

SALEM MEDIA GROUP, INC. /DE/
Form 10-K
March 13, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

OR

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

COMMISSION FILE NUMBER 000-26497

SALEM MEDIA GROUP, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF INCORPORATION OR
ORGANIZATION)

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

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

93012
(ZIP CODE)

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

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of the Exchange on which registered
Class A Common Stock, \$0.01 par value per share	The NASDAQ Global Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if Smaller Reporting Company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 30, 2014, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$85,498,373 based on the closing sale price as reported on the NASDAQ Global Market.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A	Outstanding at February 20, 2015
Common Stock, \$0.01 par value per share	19,783,365 shares
Class B	Outstanding at February 20, 2015
Common Stock, \$0.01 par value per share	5,553,696 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders	Part III, Items 10, 11, 12, 13 and 14

TABLE OF CONTENTS

	PAGE
<u>PART I</u>	
Item 1. <u>Business</u>	3
Item 1A. <u>Risk Factors</u>	22
Item 1B. <u>Unresolved Staff Comments</u>	42
Item 2. <u>Properties</u>	42
Item 3. <u>Legal Proceedings</u>	43
Item 4. <u>Mine Safety Disclosures</u>	43
<u>PART II</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	43
Item 6. <u>Selected Financial Data</u>	45
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	50
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	90
Item 8. <u>Financial Statements and Supplementary Data</u>	91
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	146
Item 9A. <u>Controls and Procedures</u>	146
Item 9B. <u>Other Information</u>	148
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	148
Item 11. <u>Executive Compensation</u>	148
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	148
Item 13. <u>Certain Relationships and Related Transactions and Director Independence</u>	148
Item 14. <u>Principal Accounting Fees and Services</u>	148
<u>PART IV</u>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	149
<u>Signatures</u>	162
<u>Exhibit Index</u>	164

CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this report to “Salem” or the “company,” including references to Salem by “we” “us” “our” and “its” refer to Salem Media Group, Inc. and our subsidiaries.

All metropolitan statistical area (“MSA”) rank information used in this report, excluding information concerning The Commonwealth of Puerto Rico, is from the Fall 2014 Radio Market Survey Schedule & Population Rankings published by Nielson Audio (“Nielson”) (formerly Arbitron). According to the Radio Market Survey, the population estimates used are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2015 by Nielsen.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Salem Media Group, Inc. (“Salem” or the “company,” including references to Salem by “we,” “us” and “our”) makes “forward-looking statements” from time to time in both written reports (including this report) and oral statements, within the meaning of federal and state securities laws. Disclosures that use words such as the company “believes,” “anticipates,” “estimates,” “expects,” “intends,” “will,” “may,” “intends,” “could,” “would,” “should” “seeks” “predicts,” or “plans” and similar are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995.

You should not place undue reliance on these forward-looking statements, which reflect our expectations based upon data available to the company as of the date of this report. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. These risks, as well as other risks and uncertainties, are detailed in Salem’s reports on Forms 10-K, 10-Q and 8-K filed with or furnished to the Securities and Exchange Commission. Except as required by law, 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 and other forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

PART I

ITEM 1. BUSINESS.

CORPORATE INFORMATION

Salem Media Group, Inc. (“Salem”) is a domestic multi-media company with integrated operations consisting of radio broadcasting, digital media, and publishing. On February 19, 2015, we changed our name from Salem Communications Corporation to Salem Media Group, Inc. Salem was formed in 1986 as a California corporation and was reincorporated in Delaware in 1999. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk.

SEGMENT INFORMATION

We have two reportable segments, radio broadcasting and digital media. Digital media (formerly “Internet and e-commerce”) became a reportable segment as of the first quarter of 2011 upon the realization of organic and acquisition related revenue growth. Our acquisition of Eagle Publishing on January 10, 2014, including Regnery Publishing, Eagle Financial Publications, Eagle Wellness, HumanEvents.com and RedState.com, resulted in operational changes to our business and a realignment of our operating segments. We now have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing. We changed the composition of our operating segments to reflect management’s view of the operating results for each segment.

Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. Our operating segments do not all meet the quantitative thresholds to qualify as reportable segments; however, we have elected to disclose the results of these non-reportable operating segments as we believe this information is useful to readers of our financial statements. We continue to review our operating segment classifications to align with operational changes in our business and may make future changes as necessary.

