

SALEM MEDIA GROUP, INC. /DE/
Form 10-K
March 10, 2017

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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

77-0121400

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION) (I.R.S. EMPLOYER IDENTIFICATION NUMBER)

4880 SANTA ROSA ROAD

CAMARILLO, CALIFORNIA

93012

(ADDRESS OF PRINCIPAL

(ZIP CODE)

EXECUTIVE OFFICES)

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

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

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, 2016, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was \$76,710,413 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 24, 2017
Common Stock, \$0.01 par value per share	20,455,572 shares
Class B	Outstanding at February 24, 2017
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

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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 2016 Radio Market Survey Schedule & Population Rankings published by Nielsen Audio (“Nielsen”). According to the Radio Market Survey, the population estimates are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2017 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 multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Effective 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. Our filings with the Securities and Exchange Commission (“SEC”) are available under the Investor Relations section of our website at www.salemmedia.com. Any information found on our website is not a part of, or incorporated by reference into, this or any report of Salem filed with, or furnished to the SEC.

SEGMENT INFORMATION

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. 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. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury, which are reported as unallocated corporate expenses in our consolidated statements of operations included in this annual report on Form 10-K. We also exclude costs such as amortization, depreciation, taxes and interest expense.

During the third quarter of 2016, we reclassified Salem Consumer Products, our e-commerce business that sells books, DVD’s and editorial content developed by our on-air personalities, from our Digital Media segment to our Broadcast segment. This reclassification was to consolidate all revenue and expenses generated by on-air hosts, which includes broadcast programs and e-commerce product sales, to better assess the financial performance of each network

program. This reclassification did not impact the reporting units used to test non-amortizable assets for impairment. All prior periods presented are updated to reflect this new composition of our operating segments. Refer to Note 20 – 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

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.

Our goal is to produce and deliver compelling content to audiences interested in Christian and family-themed programming and conservative news talk to be considered the market leader for all audiences, programmers and advertisers. Our integrated multimedia platform includes traditional forms of media, such as radio broadcasting, print magazines and book publishing as well as emerging forms of media, such as websites and digital publications. We continually pursue expansion of our media platform as the marketplace evolves while aggressively managing operating 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, and increasing the distribution and page views for our print and digital 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 that we generate locally with sponsored events and promotions.

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 advertising from national and local customers. 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 to direct participants to our websites specifically designed for each of our radio stations. Our audiences can access our entire library of digital content and online publications from any of our station websites.

To operate our broadcast entities efficiently, we assemble market clusters, or multiple radio stations operating within the same geographic market. Several benefits are achievable when operating market clusters. First, we are able to 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 audiences and advertisers.

Salem Radio Network® and Salem Media Representatives™

Our broadcasting operation includes our national network of affiliated radio stations. Salem Radio Network® (“SRN”), based in Dallas, Texas, develops, produces and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN delivers programming via satellite to approximately 2,900 affiliated radio stations throughout the United States, including several of our Salem-owned stations. We also own and operate SRN News Network (“SNN”), Today’s Christian Music (“TCM”) and Singing News Network (formerly Solid Gospel Network), which are radio networks that produce and distribute talk, news and music programming to radio stations throughout the United States, including several of our Salem-owned stations.

Salem Media Representatives™ (“SMR”) is our national advertising sales firm with offices in nine U.S. cities. SMR specializes in placing national advertising on religious and other format commercial radio 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. Advertisers can benefit from our national platform under which we offer radio airtime, digital advertisements, and print magazine advertisements that reach audiences 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 Salem stations in national buys covering multiple markets.

Digital Media

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 a specific consumer. Our editorial staff, including our on-air personalities, provides web-based commentaries, programs, text, audio and video content that we believe to be knowledge-based, credible and reliable. Our highly specific web-based content provides advertisers a unique and powerful way to reach their targeted audiences.

Publishing

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. Our publishing operating segment is comprised of three businesses: (1) Regnery Publishing is a traditional book publisher that has published dozens of bestselling books by leading conservative authors and personalities, including Ann Coulter, Newt Gingrich, David Limbaugh, Ed Klein, Mark Steyn and Dinesh D'Souza; (2) Salem Author Services, our self-publishing services for authors through Xulon Press and Hillcrest Media; and (3) Salem Publishing™ which produces and distributes five print magazines and one digital magazine.

Audience Growth

The continued success of our business is dependent upon our ability to reach a growing audience. We seek growth opportunities through increases in the strength and number of our broadcast signals, increases in the number of page-views on our digital platform, increases in book sales and increases in our subscriber base for digital content and print magazines. To accomplish this, we produce content that we believe is both compelling and of high commercial value based on our market testing and understanding of our audience. 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 can achieve growth in ratings and page turns that we convert 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 and audience provides advertisers with effective methods to reach a growing 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 from our day and night signals. During the year ended December 31, 2016, we acquired or entered into agreements to acquire several FM translators and FM translator construction permits. Construction permits provide authority to construct new FM translators or make changes in our existing facilities. We believe that securing these FM translators and construction permits allows us to increase our audience by providing enhanced coverage and reach in existing AM broadcast markets. FM translators allow our AM stations to be heard on FM and expand the listenership of our FM HD channels with the potential to create new stations using the HD-2, HD-3 and HD-4 channel capacity. We continue to build or purchase websites that allow our audiences to view our content online or through digital streaming. Our digital content is available on numerous iPhone® and Android applications. Each of our radio stations, as well as several of our websites, have iPhone® and Android applications that can be used to view our content or digital streaming on mobile devices.

