

SALEM COMMUNICATIONS CORP /DE/  
Form 8-K  
May 09, 2007

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

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(D) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): May 9, 2007

**SALEM COMMUNICATIONS CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

**000-26497**

**77-0121400**

(State or Other Jurisdiction  
of Incorporation)

(Commission File  
Number)

(IRS Employer  
Identification No.)

**4880 Santa Rosa Road, Camarillo, California**

**93012**

(Address of Principal Executive Offices)

(Zip Code)

**Registrant's telephone number, including area code: (805) 987-0400**

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On May 9, 2007, Salem Communications Corporation issued a press release regarding its results of operations for the quarter ended March 31, 2007.

ITEM 7.01 REGULATION FD DISCLOSURE

On May 9, 2007, Salem Communications Corporation issued a press release regarding its results of operations for the quarter ended March 31, 2007.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits. The following exhibit is furnished with this report on Form 8-K:

| Exhibit No. | Description   |
|-------------|---|
| 99.1        | Press release, dated May 9, 2007, of Salem Communications Corporation regarding its results of operations for the quarter ended March 31, 2007. |

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SIGNATURE

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

SALEM COMMUNICATIONS CORPORATION

Date: May 9, 2007

By: /s/ EVAN D. MASYR  
Evan D. Masyr  
Vice President - Accounting and Finance

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EXHIBIT INDEX

| Exhibit No. | Description   |
|-------------|---|
| 99.1        | Press release, dated May 9, 2007, of Salem Communications Corporation regarding its results of operations for the quarter ended March 31, 2007. |

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## **SALEM COMMUNICATIONS ANNOUNCES A 7.8% INCREASE IN FIRST QUARTER 2007 TOTAL REVENUE**

CAMARILLO, Calif. May 9, 2007 - Salem Communications Corporation (Nasdaq: SALM), a leading U.S. radio broadcaster, Internet content provider, magazine and book publisher targeting audiences interested in content related to faith, family and conservative values, today announced results for the three month period ended March 31, 2007.

Commenting on the company's results, Edward G. Atsinger III, president and CEO said, "We achieved total revenue growth of 7.8% in the first quarter of 2007 with net broadcasting revenue growing 3.4% to \$50.4 million and the Internet and publishing businesses growing revenue 73.9% to \$5.7 million. Within the radio business, block programming revenue increased 8.8% and advertising revenue decreased 1.6%. This advertising decline is principally attributable to high sales staff vacancies, which we are working to fill, and the continued softness of the radio advertising market. The solid growth in non-broadcast media is a direct result of our strategic emphasis on developing new media businesses that exploit the promotional capability and content resources of our radio assets."

### **First Quarter 2007 Results**

For the quarter ended March 31, 2007 compared to the quarter ended March 31, 2006:

- Total revenue increased 7.8% to \$56.1 million from \$52.0 million;
- Operating income increased 11.2% to \$11.9 million from \$10.7 million;
  - Net income increased 9.2% to \$3.0 million from \$2.7 million;
  - Net income per diluted share increased 9.1% to \$0.12 from \$0.11;
  - EBITDA increased 11.4% to \$15.8 million from \$14.1 million;
- Adjusted EBITDA increased 14.2% to \$13.2 million from \$11.6 million;

### Broadcasting

- Net broadcasting revenue increased 3.4% to \$50.4 from \$48.8 million;
- Station operating income ("SOI") increased 5.1% to \$18.0 million from \$17.1 million;
- Same station net broadcasting revenue increased 3.6% to \$49.4 million from \$47.7 million;
  - Same station SOI increased 2.9% to \$17.9 million from \$17.4 million;
  - Same station SOI margin decreased to 36.3% from 36.5%;

### Non-broadcast Media

- Non-broadcast revenue increased 73.9% to \$5.7 million from \$3.3 million; and
- Non-broadcast operating income increased to \$0.4 million from a loss of \$0.2 million.

Included in the results for the quarter ended March 31, 2007 are:

- A \$3.3 million gain (\$1.8 million gain, net of tax, or \$0.07 per diluted share) on the disposal of assets;
- A \$0.8 million non-cash compensation charge (\$0.5 million, net of tax, or \$0.02 per share) related to the expensing of stock options consisting primarily of:
  - o \$0.5 million non-cash compensation included in corporate expenses; and
  - o \$0.2 million non-cash compensation included in broadcasting operating expenses.