We measure and evaluate results of our operating segments based on income and expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury; nor do they include costs such as amortization, depreciation, taxes or interest expense. Changes to our operating segments did not impact the reporting units used to test non-amortizable assets for impairment. All prior periods presented have been updated to reflect the new composition of our operating segments. Refer to Note 16 –

Segment Data in the notes to our consolidated financial statements contained in Item 8 of this annual report on Form 10-K for additional information.

Business Strategy

Our goal is to produce and deliver compelling content to all audiences interested in Christian and family-themed programming and conservative news talk so that we are considered the market-leader for audiences, programmers and advertisers. Our media platform includes traditional media such as radio broadcasting, book publishing and magazines as well as emerging media, that include web portals and digital media. We continually pursue expansion of our media platform as the marketplace evolves while aggressively managing costs and cash flows. Expansion opportunities for our media platform include increasing the strength and reach of our broadcast signals, investing in and building Internet websites, promoting our authors and on-air talent, including their publications, and increasing the distribution and page views of our publishing content. Our national presence in each of these mediums provides advertisers and programmers with a powerful and integrated platform to reach audiences throughout the United States without compromising the sense of community involvement and branding we generate locally with sponsored events and promotions.

We are fundamentally committed to programming and content emphasizing Christian values, conservative family themes and news. Our commitment to these values means that we may choose not to switch to other formats or pursue potentially more profitable business opportunities in response to changes in audience preferences.

Broadcasting

Our foundational business is the ownership and operation of radio stations in large metropolitan markets. Our radio stations carry national and local programming content as well as national and local advertisers. We produce and sponsor a number of community events that we believe are important in building our brand identity. We also believe that our active community involvement, including remote broadcasts, client events, concerts and tie-ins to major events, builds station awareness and listener loyalty. We promote our station websites on-air and at community events that direct participants to our station websites specifically designed for each of our radio stations. Audiences can access our entire library of digital content and online publications from each of our station websites.

To operate our broadcast entities efficiently, we assemble market clusters, or multiple radio stations that operate within the same geographic market. Several benefits are achievable when operating multiple radio stations in the same market. First, we can offer advertisers and programmers access to multiple audiences by providing airtime on each radio station in that market when advantageous. Second, we realize cost and operating efficiencies by consolidating sales, technical and administrative support, promotional functions and other shared overhead costs such as rent, when possible. Third, the addition of new radio stations into existing markets allows us to leverage our hands-on knowledge of that market to increase our appeal to new listeners and advertisers.

Upon the close of all announced transactions, we will own and/or operate 108 radio stations in 39 markets, including 65 stations in 22 of the top 25 markets, consisting of 32 FM radio stations and 76 AM radio stations. We are one of only three commercial radio broadcasters with radio stations in all of the top 10 markets. We are the sixth largest radio broadcaster in the United States measured by number of stations overall and the third largest operator as measured by number of stations in the top 25 markets. We also program the Family TalkTM Christian-themed talk format station on SiriusXM Channel 131.

We program our radio stations in formats that we believe target the various demographic segments of audiences interested in Christian and family-themed programming and conservative news talk content. Our five main formats are: (1) Christian Teaching and Talk, (2) News Talk, (3) Contemporary Christian Music, (4) Spanish Language Christian Teaching and Talk and (5) Business.

Christian Teaching and Talk. We currently program 42 of our radio stations in our foundational format, Christian Teaching and Talk, which is talk programming emphasizing Christian and family themes. Through this format, a listener can hear Bible teachings and sermons, as well as gain insight to questions related to daily life, such as raising children or religious legal rights in education and in the workplace. This format uses block programming time to offer a learning resource and a source of personal support for listeners. Listeners often contact our programmers to ask questions, obtain materials on a subject matter or receive study guides based on what they have learned on the radio.

Block Programming. We sell blocks of airtime on our Christian Teaching and Talk format stations to a variety of national and local religious and charitable organizations that we believe create compelling radio programs. Historically, more than 95% of these religious and charitable organizations renew their annual programming relationships with us. Based on our historical renewal rates, we believe that block programming provides a steady and consistent source of revenue and cash flows. Our top ten programmers have remained relatively constant and average nearly 25 years on-air. Over the last five years, block-programming revenue has comprised between 40% to 41% of our total net broadcast revenue.