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 that serve Christian and family-themed audiences as well as sponsor and support events that are 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 Festivals and *Fishfest®*. Local events such as these connect us with our audience and enable us to create an enhanced awareness and name recognition in each of our markets. With this involvement, we can increase the effectiveness of developing and improving our programming, which can contribute to a greater audience share and higher ratings over time.

Corporate Structure

Management of our operations is largely decentralized with operational vice presidents and general managers located throughout the United States. We believe that this decentralization encourages each general manager and vice president to apply innovative techniques for improving and growing their operations locally in ways that may be transferable to benefit other markets and operations.

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

All of our operations 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 also oversee the placement and rate negotiations for national block programming on our stations. Centralized oversight of national programming is necessary because several of our key programming partners purchase times in multiple radio markets.

Recent Events

During the year ended December 31, 2016, we completed or entered into the following transactions:

Debt

On December 30, 2016, we paid \$5.0 million in principal on our term loan of \$300.0 million ("Term Loan B"), and paid interest due as of that date. We recorded a \$12,000 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$33,000 in bank loan fees associated with this principal prepayment.

On November 30, 2016, we paid \$1.0 million in principal on our Term Loan B, and paid interest due as of that date. We recorded a \$2,500 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$6,900 in bank loan fees associated with this principal prepayment.

On September 30, 2016, we paid \$2.3 million in principal on our Term Loan B, of which \$1.5 million was an early prepayment of principal, and paid interest due as of that date. We recorded a \$3,900 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$14,000 in bank loan fees associated with this principal prepayment.

On June 30, 2016, we paid \$1.2 million in principal on our Term Loan B, of which \$0.4 million was an early prepayment of principal, and paid interest due as of that date. We recorded a \$1,300 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$3,400 in bank loan fees associated with this principal prepayment.

On March 31, 2016, we paid the quarterly installment due of \$0.8 million in principal on our Term Loan B and paid interest due as of that date.

On March 17, 2016, we paid \$0.8 million in principal on our Term Loan B and paid interest due as of that date. We recorded a \$2,500 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$6,700 in bank loan fees associated with this principal repayment.

Equity

During the year ended December 31, 2016, our Board of Directors declared quarterly 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 7, 2016	December 19, 2016	December 31, 2016	\$ 0.0650	\$ 1,678
September 9, 2016	September 19, 2016	September 30, 2016	\$ 0.0650	\$ 1,679
June 2, 2016	June 16, 2016	June 30, 2016	\$ 0.0650	\$ 1,664
March 10, 2016	March 22, 2016	April 5, 2016	\$ 0.0650	\$ 1,657

The actual declaration of any future equity 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 and legal requirements, and other factors. The current policy of our Board of Directors is to review all relevant 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 Adjusted EBITDA less cash paid for capital expenditures, less cash paid for income taxes, and less cash paid for interest. Adjusted EBITDA is a non-GAAP financial measure defined in Item 6, Selected Financial Data included in this annual report on Form 10-K.

Broadcast Acquisitions

We acquired or entered agreements to acquire several FM Translators or FM Translator construction permits during the year. The FCC permits AM and FM radio stations to operate FM Translators. The FCC began an AM Revitalization program, or “AMR,” that included several initiatives intended to benefit AM broadcasters. One of these benefits, intended to promote the use of FM Translators by AM broadcasters, allows an AM station to relocate one FM translator up to 250 miles from its authorized site and operate the translator on any non-reserved band FM channel in the AM station’s market, subject to coverage and interference rules (“250 Mile Window”). On February 23, 2017, the FCC amended its rules to allow an AM station using a rebroadcasting FM translator to locate the FM translator anywhere within the AM station’s daytime service contour or anywhere within a 25-mile radius of the transmitter, even if the contour extends farther than 25 miles from the transmitter. This rule change, when it becomes effective, will be particularly useful for finding a location for these translators.

On January 29, 2016, the FCC opened a one-time only 250 Mile Window during which only Class C and Class D AM broadcast stations could participate. This window closed on July 28, 2016. A second window opened on July 29, 2016, allowing Class A and Class B AM broadcast stations to participate in addition to any Class C and Class D AM broadcast station that did not participate in the first 250 Mile Window. The second 250 Mile Window closed on October 31, 2016. During these filing windows, qualifying AM stations were able to apply for one new FM translator station, in the non-reserved FM band to be used solely to re-broadcast the AM station’s AM signal to provide fill-in and/or nighttime service. The FM translator must rebroadcast the related AM station for at least four years, not counting any periods of silence.

Construction permits provide authority to construct new FM Translators or make changes in existing facilities. We believe that securing these FM Translators allows us to increase our listening audience by providing enhanced coverage and reach of our existing AM broadcasts that can be heard on FM or expand the listenership of FM HD channels with the potential to create new stations using the HD-2, HD-3 and HD-4 channel capacity.

Our broadcast acquisitions during the year ended December 31, 2016 include the following:

On December 31, 2016, we closed on the acquisition of an FM translator in Aurora, Florida for \$50,000 in cash. The FM translator will be used by our WHIM-AM radio station in Miami, Florida.

On December 31, 2016, we closed on the acquisition of an FM translator in Port St. Lucie, Florida for \$50,000 in cash. The FM translator will be used by our WLCC-AM radio station in Tampa, Florida.

On December 14, 2016, we closed on the acquisition of an FM translator in Rhinelander, Wisconsin for \$50,000 in cash. The FM translator will be used by our WWTC-AM radio station in Minneapolis, Minnesota.