Included in the results for the quarter ended March 31, 2006 are:

- A \$3.5 million gain (\$2.1 million gain, net of tax, or \$0.09 per diluted share) on the disposal of assets;
  - A \$0.3 million gain (\$0.01 gain per diluted share) from discontinued operations, net of tax; and
- A \$1.3 million non-cash compensation charge (\$0.8 million, net of tax, or \$0.03 per share) related to the expensing of stock options consisting primarily of:
  - o \$1.1 million non-cash compensation included in corporate expenses; and
  - o \$0.2 million non-cash compensation included in broadcasting operating expenses.

Per share numbers are calculated based on 23,853,068 diluted weighted average shares for the quarter ended March 31, 2007 and 24,696,334 diluted weighted average shares for the comparable 2006 period.

On February 7, 2007, we sold WKNR (850 AM) in Cleveland, Ohio. We discontinued operating this radio station under a local marketing agreement effective December 1, 2006. For the quarter ended March 31, 2007, this station did not generate any revenue or profit. For the comparable 2006 period, the station generated net broadcasting revenue of \$0.6 million and lost \$0.1 million.

### SOI Margin Composition Analysis

The following table, which is for analytical purposes only, has been created by assigning each station in the company's radio station portfolio to one of four categories based upon the station's first quarter SOI margin. The company believes this table is helpful in assessing the portfolio's financial and operational development.

Three Months Ended March 31,  
(Net Broadcasting Revenue and SOI in millions)

| SOI Margin<br>% | 2006       |               |               |                  | 2007      |               |               |                  |
|-----------------|------------|---------------|---------------|------------------|-----------|---------------|---------------|------------------|
|                 | Stations   | Revenue       | SOI           | Average<br>SOI % | Stations  | Revenue       | SOI           | Average<br>SOI % |
| 50% or greater  | 14         | \$14.4        | \$9.2         | 63.5%            | 20        | \$18.7        | \$11.5        | 61.4%            |
| 30% to 49%      | 33         | 18.6          | 7.7           | 41.4%            | 26        | 15.1          | 6.1           | 40.4%            |
| 0% to 29%       | 28         | 8.4           | 1.5           | 18.8%            | 26        | 8.4           | 1.6           | 18.0%            |
| Less than 0%    | 25         | 3.4           | (1.0)         | (0.7%)           | 27        | 4.0           | (0.9)         | (21.9%)          |
| <b>Subtotal</b> | <b>100</b> | <b>44.8</b>   | <b>17.4</b>   | <b>38.8%</b>     | <b>99</b> | <b>46.2</b>   | <b>18.3</b>   | <b>39.4%</b>     |
| Other           | -          | 4.0           | (0.3)         | (7.0%)           | -         | 4.2           | (0.3)         | (5.9%)           |
| <b>Total</b>    | <b>100</b> | <b>\$48.8</b> | <b>\$17.1</b> | <b>35.0%</b>     | <b>99</b> | <b>\$50.4</b> | <b>\$18.0</b> | <b>35.6%</b>     |

### Balance Sheet

As of March 31, 2007, the company had net debt of \$348.5 million and was in compliance with the covenants of its credit facilities and bond indentures. The company's bank leverage ratio was 5.61 versus a compliance covenant of 6.75 and its bond leverage ratio was 5.09 versus a compliance covenant of 7.0.

### **Stock Repurchases**

During the quarter ended March 31, 2007, the company did not repurchase shares of its Class A common stock and had 23,850,020 shares of its Class A and Class B common stock outstanding.

### **Acquisitions and Divestitures**

During the quarter ended March 31, 2007, Salem completed the following acquisition and divestiture transactions:

- WKNR (850 AM) in Cleveland, Ohio was sold on February 7, 2007 for \$7.0 million; and
- ChristianMusicPlanet.com was acquired on February 8, 2007 for \$0.3 million.

