC.

PENNSYLVANIA MEDIA ASSOCIATES, INC.
RADIO 1210, INC.
REACH SATELLITE NETWORK, INC.
SALEM MEDIA CORPORATION
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SALEM MEDIA OF GEORGIA, INC.
SALEM MEDIA OF HAWAII, INC.
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SALEM MEDIA OF KENTUCKY, INC.
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SALEM RADIO NETWORK INCORPORATED
SALEM RADIO OPERATIONS, LLC.
SALEM RADIO OPERATIONS - PENNSYLVANIA, INC.
SALEM RADIO PROPERTIES, INC.
SALEM RADIO REPRESENTATIVES, INC.
SCA LICENSE CORPORATION
SOUTH TEXAS BROADCASTING, INC.
SRN NEWS NETWORK, INC.
VISTA BROADCASTING, INC.

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SCHEDULE B

(1) In each fiscal year Parent and each subsidiary other than HoldCo (without duplication) shall pay a fee to HoldCo in an aggregate amount as mutually determined in advance by HoldCo and Parent, in their sole and absolute discretion, not to exceed 11% of the net revenue of Parent or such Subsidiary, as applicable for the immediately preceding fiscal year. For purposes of this Agreement, net revenues shall mean total revenues less cost of services sold. Parent or its subsidiaries, as applicable, shall remit said amount to HoldCo from time to time not later than thirty (30) days from its receipt of an invoice from HoldCo.

(2) AcqCo shall pay HoldCo a one time fee of Four Hundred Thousand Dollars (\$400,000) for special charges and services incurred by HoldCo for the benefit of AcqCo.

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SALEM COMMUNICATIONS HOLDING CORPORATION
SUPPLEMENTAL REPORT
TO FORM 10-Q FILED BY
SALEM COMMUNICATIONS CORPORATION

This supplemental report (the "Supplemental Report") is prepared by Salem Communications Holding Corporation (the "Subsidiary" including references to the Subsidiary by "we," "us" and "our"), a wholly-owned subsidiary of Salem Communications Corporation ("Salem"), and is presented as an exhibit to Salem's report filed with the Securities and Exchange Commission (the "Commission") and will be provided to the holders of the Subsidiary's senior subordinated notes due 2007 in accordance with the terms of that certain Indenture dated as of September 25, 1997, by and among Salem, the guarantors named therein and The Bank of New York, as Trustee, as such Indenture has been supplemented from time to time (the "Indenture"). The information contained in this Supplemental Report is intended to be read in conjunction with the Quarterly Report on Form 10-Q filed with the Commission by Salem, in which quarterly report this Supplemental Report is included as an exhibit. References in this Supplemental Report to the "Report" are references to such Quarterly Report on Form 10-Q filed by Salem.

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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, the Subsidiary 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 Subsidiary's current expectations and are based upon data available to the Subsidiary 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, the Subsidiary'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 periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Forward-looking statements made in this report speak as of the date hereof. The Subsidiary undertakes no obligation to update or revise any forward-looking statements made in this report. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections or forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act").

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PART I — FINANCIAL INFORMATION

SALEM COMMUNICATIONS HOLDING CORPORATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

SALEM COMMUNICATIONS HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	December 31, 2000	March 31, 2001
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,612	\$ 2,674
Accounts receivable (less allowance for doubtful accounts of \$3,123 in 2000 and \$3,091 in 2001)	23,804	21,505
Other receivables	1,204	1,032
Prepaid expenses	1,519	1,989
Due from stockholders of Parent	450	450
Deferred income taxes	490	170
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Total current assets	31,079	27,820
Property, plant and equipment, net	68,192	74,142
	262,209	255,810
Intangible assets, net		
Bond issue costs	2,396	2,307
Due from related parties	50,888	54,927
Deferred income taxes	5,564	7,912
Other assets	6,243	5,542
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Total assets	\$ 426,571	\$ 428,460
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,970	\$ 5,908
Accrued compensation and related	3,353	3,565
Accrued interest	3,299	7,847
Deferred subscription revenue	1,509	1,529
Income taxes	100	74
Capital lease obligations	93	74