On December 8, 2016, we closed on the acquisition of an FM translator in Little Fish Lake Valley, California for \$44,000 in cash. The FM translator will be used by our KFIA-AM radio station in Sacramento, California.

On December 1, 2016, we closed on the acquisition of an FM translator in Lake Placid, Florida for \$35,000 in cash. The FM translator will be used by our WTLN-AM radio station in Orlando, Florida.

On November 22, 2016, we closed on the acquisition of two FM translator construction permits in Lahaina, Hawaii and Kihei, Hawaii for \$110,000 in cash. The FM translators will be used by our KHNR-AM and KGU-AM radio stations in Honolulu, Hawaii.

On November 22, 2016, we closed on the acquisition of an FM translator in Crested Butte, Colorado for \$38,500 in cash. The FM translator will be used by our KZNT-AM radio station in Colorado Springs, Colorado.

On November 21, 2016, we closed on the acquisition of an FM translator in Dansville, New York for \$75,000 in cash. The FM translator will be used by our WMCA-AM radio station in New York, New York.

On November 21, 2016, we closed on the acquisition of an FM translator in Carbondale, Pennsylvania for \$75,000 in cash. The FM translator will be used by our WPGP-AM radio station in Pittsburgh, Pennsylvania.

On November 11, 2016, we closed on the acquisition of an FM translator construction permit in Kingsville, Texas for \$50,000 in cash. The FM translator will be used by our KNTH-AM radio station in Houston, Texas.

On November 7, 2016, we closed on the acquisition of an FM translator in Sebring, Florida for \$77,000 in cash. The FM translator will be used by our WKAT-AM radio station in Miami, Florida.

On October 20, 2016, we closed on the acquisition of radio station KXFN-AM in St. Louis, Missouri for \$190,000 in cash. The station was dark upon closing and launched in December 2016.

On October 20, 2016, we closed on the acquisition of three FM translator construction permits for \$155,000 in cash. The FM translator construction permits were based in Angola, Indiana, Cofax, Indiana and Battle Creek, Michigan and will be used by WHK-AM and WHKW-AM, our radio stations in Cleveland, Ohio and WSDZ-AM our radio station in St. Louis, Missouri.

On October 19, 2016, we closed on the acquisition of an FM translator construction permit in Palm Coast, Florida for \$65,000 in cash from a related party. The FM translator will be used by our WTWD-AM radio station in Tampa, Florida.

On October 12, 2016, we closed on the acquisition of an FM translator in Lake City, Florida for \$65,000 in cash from a related party. The FM translator will be used by our WBZW-AM radio station in Orlando, Florida.

On June 24, 2016, we entered into a Local Marketing Agreement (“LMA”) to operate radio station KTRB-AM in San Francisco, California beginning on July 1, 2016. On December 15, 2016, we entered into a new LMA to operate this station with East Bay Broadcasting, LLC, a related party.

On June 20, 2016, we closed on the acquisition of an FM translator in the Columbus, Ohio market for \$0.3 million in cash. The FM translator is used in our Columbus, Ohio market.

On June 10, 2016, we closed on the acquisition of an FM translator in Amherst, New York for \$60,000 in cash. The FM translator is used in our Pittsburgh, Pennsylvania market.

On June 8, 2016, we closed on the acquisition of a construction permit for an FM translator construction permit in Charlotte, Michigan for \$50,000 in cash. The FM translator will be used in our Detroit, Michigan market.

On June 3, 2016, we closed on the acquisition of a construction permit for an FM translator in Atwood, Kentucky for \$88,000 in cash. The FM translator will be used in our Columbus, Ohio market.

On May 13, 2016, we closed on the acquisition of a construction permit for an FM translator in Kerrville, Texas for \$50,000 in cash. The FM translator will be used in our Houston, Texas market.

On May 2, 2016, we closed on the acquisition of an FM translator in Lincoln, Maine for \$100,000 in cash. The FM translator is used in our Boston, Massachusetts market.

On April 29, 2016, we closed on the acquisition of a construction permit for an FM translator in Emporia, Kansas for \$25,000 in cash. The FM translator will be relocated to Omaha, Nebraska, for use by our KCRO-AM radio station.

Acquisitions — Digital Media

On December 1, 2016, we acquired ChristianConcertAlerts.com for \$0.2 million, of which \$0.1 million was paid in cash upon close and the remaining \$50,000 is due in two installments within the next year.

On October 17, 2016, we purchased Historyonthenet.com and Authentichistory.com for \$0.1 million in cash.

On September 13, 2016, we acquired Mike Turner's line of investment products, including TurnerTrends.com, other domain names and related assets for \$0.4 million in cash and the assumption of \$0.1 million in deferred subscription liabilities. As part of the purchase agreement, we may pay up to an additional \$0.1 million in contingent earn-out consideration over the next twelve months based on the achievement of certain revenue benchmarks.

On April 1, 2016, we acquired the Retirement Watch newsletter and websites for \$0.1 million in cash and the assumption of \$0.6 million in deferred subscription liabilities.

On March 8, 2016, we acquired King James Bible mobile applications for \$4.0 million, of which \$2.7 million was paid in cash upon close and \$1.3 million is due in deferred installments within one year from the closing date.

Throughout the year ended December 31, 2016, we acquired other domain names and assets associated within our digital media operating segment for approximately \$3,000 in cash.