The following acquisition and divestiture transactions were pending as of March 31, 2007:

- WVRV (105.1 FM) in Waverly, Tennessee to be sold for \$0.9 million; and
  - KKSX (910 AM) in Portland, Oregon will be acquired for approximately \$4.5 million (this station is operated by Salem under an LMA beginning February 1, 2007 with call letters KTRO).
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## Second Quarter 2007 Outlook

For the second quarter of 2007, Salem is projecting:

- Total revenue to be between \$58.8 million and \$59.3 million compared to second quarter 2006 total revenue of \$58.1 million;
- Adjusted EBITDA to be between \$12.9 million and \$13.4 million compared to second quarter 2006 Adjusted EBITDA of \$15.8 million; and
  - Net income per diluted share to be approximately \$0.04.

Second quarter 2007 outlook reflects the following:

- Same station net broadcasting revenue to be between \$51.9 million to \$52.4 million compared to \$52.0 million in second quarter 2006;
  - Non-broadcast revenue increasing to approximately \$6.1 million from \$4.7 million in second quarter 2006;
- Same station SOI declining to between \$18.0 million and \$18.5 million from \$20.0 million in second quarter 2006;
- Non-cash compensation expense of \$0.8 million compared to second quarter 2006 non-cash compensation expense of \$1.3 million;
- Increased marketing and programming costs of \$0.9 million primarily on News Talk stations in Chicago, Denver, Los Angeles, Louisville and Phoenix, and on Contemporary Christian Music stations in Atlanta and Dallas;
- Continued growth from our core block programming business and our underdeveloped radio stations, particularly our News Talk stations;
  - Ongoing softness in the radio advertising market; and
  - The impact of recent acquisition and divestiture transactions.

## Conference Call Information

Salem will host a teleconference to discuss its results today, on May 9, 2007 at 5:00 p.m. Eastern Time. To access the teleconference, please dial 973-935-8511 ten minutes prior to the start time or listen via the investor relations portion of the company's website, located at [www.salem.cc](http://www.salem.cc). A replay of the teleconference will be available through May 23, 2007 and can be heard by dialing 973-341-3080, pass code 8745306 or on the investor relations portion of the company's website, located at [www.salem.cc](http://www.salem.cc).

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Salem Communications Corporation (Nasdaq: SALM) is a leading U.S. radio broadcaster, Internet content provider, and magazine and book publisher targeting audiences interested in Christian and family-themed content and conservative values. In addition to its radio properties, Salem owns Salem Radio Network®, which syndicates talk, news and music programming to approximately 2,000 affiliates; Salem Radio Representatives™, a national radio advertising sales force; Salem Web Network™, an Internet provider of Christian content and online streaming; and Salem Publishing™, a publisher of Christian-themed magazines. Upon the close of all announced transactions, the company will own 97 radio stations, including 61 stations in 23 of the top 25 markets. Additional information about Salem may be accessed at the company's website, [www.salem.cc](http://www.salem.cc).

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### ***Forward Looking Statements***

*Statements used in this press release that relate to future plans, events, financial results, prospects or performance are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including but not limited to the ability of Salem to close and integrate announced transactions, market acceptance of Salem's radio station formats, competition from new technologies, adverse economic conditions, and other risks and uncertainties detailed from time to time in Salem's reports on Forms 10-K, 10-Q, 8-K and other filings filed with or furnished to the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Salem undertakes no obligation to update or revise any forward-looking statements to reflect new information, changed circumstances or unanticipated events.*

### ***Regulation G***

*Station operating income, non-broadcast operating income, EBITDA and Adjusted EBITDA are financial measures not prepared in accordance with generally accepted accounting principles ("GAAP"). Station operating income is defined as net broadcasting revenues minus broadcasting operating expenses. Non-broadcast operating income is defined as non-broadcast revenue minus non-broadcast operating expenses. EBITDA is defined as net income before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before loss on early redemption of long-term debt, discontinued operations (net of tax), litigation costs, gain or loss on the disposal of assets and non-cash compensation expense. In addition, Salem has provided supplemental information as an attachment to this press release, reconciling these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP. The company believes these non-GAAP financial measures, when considered in conjunction with the most directly comparable GAAP financial measures, provide useful measures of the company's operating performance.*