Satellite Radio. We program SiriusXM Channel 131, the exclusive Christian Teaching and Talk channel on SiriusXM, reaching the entire nation 24 hours a day, seven days a week.

News Talk. We currently program 28 of our radio stations in a News Talk format. Our research shows that our News Talk format is highly complementary to our core Christian Teaching and Talk format. As programmed by Salem, both of these formats express conservative views and family values. Our News Talk format also provides for the opportunity to leverage syndicated talk programming produced by our network, Salem Radio Network® (“SRN”). SRN’s nationally syndicated programs are distributed nationally through 2,500 affiliated radio stations. The syndication of our programs through SRN allows us to reach listeners in markets where we do not own or operate stations.

Contemporary Christian Music. We currently program 12 radio stations in a Contemporary Christian Music (“CCM”) format, branded The FISH® in most markets. Through the CCM format, we are able to bring listeners the words of inspirational recording artists, set to upbeat contemporary music. Our music format, branded “Safe for the Whole Family®”, features sounds that listeners of all ages can enjoy and lyrics that can be appreciated. The CCM genre continues to be popular. We believe that this listener base is underserved in terms of radio coverage, particularly in larger markets, and that our stations fill an otherwise void area in listener choices.

Spanish Language Christian Teaching and Talk. We currently program nine of our radio stations in a Spanish Language Christian Teaching and Talk format. This format is similar to our core Christian Teaching and Talk format in that it broadcasts biblical and family-themed programming, but the programming is specifically tailored for Spanish-speaking audiences. Additionally, block programming on our Spanish Language Christian Teaching and Talk stations is primarily local rather than national.

Business. We currently program 10 of our radio stations in a business format. Our business format features financial commentators, business talk, and nationally recognized Bloomberg programming. The business format operates similar to our Christian Teaching and Talk format in that it features long-form block programming.

Salem Radio Network[®] and Salem Media Representatives[™]

As part of our overall business strategy to expand our media platform, we operate a national network of affiliated radio stations. SRN, our wholly owned national radio network develops, produces and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and general News Talk stations throughout the United States, including Salem owned and operated stations. SRN is headquartered in Dallas, Texas and syndicates programming to approximately 2,500 affiliated radio stations. Currently we have rights to several full-time satellite channels to deliver SRN programs to affiliates via satellite. The principal source of network revenue is from the sale of advertising time.

We also own and operate SRN News Network (“SNN”), Salem Music Network (“SMN”), Solid Gospel Network (“SGN”) and Salem Media Representatives[™] (“SMR”) a national advertising sales firm with offices in 11 U.S. cities. SMR specializes in placing national advertising on religious and other commercial radio stations. Like SRN, SNN, SMN and SGN are radio networks that produce and distribute talk, news and music programming to radio stations throughout the U.S., including Salem owned stations.

SMR sells commercial airtime to national advertisers on our radio stations and through our networks, as well as for independent radio station affiliates. National companies often prefer to advertise across the United States as an efficient and cost effective way to reach their target audiences. Our advertisers can benefit from our national platform, including SMR, under which we bundle and sell radio airtime, digital advertisements and placements, and magazine advertisements that are distributed throughout the United States. SRN and our radio stations each have relationships with SMR for the sale of available SRN spot advertising. SMR also contracts with individual radio stations to sell airtime to national advertisers desiring to include selected company stations in national buys covering multiple markets.

Advertising Revenue. We recognize advertising and commission revenue from radio stations as the spots air. For the year ended December 31, 2014, we derived 32.4% of our net broadcast revenue, or \$62.6 million, from the sale of local spot advertising and 7.8% of our net broadcast revenue, or \$15.0 million, from the sale of national spot advertising.