Acquisitions — Publishing

On August 1, 2016, we acquired the assets of Hillcrest Media Group, Inc. for \$3.5 million and the assumption of \$1.0 million in deferred revenue liabilities. We paid \$3.3 million in cash upon close with the remaining \$0.2 million due within 90 days upon the finalization of deferred revenue obligations.

Throughout the year ended December 31, 2016, we acquired other domain names and assets associated within our publishing operating segment for approximately \$3,000 in cash.

A summary of our business acquisitions and asset purchases for the year ended December 31, 2016, 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 Consideration (Dollars in thousands)
	FM translator, Aurora, Florida (asset purchase)	\$ 50

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December 31, 2016		
December 31, 2016	FM translator, Port St. Lucie, Florida (asset purchase)	50
December 14, 2016	FM translator, Rhinelander, Wisconsin (asset purchase)	50
December 8, 2016	FM translator, Little Fish Lake Valley, California (asset purchase)	44
December 1, 2016	FM translator, Lake Placid, Florida (asset purchase)	35
December 1, 2016	Christian Concerts Alerts, LLC (asset purchase)	150
November 22, 2016	FM translator construction permit, Kihei, Hawaii (asset purchase)	55
November 22, 2016	FM translator construction permit, Lahaina, Hawaii (asset purchase)	55
November 22, 2016	FM translator, Crested Butte, Colorado (asset purchase)	39
November 21, 2016	FM translator, Dansville, New York (asset purchase)	75
November 21, 2016	FM translator, Carbondale, Pennsylvania (asset purchase)	75
November 11, 2016	FM translator construction permit, Kingsville, Texas (asset purchase)	50
November 7, 2016	FM translator, Sebring, Florida (asset purchase)	77
October 20, 2016	KXFN-AM, St. Louis, Missouri (business acquisition)	190
October 20, 2016	FM translator construction permit, Angola, Indiana (asset purchase)	50
October 20, 2016	FM translator construction permit, Cofax, Indiana (asset purchase)	55
October 20, 2016	FM translator construction permit, Battle Creek, Michigan (asset purchase)	50
October 19, 2016	FM translator construction permit Palm Coast, Florida purchased from a related party (asset purchase)	65
October 17, 2016	Historyonthenet.com and Authentichistory.com (asset purchase)	85
October 12, 2016	FM translator Lake City, Florida purchased from a related party (asset purchase)	65
September 13, 2016	Mike Turner's investment products and domain names (business acquisition)	416
August 1, 2016	Hillcrest Media Group, Inc. (business acquisition)	3,515
June 20, 2016	FM translator, Columbus, Ohio (asset purchase)	345
June 10, 2016	FM translator, Amherst, New York (asset purchase)	60
June 8, 2016	FM translator construction permit, Charlotte, Michigan (asset purchase)	50
June 3, 2016	FM translator construction permit, Atwood, Kentucky (asset purchase)	88
May 13, 2016	FM translator construction permit, Kerrville, Texas (asset purchase)	50
May 2, 2016	FM translator, Lincoln, Maine (asset purchase)	100
April 29, 2016	FM translator construction permit, Emporia, Kansas (asset purchase)	25
April 1, 2016	Retirement Watch (business acquisition)	100
March 8, 2016	King James Bible mobile applications (business acquisition)	4,000
Various	Purchases of other domain names and assets (asset purchases)	6
		\$ 10,120

Refer to Note 4 - 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 details related to our acquisition activity.

Divestitures

In November 2016, we entered an agreement with Word Broadcasting Network to transfer the operation of our Louisville radio stations (WFIA-AM; WFIA-FM; WGTK-AM) under a 24 month Time Brokerage Agreement (“TBA”) effective as of January 3, 2017. We received \$0.5 million of cash from Word Broadcasting Network associated with an option for them to purchase these stations.

On September 1, 2016, we received \$0.7 million in cash associated with a land easement granted in our South Carolina market.

On June 10, 2016, we received \$2.5 million in cash from the National Park Service in exchange for its claim under eminent domain for our tower site in Miami, Florida. We recognized a pre-tax gain of \$1.9 million from this claim and entered into a limited terms of use agreement with the National Park Service to broadcast from the tower site for the next twenty years for a nominal fee.

Pending Transaction(s)

We are programming radio station KHTE-FM, Little Rock, Arkansas, under a 36 month TBA that began on April 1, 2015. The TBA is extendable for up to 48 months. We have the option to acquire the station for \$1.2 million in cash during the TBA period.

FM translators or FM translator construction permits purchase agreements pending as of the year-end December 31, 2016 include the following:

Date APA Entered	Permit or ID	Authorized Site - Current	Purchase Price (Dollars in thousands)	Escrow Deposits	Date Closed	Market
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7/25/2016	K283CA	Festus, Missouri *	40	8	-	St. Louis, Missouri
7/26/2016	K294CP	Roseburg, Oregon *	45	9	3/01/2017	Portland, Oregon
7/26/2016	K276FZ	Eaglemount, Washington *	40	8	-	Portland, Oregon
8/25/2016	K278BH	Astoria, Oregon	33	7	1/16/2017	Seattle, Washington
9/22/2016	K260CG	Mohave Valley, Arizona*	20	2	1/6/2017	Phoenix, Arizona
10/07/2016	K279CM	Quartz Site, Arizona *	20	2	-	To be determined

* Indicates that the purchase is for an FM translator construction permit.

Radio Stations

We own and/or operate 118 radio stations in 40 markets, including 73 stations in 23 of the top 25 markets, consisting of 34 FM radio stations and 84 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 commercial radio broadcaster in the United States as measured by number of radio 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.