*Station operating income, non-broadcast operating income, EBITDA and Adjusted EBITDA are generally recognized by the broadcasting industry as important measures of performance and are used by investors as well as analysts who report on the industry to provide meaningful comparisons between broadcasting. Station operating income, non-broadcast operating income, EBITDA and Adjusted EBITDA are not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to and not a substitute for, or superior to, the company's results of operations presented on a GAAP basis such as operating income and net income. In addition, Salem's definitions of station operating income, non-broadcast operating income, EBITDA and Adjusted EBITDA are not necessarily comparable to similarly titled measures reported by other companies.*



**Salem Communications Corporation**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except share, per share and margin data)

**Three Months Ended**  
**March 31,**  
**2006**                      **2007**  
(unaudited)

|   |            |            |
|---|------------|------------|
| Net broadcasting revenue                                | \$ 48,774  | \$ 50,440  |
| Non-broadcast revenue                                   | 3,252      | 5,654      |
| Total revenue   | 52,026     | 56,094     |
| Operating expenses:                                     |            |            |
| Broadcasting operating expenses                         | 31,694     | 32,483     |
| Non-broadcast operating expenses                        | 3,432      | 5,271      |
| Corporate expenses                                      | 6,440      | 5,814      |
| Depreciation and amortization                           | 3,295      | 3,901      |
| Gain on disposal of assets                              | (3,529)    | (3,269)    |
| Total operating expenses                                | 41,332     | 44,200     |
| Operating income  | 10,694     | 11,894     |
| Other income (expense):                                 |            |            |
| Interest income   | 46         | 60         |
| Interest expense  | (6,588)    | (6,454)    |
| Other expense, net                                      | (172)      | (35)       |
| Income from continuing operations before income taxes   | 3,980      | 5,465      |
| Provision for income taxes                              | 1,594      | 2,500      |
| Income from continuing operations                       | 2,386      | 2,965      |
| Discontinued operations, net of tax                     | 329        | -          |
| Net income  | \$ 2,715   | \$ 2,965   |
| Other comprehensive income (loss), net of tax           | 1,036      | (288)      |
| Comprehensive income                                    | \$ 3,751   | \$ 2,677   |
| Basic income per share before discontinued operations   | \$ 0.10    | \$ 0.12    |
| Discontinued operations, net of tax                     | \$ 0.01    | \$ -       |
| Basic income per share after discontinued operations    | \$ 0.11    | \$ 0.12    |
| Diluted income per share before discontinued operations | \$ 0.10    | \$ 0.12    |
| Discontinued operations, net of tax                     | \$ 0.01    | \$ -       |
| Diluted income per share after discontinued operations  | \$ 0.11    | \$ 0.12    |
| Basic weighted average shares outstanding               | 24,686,517 | 23,848,603 |
| Diluted weighted average shares outstanding             | 24,696,334 | 23,853,068 |
| <b>Other Data:</b>                                      |            |            |
| Station operating income                                | \$ 17,080  | \$ 17,957  |
| Station operating margin                                | 35.0%      | 35.6%      |

**Salem Communications Corporation**  
**Condensed Consolidated Balance Sheets**  
(in thousands)

|   | <b>December 31,<br/>2006</b> | <b>March 31,<br/>2007</b><br>(unaudited) |
|---|------------------------------|--|
| <b>Assets</b>                                     |                              |  |
| Cash  | \$ 710                       | \$ 598                                   |
| Accounts receivable, net                          | 31,984                       | 30,214                                   |
| Deferred income taxes                             | 5,020                        | 4,943                                    |
| Other current assets                              | 2,881                        | 2,943                                    |
| Property, plant and equipment, net                | 128,713                      | 129,620                                  |
| Intangible assets, net                            | 508,410                      | 504,947                                  |
| Bond issue costs                                  | 593                          | 556                                      |
| Bank loan fees                                    | 2,996                        | 2,741                                    |
| Fair value of interest rate swaps                 | 1,290                        | 913                                      |
| Other assets                                      | 3,667                        | 3,770                                    |
| <b>Total assets</b>                               | <b>\$ 686,264</b>            | <b>\$ 681,245</b>                        |
| <b>Liabilities and Stockholders' Equity</b>       |                              |  |
| Current liabilities                               | \$ 27,295                    | \$ 28,923                                |
| Long-term debt and capital lease obligations      | 358,978                      | 346,821                                  |
| Deferred income taxes                             | 53,935                       | 58,114                                   |
| Other liabilities                                 | 8,340                        | 8,269                                    |
| Stockholders' equity                              | 237,716                      | 239,118                                  |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 686,264</b>            | <b>\$ 681,245</b>                        |