Program Revenue. We recognize programming revenue as the programs air from radio stations. For the year ended December 31, 2014, we derived 23.3% and 17.9% of our net broadcast revenue, or \$44.9 million and \$34.6 million, respectively, from the sale of national and local block program time, respectively. We derive national program revenue primarily from geographically diverse, well-established non-profit religious and educational organizations that purchase time on our stations in a large number of markets in the United States. National program producers typically purchase 12¹/₂, 25 or 50-minute blocks of time on a Monday through Friday basis and may offer supplemental programming for weekend release. We obtain local program revenue from community organizations and churches that typically purchase blocks for weekend releases and from local speakers who purchase daily releases. We believe that our management team is successful in identifying and assisting quality local programs expand into national syndication.

Network Revenue. SRN's net revenue, including commission revenue for SMR, for the year ended December 31, 2014 was \$15.8 million, or 8.2% of net broadcast revenue.

Revenues generated from each of our radio stations, networks, advertising firms and radio station websites, including banner and digital revenue are reported as broadcast revenue in our consolidated financial statements included in Item 8 of this annual report on Form 10-K.

Digital Media

Web-based and digital content has been a significant growth area for Salem and continues to be a focus of future development. Salem Web Network™ (“SWN”) and our other web based businesses provide Christian and conservative-themed content, audio and video streaming, and other resources digitally through the web. SWN’s web portals include Christian content websites: OnePlace.com, Christianity.com, Crosswalk.com®, GodVine.com, Jesus.org and BibleStudyTools.com. Our conservative opinion websites, collectively known as Townhall Media, include Townhall.com™, HotAir.com, Twitchy.com, HumanEvents.com and RedState.com. We also issue digital newsletters, including Eagle Financial Publications, that provide market analysis and investment advice for individual subscribers from financial commentators. Church product websites including WorshipHouseMedia.com, SermonSpice.com, and ChurchStaffing.com offer downloads and service platforms to pastors and other educators. Our web content is accessible through all of our radio station websites that feature content of interest to local listeners throughout the United States.

E-commerce sites include Salem Consumer Products, an e-commerce business that sells books, DVD’s and editorial content developed by our on-air personalities and Eagle Wellness, an online site offering complimentary health advice and sales of nutritional products.

Our digital strategy is to continue to build a robust web-based platform designed for audiences interested in Christian and family-themed content and conservative news. The Internet continues to change the way in which media is delivered to audiences. Continual advancements with online search engines and social media sites provide consumers with numerous methods to locate specific information and content online. These advancements have also enabled a large number of individuals to create and publish content that may or may not be tailored to that specific consumer. Our editorial staff, including our on-air personalities, provide web-based commentaries, programs, text, and audio and video content that we believe to be knowledge-based, credible and reliable. This highly specific web-based content provides our advertisers a unique and powerful way to reach their targeted audiences.

Revenue generated from our Christian websites, our conservative news and opinion websites, our e-commerce sites and our Church Products are reported as digital media revenue on our consolidated financial statements included in Item 8 of this annual report on Form 10-K.

Publishing

Our acquisition of Regnery Publishing on January 10, 2014 represented a major shift in our publishing operating segment. Regnery Publishing is a publisher of conservative books that was founded in 1947. Regnery has published dozens of bestselling books by leading conservative authors and personalities, including Ann Coulter, Newt Gingrich,

Michelle Malkin, David Limbaugh, Ed Klein, Laura Ingraham, Mark Steyn and Dinesh D'Souza.

Our publishing operating segment also includes Salem Publishing™ and Xulon Press. Salem Publishing™ produces and distributes numerous Christian print magazines, including: *Homecoming® The Magazine*, *YouthWorker Journal*,™ *Singing News*®, *FaithTalk Magazine*,™ and *Preaching Magazine*.™ Through December 2014, we also printed and produced *Townhall Magazine*.™ Xulon Press™ is a print-on-demand self-publishing service for Christian authors.

Our publishing strategy mirrors that of our other operating segments - to build and maintain a distribution network targeting audiences interested in Christian and family-themed content as well as conservative news. Content from our print magazines is also available on branded websites for each publication.

Revenue generated from these entities is reported as publishing revenue in our consolidated financial statements included in Item 8 of this annual report on Form 10-K.