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 40 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 more than 30 years on-air. Over the last five years, block programming revenue has generated 40% to 43% 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 32 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 SRN to radio stations throughout the United States. Syndication of our programs allows Salem to reach audiences in markets in which we do not own or operate radio stations.

Contemporary Christian Music. We currently program 13 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 the listener base for CCM 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 eight 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 while Christian Teaching and Talk stations are primarily national.

Business. We currently program 13 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.

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

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Dallas-Fort Worth, TX	5	KTRB-AM	LMA	News Talk
		KLTY-FM	1996	Contemporary Christian Music
		KWRD-FM	2000	Christian Teaching and Talk
		KSKY-AM	2000	News Talk
		KTNO-AM	2012	Spanish Language Christian Teaching and Talk
Houston-Galveston, TX	6	KEXB-AM	2015	Business
		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
Atlanta, GA	8	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	2015	Christian Teaching and Talk
		WFIL-AM	1993	Christian Teaching and Talk
Philadelphia, PA	9	WNTP-AM	1994	News Talk
Boston, MA	10	WEZE-AM	1997	Christian Teaching and Talk
		WROL-AM	2001	Christian Teaching and Talk
		WWDJ-AM	2003	Spanish Language Christian Teaching and Talk
		WBIX-AM	2015	Business
Miami, FL	11	WKAT-AM	2005	Spanish Language Christian Teaching and Talk
		WHIM-AM	2008	Christian Teaching and Talk
		WZAB-AM	2009	Business
		WOCN-AM	2014	Operated by a third party under a TBA

Detroit, MI	12	WDTK-AM	2004	News Talk
		WLQV-AM	2006	Christian Teaching and Talk
Seattle-Tacoma, WA	13	KGNW-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
		KXXT-AM	2014	Christian Teaching and Talk
Minneapolis-St. Paul, MN	15	KKMS-AM	1996	Christian Teaching and Talk
		KDIZ-AM	1998	Other
		WWTC-AM	2001	News Talk
		KYCR-AM	2015	Business
San Diego, CA	16	KPRZ-AM	1987	Christian Teaching and Talk
		KCBQ-AM	2000	News Talk
Denver-Boulder, CO	17	KRKS-FM	1993	Christian Teaching and Talk
		KRKS-AM	1994	Christian Teaching and Talk
		KNUS-AM	1996	News Talk
		KBJD-AM (6)	1999	Spanish Language Christian Teaching and Talk
		KDMT-AM	2015	Business
Tampa, FL	18	WTWD-AM (7)	2000	Christian Teaching and Talk
		WTBN-AM (7)	2001	Christian Teaching and Talk
		WLCC-AM	2012	Spanish Language Christian Teaching and Talk
		WGUL-AM	2005	News Talk
		WWMI-AM	2015	Business
St. Louis, MO	21	WSDZ-AM	2015	News Talk
		KXFN-AM	2016	Other
Portland, OR	22	KPDQ-FM	1986	Christian Teaching and Talk
		KPDQ-AM	1986	Christian Teaching and Talk
		KFIS-FM	2002	Contemporary Christian Music
		KRYP-FM	2005	Regional Mexican
		KDZR-AM	2015	News Talk
Riverside-San Bernardino, CA	24	KTIE-AM	2001	News Talk
San Antonio, TX	25	KSLR-AM	1994	Christian Teaching and Talk
		KLUP-AM	2000	News Talk
		KRDY-AM	2014	Spanish Language Christian Teaching and Talk
Pittsburgh, PA	26	WORD-FM	1993	Christian Teaching and Talk
		WPIT-AM	1993	Christian Teaching and Talk
		WPGP-AM	2015	News Talk
Sacramento, CA	27	KFIA-AM	1995	Christian Teaching and Talk
		KTKZ-AM	1997	News Talk
		KSAC-FM	2002	Business
		KKFS-FM	2006	Contemporary Christian Music
Orlando, FL	31	WORL-AM	2006	News Talk
		WTLN-AM	2006	Christian Teaching and Talk
		WBZW-AM	2006	Business
		WDYZ-AM	2015	Spanish Christian Teaching and Talk

Cleveland, OH	32	WHKW-AM	2000	Christian Teaching and Talk
		WFHM-FM	2001	Contemporary Christian Music
		WHK-AM	2005	News Talk
Columbus, OH	36	WRFD-AM	1987	Christian Teaching and Talk
		WTOH-FM	2013	News Talk
Nashville, TN	42	WBOZ-FM (8)	2000	Contemporary Christian Music
		WFFH-FM (8)	2002	Contemporary Christian Music
		WFFI-FM (8)	2002	Contemporary Christian Music

Louisville, KY	54	WFIA-FM	1999	Operated by a third party under a TBA
		WGTK-AM	2000	Operated by a third party under a TBA
		WFIA-AM	2001	Operated by a third party under a TBA
Greenville, SC	58	WGTK-FM	2013	News Talk
		WRTH-FM	2014	Classic Hits
		WLTE-FM	2014	Classic Hits
Honolulu, HI	62	KAIM-FM	2000	Contemporary Christian Music
		KGU-AM	2000	Business
		KHCM-AM	2000	Operated by a third party under a TBA
		KHCM-FM	2004	Country Music
		KGU-FM	2004	Christian Teaching and Talk
		KKOL-FM	2005	Oldies
Omaha, NE	72	KHNR-AM	2006	News Talk
		KGBI-FM	2005	Contemporary Christian Music
		KOTK-AM	2005	News Talk
		KCRO-AM	2005	Christian Teaching and Talk
Sarasota-Bradenton, FL	73	WLSS-AM	2005	News Talk
Little Rock, AR	85	KDIS-FM	2014	Christian Teaching and Talk
		KKSP-FM	2015	Contemporary Christian Music
		KHTE-FM	LMA	News Talk
Colorado Springs, CO	89	KGFT-FM	1996	Christian Teaching and Talk
		KBIQ-FM	1996	Contemporary Christian Music
		KZNT-AM	2003	News Talk
Oxnard-Ventura, CA	119	KDAR-FM	1974	Christian Teaching and Talk
Youngstown-Warren, OH	129	WHKZ-AM	2001	Christian Teaching and Talk
Warrenton, VA		WRCW-AM	2012	News Talk