**Salem Communications Corporation**  
**Supplemental Information**  
(in thousands)

|  | <b>Three Months Ended</b> |                  |
|--|---------------------------|------------------|
|  | <b>March 31,</b>          |                  |
|  | <b>2006</b>               | <b>2007</b>      |
|  | (unaudited)               |                  |
| <b>Capital expenditures</b>  |                           |                  |
| Acquisition related / income producing                                   | \$ 3,273                  | \$ 2,534         |
| Maintenance  | 1,757                     | 2,650            |
| <b>Total capital expenditures</b>  | <b>\$ 5,030</b>           | <b>\$ 5,184</b>  |
| <b>Tax information</b>   |                           |                  |
| Cash tax expense   | \$ -                      | \$ 168           |
| Deferred tax expense   | 1,594                     | 2,332            |
| <b>Provision for income taxes</b>  | <b>\$ 1,594</b>           | <b>\$ 2,500</b>  |
| Tax benefit of non-book amortization                                     | \$ 3,577                  | \$ 4,176         |
| <b>Reconciliation of Same Station Net Broadcasting Revenue to</b>        |                           |                  |
| <b>Total Net Broadcasting Revenue</b>                                    |                           |                  |
| Net broadcasting revenue - same station                                  | \$ 47,689                 | \$ 49,399        |
| Net broadcasting revenue - acquisitions                                  | 172                       | 477              |
| Net broadcasting revenue - dispositions                                  | 587                       | -                |
| Net broadcasting revenue - format changes                                | 326                       | 564              |
| <b>Total net broadcasting revenue</b>                                    | <b>\$ 48,774</b>          | <b>\$ 50,440</b> |
| <b>Reconciliation of Same Station Broadcasting Operating Expenses to</b> |                           |                  |
| <b>Total Broadcasting Operating Expenses</b>                             |                           |                  |
| Broadcasting operating expenses - same station                           | \$ 30,274                 | \$ 31,471        |
| Broadcasting operating expenses - acquisitions                           | 176                       | 429              |
| Broadcasting operating expenses - dispositions                           | 667                       | 42               |
| Broadcasting operating expenses - format changes                         | 577                       | 541              |
| <b>Total broadcasting operating expenses</b>                             | <b>\$ 31,694</b>          | <b>\$ 32,483</b> |
| <b>Reconciliation of Same Station Station Operating Income to</b>        |                           |                  |
| <b>Total Station Operating Income</b>                                    |                           |                  |
| Station operating income - same station                                  | \$ 17,415                 | \$ 17,928        |
| Station operating income - acquisitions                                  | (4)                       | 48               |
| Station operating income - dispositions                                  | (80)                      | (42)             |
| Station operating income - format changes                                | (251)                     | 23               |

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| <b>Total station operating income</b> | <b>\$ 17,080</b> | <b>\$ 17,957</b> |
|---------------------------------------|------------------|------------------|

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**Salem Communications Corporation**  
**Supplemental Information**  
(in thousands)