Audience Growth

The continued success of our business is dependent upon our ability to reach a growing audience. We continually seek opportunities for growth by increasing the strength and number of our broadcast signals, increasing the number of page-views on our digital platform, increasing book sales and increasing our subscriber base for published magazines and digital content. To accomplish this, we produce content that we believe is both compelling and of high commercial value based on our market testing and fine-tuning. We rely on a combination of research, marketing, targeted promotions and live events to create visibility and brand awareness in each of our markets. By maximizing our audience share, we achieve higher ratings and page turns that can be converted into advertising revenues. To maximize results, we cross-promote our content on each of our media platforms to enhance our brand names and reach our targeted audiences. We believe that the growth of our media platform provides advertisers with effective methods to reach an expanding audience.

Technical Improvements

We continually seek ways to expand our media reach from a technological perspective. For broadcasting, we seek growth opportunities by increasing the strength and number of our broadcast signals that allows us to reach listeners for both our day and night signals. We have recently acquired several FM translators that allow our AM signals to offer multi-channel and HD channel programming. We continue to build or purchase websites that allow our audiences to view our content online or through digital streaming. Our website content is available on numerous iPhone® applications and all of our radio stations, in addition to some of our web portals, have iPhone® and android applications for digital streaming and viewing our content.

Advertising Sales Professionals

We have assembled an effective, highly trained sales staff that is responsible for converting our audience share into revenue. We operate a focused, sales-oriented culture that rewards selling efforts through a commission and bonus compensation structure. We hire sales professionals that are capable of selling both integrated and stand-alone advertisements. We provide our sales professionals with the tools and resources necessary to compete effectively in the marketplace. We sell and market our platforms as stand-alone products or in combination with other offerings. Based on our experience, we tailor our platform to meet each advertiser's needs, including the geographic coverage area, event sponsorships and special features, digital promotions, e-mail sponsorships, and/or print advertisements.

Significant Community Involvement

We expect our public image to reflect the lifestyle and viewpoints of the target demographic groups that we serve. We regularly collaborate with organizations serving the Christian and family-themed audience and we sponsor and support events important to this group. We believe that our ongoing active involvement and our strong relationships within the Christian community provide us with a unique competitive advantage that significantly improves the marketability of our media platform to advertisers and programmers targeting such communities. Our sponsored events include listener rallies, speaking tours, pastor appreciation events and concerts such as our *Celebrate Freedom*® Music Festival and our *Fishfest*®. Local events such as these connect us with our listeners and enable us to create an enhanced awareness and name recognition in all of our markets. This involvement allows for increased effectiveness in developing and improving our programming formats, which contribute to a greater audience share and higher ratings over the long-term.

Corporate Structure

Management of our operations is decentralized. Our operational vice presidents and general managers are located throughout the United States. We anticipate relying on this strategy of decentralization, which we believe encourages each general manager and vice president to apply innovative techniques for improving and growing their operations that may be beneficial in other markets.

Our broadcast operations vice presidents are experienced radio broadcasters with expertise in sales, programming, marketing and production. Our broadcast operations vice presidents, some of whom are also station general managers, oversee several markets on a regional basis. Our SWN and publishing operations vice presidents and general managers are located throughout the United States in offices in which our digital and publishing entities operate.

All of our business segments receive executive leadership and oversight from our corporate staff. Corporate staff members have experience and expertise in, among other things, accounting and finance, treasury, risk management, insurance, information technology, human resources, legal, engineering, real estate, strategic direction and other support functions designed to provide resources to local management. Corporate staff oversees placement and rate negotiations for our national block programs. Centralized oversight of our block programming is necessary because our key programming partners purchase time in several of our radio markets.

Recent Events

During the year ended December 31, 2014, we completed or entered into the following transactions:

Debt

Throughout the year, we repaid \$15.3 million in principal on our current senior secured credit facility, consisting of a term loan of \$300.0 million (“Term Loan B”) and paid interest through each repayment date. We recorded a loss on early retirement of debt of \$0.1 million related to the unamortized discount and \$0.3 million in bank loan fees.