(1) Actual city of license may differ from metropolitan market served.

All metropolitan statistical area ("MSA") rank information used in this annual report on Form 10-K, excluding information concerning The Commonwealth of Puerto Rico, is from the Fall 2016 Radio Market Survey Schedule (2) & Population Rankings published by Nielsen. According to the Radio Market Survey, the population estimates are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2016 by Nielsen Demographics.

(3) This market includes the Nassau-Suffolk, NY Metro market, which independently has a MSA rank of 19.

(4) This market includes the San Jose, CA market, which independently has an MSA rank of 35.

KNTS(AM) is an expanded band AM station paired with KLFE(AM). The licenses for these stations include a (5) condition that the most recent license renewal was granted subject to the resolution of AM expanded band dual operating authority issues in MB Docket No. 07-294.

KBJD(AM) is an expanded band AM station paired with KRKS(AM). The licenses for these stations include a (6) condition that the most recent license renewal was granted subject to the resolution of AM expanded band dual operating authority issues in MB Docket No. 07-294.

(7) WTBN-AM is simulcast with WTWD-AM, Tampa, FL.

(8) WBOZ-FM is trimulcast with WFFH-FM, Nashville, TN and WFFI-FM, Nashville, TN.

Revenues generated from each of our radio stations, networks, e-commerce sites for on-air host materials, advertising firms and radio station websites, including banner and digital advertisements are reported as broadcast revenue in our consolidated financial statements included in Item 8 of this annual report on Form 10-K. Our broadcasting revenue includes radio advertising or spot revenue, programming revenue, e-commerce sales of content created by our on-air hosts, event revenue, digital revenue from station websites and email blasts, and network advertising revenue. The principal source of our network revenue is from the sale of advertising time. Our e-commerce sites that generate broadcast revenues include the following:

SRNStore.com
Salem Consumer Products

Advertising Revenue. We recognize advertising and commission revenue from radio stations as the spots air or are delivered. For the year ended December 31, 2016, we derived 31.7% of our net broadcast revenue, or \$64.0 million, from the sale of local spot advertising and 6.6% of our net broadcast revenue, or \$13.4 million, from the sale of national spot advertising.

Programming Revenue. We recognize programming revenue as the programs air. For the year ended December 31, 2016, we derived 24.4% and 18.3% of our net broadcast revenue, or \$49.3 million and \$37.0 million, respectively, from the sale of national and local block programming 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, 2016 was \$17.7 million, or 8.8% of net broadcast revenue.

Digital Media

Our digital media-based businesses provide Christian, conservative, investing and health-themed content, e-commerce, audio and video streaming, and other resources digitally through the web. Revenue generated from our digital media operating segment includes advertising arrangements based on cost-per-click or performance-based advertising; display advertisements where revenue is dependent upon the number of page views; and lead generating advertisements where revenue is dependent upon users registering for, purchasing or demonstrating an interest in our advertisers' products or services. We also generate revenue from digital subscriptions, streaming, downloads and product sales through our church product sites. Revenue is recognized upon digital delivery or page views, downloads and upon shipment of products. Revenue from this operating segment is reported as Digital Media revenue on our consolidated statements of operations included in Item 8 of this annual report on Form 10-K.

We own and operate numerous websites including:

Salem Web Network™ Christian Content Websites:

OnePlace.com™ is a leading provider of on-demand, online audio streaming for nearly 200 radio programs from more than 185 popular Christian broadcast ministries. Oneplace.com serves as both a complement to and an extension of our block programming radio business.

[Christianity.com](#) offers engaging articles and video focused on exploring the deeper, theological issues and apologetics of the Christian faith. It is also a leading provider of online Bible trivia games.

[Crosswalk.com®](#) offers compelling, editorial-driven, biblically-based, lifestyle and devotional content to Christians who take seriously their relationship with Christ.

[GodTube.com](#) is a video viewing platform for Christian videos with faith-based, family-friendly content.

[GodVine.com](#) is an online platform designed to share inspirational, family-friendly video through Facebook and other social media outlets.

[Jesus.org](#) offers a comprehensive database of biblical answers to the most common questions about the life and work of Jesus Christ.

[BibleStudyTools.com](#) is a free Bible website for verse search and in-depth studies featuring commentaries, reading plans, and other helpful resources designed as aids to Bible study.

[CrossCards.com](#)TM provides faith-based, inspirational e-greeting cards for all occasions and holidays.

[LightSource.com](#) provides on-demand, video streaming for nearly 85 Christian television programs from more than 70 ministry partners.

[iBelieve.com](#) creates editorial-driven, lifestyle content, focused on helping Christian women use personal experience to examine the deeper issues of life and faith.

[CCMmagazine.com](#) provides information and insight on Christian music.