Total current liabilities	14,324	18,997
Long-term debt	286,050	287,050
Deferred income taxes	—	—
Other liabilities	1,497	1,361
Stockholders' equity:		
Common stock, \$0.01; authorized, issued and outstanding 1,000 shares	—	—
Additional paid-in capital	115,815	115,815
Retained earnings	8,885	5,237
Total stockholders' equity	124,700	121,052
Total liabilities and stockholders' equity	\$ 426,571	\$ 428,460

See accompanying notes

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

	Three Months Ended March 31,	
	2000	2001
Gross broadcasting revenue	\$ 24,662	\$ 32,510
Less agency commissions	2,053	2,786
Net broadcasting revenue	22,609	29,724
Other media revenue	1,791	1,965
Total revenue	24,400	31,689
Operating expenses:		
Broadcasting operating expenses	12,705	19,556
Other media operating expenses	4,144	2,536
Corporate expenses	2,454	3,847
Depreciation and amortization (including \$494 in 2000 and \$572 in 2001 for other media businesses)	4,939	6,964
Total operating expenses	24,242	32,903
Net operating income (loss)	158	(1,214)
Other income (expense):		
Interest income	288	85
Interest income from related parties	—	1,986
Interest expense	(2,520)	(6,467)
Gain (loss) on sale of assets	—	(8)
Other expense	(287)	(42)
Loss before income taxes	(2,361)	(5,660)
Benefit for income taxes	(704)	(2,012)
Net loss	\$ (1,657)	\$ (3,648)

See accompanying notes

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

	Three Months Ended March 31,	
	2000	2001
OPERATING ACTIVITIES		
Net loss	\$ (1,657)	\$(3,648)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,939	6,964
Amortization of bond issue costs and bank loan fees	121	183
Deferred income taxes	(158)	(2,028)
Loss on sale of assets	—	8
Changes in operating assets and liabilities:		
Accounts receivable	1,198	2,471
Prepaid expenses and other current assets	45	(470)
Accounts payable and accrued expenses	(2,748)	4,698
Deferred subscription revenue	128	20
Other liabilities	5	141
Income taxes	157	(26)

Net cash provided by operating activities	2,030	8,313
INVESTING ACTIVITIES		
Capital expenditures	(3,527)	(7,547)
Deposits on radio station acquisitions	(445)	—
Purchases of radio stations	(26,465)	—
Proceeds from sale of PP&E and intangibles	—	8
Other assets	264	735
	<hr/>	<hr/>
Net cash used in investing activities	(30,173)	(6,804)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt and notes payable to stockholders	1,000	1,000
Payments of long-term debt and notes payable to stockholders	(2,811)	—
Payments on capital lease obligations	(61)	(19)
Payment of costs related to debt refinancing	—	(316)
Increase in notes and interest receivable from related party	—	(3,112)
	<hr/>	<hr/>
Net cash used in financing activities	(1,872)	(2,447)
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Net decrease in cash and cash equivalents	(30,015)	(938)
Cash and cash equivalents at beginning of period	34,124	3,612
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Cash and cash equivalents at end of period	\$ 4,109	\$ 2,674
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Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 4,970	\$ 1,746
Income taxes	37	42

See accompanying notes

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SALEM COMMUNICATIONS HOLDING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

Information with respect to the three months ended March 31, 2001 and 2000 is unaudited. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles 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 Salem Communications Holding Corporation and Subsidiaries (the "Subsidiary"), 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 Supplemental Report included as an exhibit to the annual report on Form 10-K of Salem Communications Corporation for the year ended December 31, 2000.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

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

NOTE 3. CONTINGENCIES

The Subsidiary and its subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims, including the Gospel Communications International, Inc. ("GCI") matter described in more detail below. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Also, we maintain insurance which may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters as of March 31, 2001. However, we believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon the our financial position, results of operations or cash flows.

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

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 Salem's Report to which this Supplemental Report is attached as an exhibit, as well as our condensed consolidated financial statements and related notes included elsewhere in this Supplemental Report. Our condensed consolidated financial statements are not directly comparable from period to period because of our acquisition and disposition of radio stations and our acquisition of other media businesses.