Repayments of our Term Loan B were as follows:

Date	Principal Paid	Unamortized Discount
	(Dollars in Thousands)	
December 31, 2014	\$4,000	\$ 16
November 28, 2014	4,000	15
September 29, 2014	5,000	18
March 31, 2014	2,250	8

Equity

During the year ended December 31, 2014, after quarterly review of our earnings, cash flows, financial requirements, and other factors, our Board of Directors’ declared equity distributions to all stockholders of record of our Class A and Class B common stock as follows:

Announcement Date	Record Date	Payment Date	Amount Per Share	Total Cash Distributed (in thousands)
December 2, 2014	December 15, 2014	December 29, 2014	\$ 0.0650	\$ 1,646
September 2, 2014	September 16, 2014	September 30, 2014	\$ 0.0625	1,579
May 27, 2014	June 16, 2014	June 30, 2014	\$ 0.0600	1,514
March 6, 2014	March 17, 2014	March 31, 2014	\$ 0.0575	1,444

The actual declaration of future distributions and the establishment of the per share amount, record dates, and payment dates are subject to final determination by our Board of Directors and dependent upon future earnings, cash flows, financial requirements, and other factors. The current policy of the Board of Directors is to review each of these factors on a quarterly basis to determine the appropriate amount, if any, to allocate toward a cash distribution with the general principle of using approximately 20% of free cash flow. Free cash flow is a non-GAAP financial measure defined in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations included with this annual report on Form 10-K.

Acquisition of Eagle Publishing

On January 10, 2014, we acquired the entities of Eagle Publishing, including Regnery Publishing, HumanEvents.com, RedState.com, Eagle Financial Publications and Eagle Wellness. We began operating these entities as of the closing date. The base purchase price was \$8.5 million, with \$3.5 million paid in cash upon closing, and deferred payments of \$2.5 million due January 2015 and \$2.5 million due January 2016. We paid an additional \$0.4 million of costs upon closing associated with liabilities incurred by the seller. On June 6, 2014, we paid \$1.5 million of the \$2.5 million deferred installment due January 2015. Based on the early payment, our deferred payment due January 2015 was reduced to \$0.9 million. The deferred payments due January 2015 and January 2016 were recorded at their present value of \$0.9 million and \$2.3 million, respectively, with the discount being amortized to non-cash interest expense over the payment term using the effective interest method.

As part of our purchase agreement, we may pay up to an additional \$8.5 million of contingent earn-out consideration over the next three years based on the achievement of certain revenue benchmarks established for calendar years 2014, 2015 and 2016 for each of the Eagle entities. The purchase price includes the original estimated fair value of the contingent earn-out consideration recorded at the present value of \$2.0 million. The estimated fair value of the contingent earn-out consideration was determined using a probability-weighted discounted cash flow model. We determined the fair value of the contingent consideration obligations by calculating the probability-weighted earn-out payments based on our assessment of the likelihood that the benchmarks will be achieved. The probability-weighted earn-out payments were then discounted using a discount rate based on an internal rate of return analysis using the probability-weighted cash flows. The fair value measurement includes revenue forecasts which are a Level 3 measurement as discussed in Note 8 to our consolidated financial statements included in this annual report on Form 10-K. The fair value of the contingent earn-out consideration is reviewed quarterly over the earn-out period to compare actual revenue earned to the estimated revenue used in our forecasts.

As of December 31, 2014, \$0.9 million of the actual cash due toward the contingent earn-out consideration earned is recorded in current liabilities. We may pay up to an additional \$5.9 million over the remaining earn-out period based on the achievement of certain revenue benchmarks. The estimated fair value of the contingent earn-out consideration is recorded at the present value of \$1.7 million at December 31, 2014. Changes in the estimated fair value of the contingent earn-out consideration, up to the total contractual amount, are reflected in our results of operations in the periods in which they are identified. Changes in the fair value of the contingent earn-out consideration may materially impact and cause volatility in our future operating results. Changes in our estimates for the contingent earn-out consideration are discussed in Note 4 to our consolidated financial statements included in this annual report on Form 10-K.

The accompanying consolidated statements of operations included in this annual report on Form 10-K reflect the operating results of these entities as of the closing date. We believe that strong author relationships, assembled creative talent agreements and the loyal readers of Eagle publications, as well as our ability to market and promote these products through our existing media platform, provides future economic benefits to us. For the year ended December 31, 2014, we have recorded goodwill of \$2.3 million representing the excess value of these future economic benefits.

Other Acquisitions

On December 23, 2014, we completed the acquisition of the construction permit for WLTE-FM in Pendleton, South Carolina for \$0.5 million in cash. The asset acquisition cost is reflected in projects-in-process as of December 31, 2014. The station will operate within our Greenville, South Carolina market.