[ChristianHeadlines.com](#) reports the news of importance to the Christian audience with a headlines blog, Christian worldview commentary, and features on events from the worldwide Christian Church.

Townhall Media — Conservative Opinion Websites:

Townhall.comTM is an interactive community that brings users, conservative public policy organizations, congressional staff and political activists together under the broad umbrella of conservative thoughts, ideas and actions.

HotAir.com is a leading news and commentary site with conservative news and opinions.

Twitchy.com is a website featuring selected quotes and current events centered on U.S. politics, global news, sports, entertainment, media, and breaking news.

RedState.com is the leading conservative, political news blog for right of center activists.

Human Events.com is a conservative opinion website that provides news and commentary on issues of interest to the conservative community.

BearingArms.com is a clearinghouse for news and resources on Second Amendment issues, gun control, self-defense and firearms.

Salem Church Products Websites:

WorshipHouseMedia.com is an online church media resource, providing creative videos to churches to enhance worship and sermons. In addition, WorshipHouseKids.com provides children's ministries with products to fulfill their visual needs.

SermonSpice.com is an online provider of church media for local churches and ministries.

ChurchStaffing.comTM is a source of job search information for churches and ministries offering a platform for personnel and staff relations. This site allows those seeking employment to submit resumes and view job listings.

ChristianJobs.comTM provides services catering to the hiring needs of Christian-based businesses, nonprofit organizations, and ministries. The site connects these organizations with thousands of job seekers through its online presence and partnerships with Salem's radio stations.

SermonSearch.com is a subscription-based resource for preachers and teachers with preparation materials like sermon outlines, illustrations, and preaching ideas from many of America's top Christian communicators.

Digital Financial Websites and Publications

Our digital platform includes the following investing websites and publications:

Eagle Financial Publications provides market analysis and investment strategies for individual subscribers to newsletters from investor commentators.

www.DividendInvestor.com offers stock screening tools and dividend information for individual subscribers to obtain dividend information and data.

Digital Mobile Applications

Our digital mobile applications, available in iOS and/or Android platforms, provide another means by which our content is available to our audiences. Our mobile applications include the following:

.	Daily Bible
.	Daily Bible Devotion
.	Twitchy
.	HotAir
.	Townhall
.	OnePlace
.	Red State
.	Bible Study Tools
.	Bible Quotes
.	Bible Trivia
.	iBelieve
.	Spanish Bible

E-Commerce Websites

Salem Church Products are websites that offer resources for churches and ministries in the areas of church media, worship, children's and youth ministry, preaching and teaching and employment.

Eagle Wellness – Newport Natural Health (“NNH”) is an e-commerce website that offers health advice and nutritional products. NNH provides insightful health advice and is a trusted source of high quality nutritional supplements from Leigh Erin Connealy, MD, who is the medical director of one of the largest medical practices in the country where she practices integrative medicine.

Publishing

Our publishing operating segment is comprised of three businesses: (1) book publishing, (2) self-publishing services and (3) print and digital magazines.

Regnery Publishing, with nearly a 70-year history, is one of the nation's leading publishers of conservative books. Having published many of the seminal works of the early conservative movement, Regnery today continues as a leading publisher in the conservative space, with leading authors including Ann Coulter, Dinesh D'Souza, Newt Gingrich, David Limbaugh, Ed Klein and Mark Steyn.

Salem's book publishing business also includes Salem Author Services, comprised of Xulon Press™ and Hillcrest Media, which offer print-on-demand self-publishing services for authors. Xulon Press™ publishes books for Christian authors while Hillcrest Media publishes books for all general market genres.

Salem Publishing™, our print magazine division, publishes magazines on a monthly or semi-monthly basis. Content from our print magazines is also available on branded websites designed for each publication.

Our publications include the following Christian publications:

.	Singing News®
.	Homecoming® The Magazine
.	YouthWorker Journal™
.	Preaching Magazine™
.	FaithTalk Magazine™

COMPETITION

We operate in a highly competitive broadcast and media business. We compete for audiences, advertisers and programmers with other radio broadcasters, broadcast and cable television operators, newspapers and magazines, book publishers, national and local digital services, outdoor advertising, direct mail, online marketing and media companies, social media platforms, web-based blogs, and mobile devices.

BROADCASTING. Our broadcast audience ratings and market shares are subject to change, and any change in a particular market could have a material adverse effect on the revenue of our stations located in that market. While we already compete in some of our markets with stations that offer similar formats, if another radio station were to convert its programming to a format similar to one of ours, or if an existing competitor were to strengthen its operations, our stations could suffer reduced ratings and/or reduced revenues. In these circumstances, we could also incur significantly higher promotional and other related expenses. We cannot assure that our stations will maintain or increase their current audience ratings and revenues.

We compete for advertising revenue with other commercial religious format stations as well as general format radio stations. Our competition for advertising dollars includes other radio stations as well as broadcast television, cable television, newspapers, magazines, direct mail, online and billboard advertising, some of which may be controlled by horizontally integrated companies. Several factors can materially affect competitive advantage, including, but not limited to audience ratings, program content, management talent and expertise, sales talent and experience, audience characteristics, signal strength, and the number and characteristics of other radio stations in the same market.