|  | <b>Three Months Ended</b> |                   |
|--|---------------------------|-------------------|
|  | <b>2006</b>               | <b>2007</b>       |
|  | <b>March 31,</b>          |                   |
|  | <b>(unaudited)</b>        |                   |
| <b>Reconciliation of Station Operating Income and Non-Broadcast Operating Income to Operating Income</b> |                           |                   |
| Station operating income   | \$ 17,080                 | \$ 17,957         |
| Non-broadcast operating income   | (180)                     | 383               |
| Less:  |                           |                   |
| Corporate expenses   | (6,440)                   | (5,814)           |
| Depreciation and amortization  | (3,295)                   | (3,901)           |
| Gain on disposal of assets   | 3,529                     | 3,269             |
| <b>Operating income</b>  | <b>\$ 10,694</b>          | <b>\$ 11,894</b>  |
| <b>Reconciliation of Adjusted EBITDA to EBITDA to Net Income</b>   |                           |                   |
| Adjusted EBITDA  | \$ 11,597                 | \$ 13,245         |
| Less:  |                           |                   |
| Stock-based compensation   | (1,309)                   | (754)             |
| Discontinued operations, net of tax  | 329                       | -                 |
| Gain on disposal of assets   | 3,529                     | 3,269             |
| EBITDA   | 14,146                    | 15,760            |
| Plus:  |                           |                   |
| Interest income  | 46                        | 60                |
| Less:  |                           |                   |
| Depreciation and amortization  | (3,295)                   | (3,901)           |
| Interest expense   | (6,588)                   | (6,454)           |
| Provision for income taxes   | (1,594)                   | (2,500)           |
| <b>Net income</b>  | <b>\$ 2,715</b>           | <b>\$ 2,965</b>   |
|  | <b>Outstanding</b>        | <b>Applicable</b> |
|  | <b>at 3/31/2007</b>       | <b>Interest</b>   |
|  |                           | <b>Rate</b>       |
| <b>Selected Debt and Swap Data</b>   |                           |                   |
| 7 3/4% senior subordinated notes   | \$ 100,000                | 7.75%             |
| Senior bank term loan B debt (1)   | 73,125                    | 7.13%             |
| Senior bank term loan C debt (swap matures 7/1/2012)<br>(2)  | 30,000                    | 6.74%             |
| Senior bank term loan C debt (swap matures 7/1/2012)<br>(2)  | 30,000                    | 6.45%             |
| Senior bank term loan C debt (swap matures 7/1/2012)<br>(2)  | 30,000                    | 6.28%             |



|  |        |       |
|--|--------|-------|
| Senior bank term C debt (at variable rates) (1)    | 74,175 | 7.13% |
| Senior bank revolving debt (at variable rates) (1) | 8,500  | 7.13% |
| Swingline credit facility (3)                      | -      | 8.25% |

(1) Subject to rolling LIBOR plus a spread currently at 1.75% and incorporated into the rate set forth above.

(2) Under its swap agreements, the Company pays a fixed rate plus a spread based on the Company's leverage, as defined in its credit agreement. As of March 31, 2007, that spread was 1.75% and is incorporated into the applicable interest rates set forth above.

(3) Subject to prime interest rate.

**Salem Communications Corporation**  
**Supplemental Information**  
(in millions)

|  | <b>Projected</b>                                     |                             | <b>Three Months Ended<br/>June 30, 2006</b> |
|--|--|-----------------------------|---|
|  | <b>Three Months Ending<br/>June 30, 2007<br/>Low</b> | <b>High<br/>(unaudited)</b> |   |
| <b>Reconciliation of Station Operating Income to Operating Income</b>                            |  |                             |   |
| Station operating income   | \$ 17.9  | \$ 18.4                     |   |
| Plus:  |  |                             |   |
| Non-broadcast revenue  | 6.0  | 6.0                         |   |
| Less:  |  |                             |   |
| Non-broadcast operating expenses   | (5.7)  | (5.7)                       |   |
| Corporate expenses   | (5.6)  | (5.6)                       |   |
| Stock-based compensation (corporate expense portion)   | (0.6)  | (0.6)                       |   |
| Depreciation and amortization  | (3.8)  | (3.8)                       |   |
| <b>Operating income</b>  | <b>\$ 8.2</b>  | <b>\$ 8.7</b>               |   |
| <b>Reconciliation of Same Station Net Broadcasting Revenue to Total Net Broadcasting Revenue</b> |  |                             |   |
| Net broadcasting revenue - same station  | \$ 51.9  | \$ 52.4                     | \$ 52.0                                     |
| Net broadcasting revenue - acquisitions / dispositions / format changes                          | 0.8  | 0.8                         | 1.4   |
| <b>Total net broadcasting revenue</b>  | <b>\$ 52.7</b>                                       | <b>\$ 53.2</b>              | <b>\$ 53.4</b>                              |
| <b>Reconciliation of Same Station Station Operating Income to Total Station Operating Income</b> |  |                             |   |
| Station operating income - same station  | \$ 18.0  | \$ 18.5                     | \$ 20.0                                     |
| Station operating income - acquisitions / dispositions / format changes                          | (0.1)  | (0.1)                       | (0.1)                                       |
| <b>Total station operating income</b>  | <b>\$ 17.9</b>                                       | <b>\$ 18.4</b>              | <b>\$ 19.9</b>                              |