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The Subsidiary has substantially the same business operations as is reported for Salem in the Report, however, Salem's unrestricted subsidiaries Salem Communications Acquisition Corporation ("AcquisitionCo") and AcquisitionCo's subsidiary SCA License Corporation ("SCA") own and operate several radio stations, the results of which are excluded from the results of operations of the Subsidiary. The results of operations of radio stations WYLL-AM, WWTC-AM, WYLO-AM, WFIA-AM and WHKW-AM are

included in the results of operations of Salem for the period they were owned or operated by AcquisitionCo or SCA and are presented in the information included in the Report, but are excluded from the results of operations of the Subsidiary and are excluded from the information included in this Supplemental Report.

The sections “—Results of Operations” and “—Liquidity and Capital Resources” are restated in this Supplemental Report to replace those sections contained in the Report.

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RESULTS OF OPERATIONS

NET BROADCASTING REVENUE. Net broadcasting revenue increased \$7.1 million or 31.4% to \$29.7 million for the quarter ended March 31, 2001 from \$22.6 million for the same quarter of the prior year. The growth is attributable to the increase in same station revenue and the acquisitions of radio stations and a network during 2000, partially offset by the sales of radio stations during 2000. On a same station basis, net broadcasting revenue improved \$1.9 million or 12.2% to \$17.5 million for the quarter ended March 31, 2001 from \$15.6 million for the same quarter of the prior year. The improvement was primarily due to an increase in network revenue due to increased network affiliations and quality programming, an increase in net revenue at radio stations we acquired in 1998 and 1999 that previously operated with formats other than their current format, an increase in program rates and increases in advertising time and improved selling efforts at both the national and local level. Revenue from advertising as a percentage of our gross broadcasting revenue increased to 40.8% for the quarter ended March 31, 2001 from 35.2% for the same quarter of the prior year. Revenue from block program time as a percentage of our gross broadcasting revenue decreased to 43.3% for the quarter ended March 31, 2001 from 51.8% for the same quarter of the prior year. This change in our revenue mix is primarily due to our continued efforts to develop more advertising revenue in all of our markets as well as the launch of our contemporary Christian music format in several markets.

OTHER MEDIA REVENUE. Other media revenue increased \$0.2 million or 11.1% to \$2.0 million for the quarter ended March 31, 2001 from \$1.8 million for the same quarter in the prior year. The increase is due primarily to our increased revenue from banner advertising and streaming services, offset by the loss of revenues from the sale of certain assets which generated revenue from the sale of advertising in print and online catalogs.

BROADCASTING OPERATING EXPENSES. Broadcasting operating expenses increased \$6.9 million or 54.3% to \$19.6 million for the quarter ended March 31, 2001 from \$12.7 million for the same quarter of the prior year. The increase is attributable to operating expenses associated with the acquisitions of radio stations and a network during 2000 and 2001, promotional expenses associated with the launch of the contemporary Christian music format in several markets, and an increase in music license fees, partially offset by the operating expenses associated with three radio stations sold during 2000. On a same station basis, broadcasting operating expenses increased \$1.1 million or 12.8% to \$9.7 million for the quarter ended March 31, 2001 from \$8.6 million for the same quarter of the prior year. The increase is primarily due to incremental selling and production expenses incurred to produce the increased revenue in the period.

OTHER MEDIA OPERATING EXPENSES. Other media operating expenses decreased \$1.6 million or 39.0% to \$2.5 million for the quarter ended March 31, 2001 from \$4.1 million for the same quarter in the prior year. The decrease is attributable primarily to the reduction of operating expenses incurred due to the sale of certain software products, assets and contracts. .

BROADCAST CASH FLOW. Broadcast cash flow increased \$0.3 million or 3.0% to \$10.2 million for the quarter ended March 31, 2001 from \$9.9 million for the same quarter of the prior year. As a percentage of net broadcasting revenue, broadcast cash flow decreased to 34.3% for the quarter ended March 31, 2001 from 43.8% for the same quarter of the prior year. The decrease is primarily attributable to the effect of stations acquired during 2000 that previously operated with formats other than their current format and the effect of the launch of the contemporary Christian music format in several markets. Acquired and reformatted radio stations typically produce low margins during the first few years following conversion. Broadcast cash flow margins improve as we implement scheduled program rate increases and increase advertising revenue on our stations. On a same station basis, broadcast cash flow improved \$0.8 million or 11.4% to \$7.8 million for the quarter ended March 31, 2001 from \$7.0 million for the same quarter of the prior year.