On December 23, 2014, we completed the acquisition of an FM translator in Pickens, South Carolina for \$0.2 million in cash. The asset acquisition cost is included in projects-in-process as of December 31, 2014. The FM Translator will operate in our Greenville, South Carolina market.

On December 22, 2014, we completed the acquisition of an FM translator in Bayshore Gardens, Florida for \$0.1 million in cash. The asset acquisition cost is included in projects-in-process as of December 31, 2014. The FM Translator will operate in our Tampa, Florida market.

On November 24, 2014, we completed the acquisition of an FM translator in Travelers Rest, South Carolina for \$0.2 million in cash. The asset acquisition cost is included in projects-in-process as of December 31, 2014. The FM Translator will operate in our Greenville, South Carolina market.

On October 1, 2014, we completed the acquisition of radio station KXXT-AM in Phoenix, Arizona for \$0.6 million in cash. We began operating the station under a Local Marketing Agreement (“LMA”) as of June 6, 2014. The accompanying consolidated statements of operations included in this annual report on Form 10-K reflects the operating results of this entity as of the LMA date. We recorded goodwill of \$1,400 associated with the excess value of this entity attributable to the audience reach obtained.

On May 22, 2014, we completed the acquisition of radio station WOCN-AM, Miami, Florida and the related transmitter site for \$2.5 million in cash. The accompanying consolidated statements of operations included in this annual report on Form 10-K reflects the operating results of this entity as of the closing date. On November 24, 2014, we entered a Time Brokerage Agreement (“TBA”) with a programmer under which we will receive monthly license fees beginning in December 2014 through November 2019. Upon acquisition, we recorded goodwill of \$12,000 associated with the excess value of this entity attributable to the existing tower site, the related transmitter site and the audience reach obtained.

On May 6, 2014, we completed the acquisition of WRTH-FM (formerly WOLT-FM) in Greenville, South Carolina for \$1.1 million in cash. We began operating this station under a LMA as of February 28, 2014. The accompanying consolidated statements of operations included in this annual report on Form 10-K reflect the operating results of this entity as of the LMA date. We recorded goodwill of \$6,400 associated with the excess value of this entity attributable to the existing tower site and the audience reach obtained.

On April 15, 2014, we completed the acquisition of three FM translators for \$0.4 million in cash. The asset acquisition cost is reflected in projects-in-process as of December 2014. The FM translators will serve our Orlando, Florida, Tampa, Florida and Omaha, Nebraska markets.

On February 7, 2014, we completed the acquisition of radio stations KDIS-FM, Little Rock, Arkansas and KRDY-AM, San Antonio, Texas for \$2.0 million in cash. We began operating these stations as of the closing date. The accompanying consolidated statements of operations included in this annual report on Form 10-K reflects the operating results of these entities as of the closing date. We recorded goodwill of \$18,000 associated with the excess value of these entities attributable to existing tower sites and the audience reach obtained.

Throughout the year ending December 31, 2014, we have acquired domain names for an aggregate amount of approximately \$0.4 million in cash.

A summary of our business acquisitions and asset purchases for the year ended December 31, 2014, none of which were individually or in the aggregate material to our consolidated financial position as of the respective date of acquisition, is as follows:

Acquisition Date	Description	Total Cost (Dollars in thousands)
December 23, 2014	WLTE-FM Pendleton, South Carolina (asset acquisition)	\$ 525
December 23, 2014	FM Translator, Pickens, South Carolina (asset acquisition)	185
December 22, 2014	FM Translator, Bayshore Gardens, Florida (asset acquisition)	140
November 24, 2014	FM Translator, Traveler's Rest, South Carolina (asset acquisition)	200
October 1, 2014	KXXT-AM Phoenix, Arizona (business acquisition)	575
May 22, 2014	WOCN-AM Miami, Florida (business acquisition)	2,450
May 6, 2014	WRTH-FM (formerly WOLT-FM), Greenville, South Carolina (business acquisition)	1,125
April 15, 2014	FM Translators, Orlando, Florida, Tampa, Florida, Omaha, Nebraska (asset purchase)	357
February 7, 2014	KDIS-FM, Little Rock Arkansas and KRDY-AM, San Antonio, Texas (business acquisition)	1,984
January 10, 2014	Eagle Publishing (business acquisition)	10,628
Various	Purchases of domain names (asset purchases)	487
		\$ 18,656

Refer to Note 3 - Acquisitions and Recent Transactions in the notes to our consolidated financial statements contained in Item 8 of this annual report on Form 10-K for additional information and the accounting related to our acquisition activity.