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CORPORATE EXPENSES. Corporate expenses increased \$1.3 million or 52.0% to \$3.8 million in the quarter ended March 31, 2001 from \$2.5 million in the same quarter of the prior year, primarily due to additional overhead costs associated with the acquisitions of radio stations and a network during 2000 and 2001.

EBITDA. EBITDA increased \$0.7 million or 13.7% to \$5.8 million for the quarter ended March 31, 2001 from \$5.1 million for the same quarter of the prior year. As a percentage of total revenue, EBITDA decreased to 18.3% for the quarter ended March 31, 2001 from 20.9% for the same quarter of the prior year. EBITDA was negatively impacted by the results of operations of our other media businesses acquired in 1999, which generated a net loss before depreciation and amortization of \$0.6 million for the quarter ended March 31, 2001 as compared to \$2.4 million for the same quarter of the prior year. Broadcast EBITDA excluding the other media businesses decreased \$1.1 million or 14.7% to \$6.4 million for the quarter ended March 31, 2001 from \$7.5 million for the same quarter in the prior year. As a percentage of net broadcasting revenue, broadcast EBITDA excluding the other media business decreased to 21.5% for the quarter ended March 31, 2001 from 33.2% for the same quarter of the prior year. The decrease is primarily attributable to the effect of stations acquired during 2000 that previously operated with formats other than their current format, the effect of the launch of the Contemporary Christian music format in several markets and increased corporate expenses.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased \$2.1 million or 42.9% to \$7.0 million for the quarter ended March 31, 2001 from \$4.9 million for the same quarter of the prior year. The increase is primarily due to the acquisitions of radio stations and a network in 2000.

OTHER INCOME (EXPENSE). Interest income increased \$1.8 million to \$2.1 million for the quarter ended March 31, 2001 from \$0.3 million for the same quarter of the prior year, primarily due to interest earned on a promissory note due from Salem. Interest expense increased \$4.0 million or 160.0% to \$6.5 million for the quarter ended March 31, 2001 from \$2.5 million for the same quarter of the prior year. The increase is due to interest expense associated with borrowings on our credit facility to fund acquisitions in 2000. Other expense, net decreased \$0.3 million from \$0.3 million for the quarter ended March 31, 2000 primarily due to decreased bank commitment fees.

BENEFIT FOR INCOME TAXES. Benefit for income taxes as a percentage of loss before income taxes and extraordinary item (that is, the effective tax rate) was 35.5% for the quarter ended March 31, 2001 and 29.8% for the same quarter of the prior year. For the quarter ended March 31, 2001 and 2000 the effective tax rate differs from the federal statutory income rate of 34.0% primarily due to the effect of state income taxes and certain expenses that are not deductible for tax purposes.

NET LOSS. We recognized a net loss of \$3.7 million for the quarter ended March 31, 2001 as compared to a net loss of \$1.7 million for the same quarter of the prior year. The increase in net loss is primarily attributable to an increase in interest expense, partially offset by an increase in broadcast cash flow.

AFTER-TAX CASH FLOW. After-tax cash flow remained unchanged at \$3.3 million for the quarter ended March 31, 2001 as compared to the same quarter of the prior year. After-tax cash flow was negatively impacted by the after-tax cash flow of our other media businesses. After-tax cash flow excluding our other media losses (net of income tax) decreased \$1.0 million or 21.3% to \$3.7 million for the quarter ended March 31, 2001 from \$4.7 million for the same quarter of the prior year. The decrease is primarily due to an increase in interest expense and corporate expenses, offset by interest income.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents was \$2.7 million and working capital was \$8.8 million at March 31, 2001. Cash and cash equivalents was \$3.6 million at December 31, 2000. The decrease in cash and cash equivalents is due to cash used for capital expenditures and provided to related parties, offset by cash provided by operating activities.

Net cash provided by operating activities increased to \$8.3 million for the quarter ended March 31, 2001 compared to \$2.0 million in the same period of the prior year. The increase is primarily due to a decrease in accounts receivable and an increase in accounts payable.

Net cash used in investing activities was \$6.8 million for the quarter ended March 31, 2001 compared to \$30.2 million for the same period of the prior year. The decrease in cash used is due to cash used for acquisitions in 2000 (\$26.5 million to purchase ten radio stations and a network for the quarter ended March 31, 2000), partially offset by an increase in capital expenditures.

Net cash used in financing activities was \$2.4 million for the quarter ended March 31, 2001 compared to \$1.9 million for the same period of the prior year due to a cash provided to related parties during 2001, partially offset by payment of long-term debt associated with the purchase of the KRLA-AM transmitter site in February 2000.

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

At March 31, 2001 we have \$100.0 million principal amount of 9 1/2% senior subordinated notes due 2007. In August 2000, we assumed the obligations of Salem as successor issuer under the indenture for the senior subordinated notes, in connection with the assignment of substantially all of the assets and liabilities of Salem to the Subsidiary. The indenture for the senior subordinated notes contains restrictive covenants that, among others, limit the incurrence of debt by us and our subsidiaries, the payment of dividends, the use of proceeds of specified asset sales and transactions with affiliates. The senior subordinated notes are guaranteed by all of our subsidiaries.

At March 31, 2001, we had \$187.1 million outstanding under our credit facility. Since August 2000, we amended our credit facility to increase our borrowing capacity from \$150 million to \$225 million, lower the borrowing rates and modify current financial ratio tests to provide us with additional borrowing flexibility. The credit facility matures on June 30, 2007. Aggregate commitments under the credit facility begin to decrease commencing March 31, 2002.

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

The maximum amount that we may borrow under our credit facility is limited by a ratio of our existing adjusted debt to pro forma twelve-month cash flow (the "Adjusted Debt to Cash Flow Ratio"). Our credit facility will allow us to adjust our total debt as used in such calculation by the lesser of 50% of the aggregate purchase price of acquisitions of newly acquired non-religious formatted radio stations that we reformat to a religious talk, conservative talk or religious music format or \$30.0 million and the cash flow from such stations will not be considered in the calculation of the ratio. The maximum Adjusted Debt to Cash Flow Ratio allowed under our credit facility is 6.50 to 1 through December 30, 2001. Thereafter, the maximum ratio will decline periodically until December 31, 2005, at which point it will remain at 4.00 to 1 through June 2007. The Adjusted Debt to Cash Flow Ratio at March 31, 2001 was 4.74 to 1, resulting in a borrowing availability of approximately \$12.4 million.

Our credit facility contains additional restrictive covenants customary for credit facilities of the size, type and purpose contemplated which, with specified exceptions, limits our ability to enter into affiliate transactions, pay dividends, consolidate, merge or effect certain asset sales, make specified investments, acquisitions and loans and change the nature of our business. The credit facility also requires us to satisfy specified financial covenants, which covenants require the maintenance of specified financial ratios and compliance with certain financial tests, including ratios for maximum leverage as described, minimum interest coverage, minimum debt service and minimum fixed charge coverage. The credit facility is guaranteed by all of Salem's subsidiaries, except the Subsidiary which is the borrower under the credit facility, and is secured by pledges of all of the capital stock of Salem's subsidiaries.

SIGNATURES

Pursuant to the terms of the Indenture, as supplemented, the Subsidiary has duly caused this Supplement Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SALEM COMMUNICATIONS HOLDING CORPORATION

May 15, 2001

By: /s/ EDWARD G. ATSINGER III

Edward G. Atsinger III
President and Chief Executive Officer

May 15, 2001

By: /s/ DAVID A. R. EVANS

David A. R. Evans
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

May 15, 2001

By: /s/ JONATHAN L. BLOCK

Jonathan L. Block
Director

May 15, 2001

By: /s/ EILEEN E. HILL

Eileen E. Hill
Vice President, Finance and Accounting
(Principal Accounting Officer)