Pending Transactions

On December 10, 2014, we entered into an Asset Purchase Agreement (“APA”) to acquire radio station WDYZ-FM in Orlando, Florida for \$1.3 million in cash. The purchase is subject to the approval of the FCC and is expected to close in the first quarter of 2015.

On February 20, 2015, we entered into an APA to acquire radio station WDDZ-AM in Pittsburg, Pennsylvania for \$1.0 million in cash. The purchase is subject to the approval of the FCC and is expected to close in the second quarter of 2015.

On February 20, 2015, we entered into an APA to acquire radio station WDWD-AM in Atlanta, Georgia for \$2.8 million in cash. The purchase is subject to the approval of the FCC and is expected to close in the second quarter of 2015.

Radio Stations

Upon the close of all announced transactions, we will own and/or operate a national portfolio of 108 radio stations in 39 markets, consisting of 32 FM stations and 76 AM stations. The following table sets forth information about each of Salem’s stations, in order of market size:

Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired	Format
New York, NY	1, 19 (3)	WMCA-AM	1989	Christian Teaching and Talk
		WNYM-AM	1994	News Talk
Los Angeles, CA	2	KKLA-FM	1985	Christian Teaching and Talk
		KRLA-AM	1998	News Talk
		KFSH-FM	2000	Contemporary Christian Music
Chicago, IL	3	WYLL-AM	2001	Christian Teaching and Talk
		WIND-AM	2005	News Talk
San Francisco, CA	4, 35 (4)	KFAX-AM	1984	Christian Teaching and Talk
		KDOW-AM	2001	Business
Dallas-Fort Worth, TX	5	KLTY-FM	1996	Contemporary Christian Music
		KWRD-FM	2000	Christian Teaching and Talk
		KSKY-AM	2000	News Talk
		KVCE-AM	Pending	Business
Houston-Galveston, TX	6	KTNO-AM	2012	Spanish Language Christian Teaching and Talk
		KNTH-AM	1995	News Talk
		KKHT-FM	2005	Christian Teaching and Talk
		KTEK-AM	2011	Business
Washington, D.C.	7	WAVA-FM	1992	Christian Teaching and Talk
		WAVA-AM	2000	Christian Teaching and Talk
		WWRC-AM	2010	News Talk
Philadelphia, PA	8	WFIL-AM	1993	Christian Teaching and Talk
		WNTP-AM	1994	News Talk
Atlanta, GA	9	WNIV-AM	2000	Christian Teaching and Talk
		WLTA-AM	2000	Christian Teaching and Talk
		WAFS-AM	2000	Business
		WFSH-FM	2000	Contemporary Christian Music
		WGKA-AM	2004	News Talk
		WDWD-AM	Pending	Christian Teaching and Talk
		WEZE-AM	1997	Christian Teaching and Talk
Boston, MA	10	WROL-AM	2001	Christian Teaching and Talk
		WWDJ-AM	2003	Spanish Language Christian Teaching and Talk
		WKAT-AM	2005	Spanish Language Christian Teaching and Talk
		WHIM-AM	2008	Christian Teaching and Talk
Miami, FL	11	WZAB-AM	2009	Business
		WOCN-AM	2014	Ethnic
		WDTK-AM	2004	News Talk
Detroit, MI	12	WLQV-AM	2006	Christian Teaching and Talk
		WTKA-AM	2006	Christian Teaching and Talk
Seattle-Tacoma, WA	13	KGW-AM	1986	Christian Teaching and Talk
		KLFE-AM (5)	1994	News Talk
		KNTS-AM (5)	1997	Spanish Language Christian Teaching and Talk
		KKOL-AM	1997	Business
Phoenix, AZ	14	KKNT-AM	1996	News Talk
		KPXQ-AM	1999	Christian Teaching and Talk