Christian and Family-Themed Radio. The segment of this industry that focuses on Christian and family themes is also a highly competitive business. The financial success of each of our radio stations that focuses on Christian Teaching and Talk is dependent, to a significant degree, upon its ability to generate revenue from the sale of block program time to national and local religious and educational organizations. We compete for this program revenue with a number of different commercial and non-commercial radio station licensees. While we believe that no commercial group owner in the United States specializing in Christian and family-themed programming approaches Salem in size of potential listening audience and presence in major markets, other religious radio stations exist and enjoy varying degrees of prominence and success in each of our markets.

New Methods of Content Delivery. Competition also comes from new media technologies and services. These include delivery of audio programming by cable television and satellite systems, digital audio radio services, mobile devices including smart phone applications for iPhone® and Android®, personal communications services and the service of low powered, limited coverage FM radio stations authorized by the FCC. The delivery of live and stored audio programming through the Internet has also created new competition. In addition, satellite delivered digital audio radio, which delivers multiple audio programming formats to national audiences, has created competition. We have attempted to address these existing and potential competitive threats through a more active strategy to acquire and integrate new electronic communications formats including Internet acquisitions made by SWN and our exclusive arrangement to provide Christian and family-themed talk on SiriusXM, a satellite digital audio radio service.

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

DIGITAL MEDIA. Salem Web Network™ and Townhall Media compete for visitors and advertisers with other companies that deliver online audio programming and Christian and conservative web-based content as well as providers of general market websites. The online media and distribution business changes quickly and is highly competitive. We compete to attract and maintain interactions with advertisers, consumers, content creators and web publishers. Salem Church Products competes for customers with other online sites that offer resources useful in ministries, preaching, teaching and for employment within the Christian community. Our wellness products compete in a large, highly fragmented industry that includes specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, mail-order companies, other online retailers and pharmaceuticals.

PUBLISHING. Regnery Publishing competes with other book publishers for readers and book sales as well as competes for product quality, customer service, suitability of format and subject matter, author reputation, price, timely availability of both new titles and revisions of existing books, digital availability of published products, and timely delivery of products to customers. Print magazines compete for readers and advertisers with other print publications, including those that also address themes of interest to church leadership and the Christian audience. Salem Author Services, comprised of Xulon Press™ and Hillcrest Media competes for authors with other on-demand publishers including those focused exclusively on Christian book publishers.

Federal Regulation of Radio Broadcasting

Introduction. The ownership, operation and sale of broadcast stations, including those licensed to Salem, are subject to the jurisdiction of the FCC, which acts under authority derived from The Communications Act of 1934, as amended, and the rules and regulations promulgated thereunder (the “Communications Act”). Among other things, the FCC assigns frequency bands for broadcasting; determines whether to approve certain changes in ownership or control of station licenses; regulates transmission facilities, including power employed, antenna and tower heights, and location of transmission facilities; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; and has the power to impose penalties for violations of its rules under the Communications Act.

The following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of “short” (less than the maximum) license renewal terms or, for particularly egregious violations, the denial of a license renewal application, the revocation of a license or the denial of FCC consent to acquire additional broadcast properties. For further information concerning the nature and extent of federal

regulation of broadcast stations you should refer to the Communications Act, FCC rules and the public notices and rulings of the FCC.

License Grant and Renewal. Radio broadcast licenses are granted for maximum terms of eight years. Licenses must be renewed through an application to the FCC. Under the Communications Act, the FCC will renew a broadcast license if it finds that the station has served the public interest, convenience and necessity, that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC, and that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of abuse.

Petitions to deny license renewals can be filed by certain interested parties, including members of the public in a station's market. Such petitions may raise various issues before the FCC. The FCC is required to hold hearings on renewal applications if the FCC is unable to determine that renewal of a license would serve the public interest, convenience and necessity, or if a petition to deny raises a "substantial and material question of fact" as to whether the grant of the renewal application would be *prima facie* inconsistent with the public interest, convenience and necessity. In addition, during certain periods when a renewal application is pending, the transferability of the applicant's license is restricted.

The following table sets forth information with respect to each of our radio stations for which we hold the license. Stations that we operate under an LMA or TBA are not reflected on this table. A broadcast station's market may be different from its community of license. The coverage of an AM radio station is chiefly a function of the power of the radio station's transmitter, less dissipative power losses and any directional antenna adjustments. For FM radio stations, signal coverage area is chiefly a function of the Effective Radiated Power ("ERP") of the radio station's antenna and the Height Above Average Terrain ("HAAT") of the radio station's antenna.

Market(1)	Station Call Letters	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day / Night
New York, NY	WMCA-AM	570	June 2022	B	N/A	5 / 5
	WNYM-AM	970	June 2022	B	N/A	50 / 5
Los Angeles, CA	KKLA-FM	99.5	December 2021	B	2,959	10
	KRLA-AM	870	December 2021	B	N/A	50 / 3
	KFSH-FM	95.9	December 2021	A	328	6
Chicago, IL	WYLL-AM	1160	December 2020	B	N/A	50 / 50
	WIND-AM	560	December 2020	B	N/A	5 / 5
San Francisco, CA	KFAX-AM	1100	December 2021	B	N/A	50 / 50
	KDOW-AM	1220	December 2021	D	N/A	5 / 0.145
Dallas-Fort Worth, TX	KLTY-FM	94.9	August 2021	C	1,667	100
	KWRD-FM	100.7	August 2021	C	1,988	98
	KSKY-AM	660	August 2021	B	N/A	20 / 0.7
	KTNO-AM	1440	August 2021	B	N/A	50 / 0.35
	KEXB-AM	620	August 2021	B	N/A	5 / 4.5
	KNTH-AM	1070	August 2021	B	N/A	10 / 5
Houston-Galveston, TX	KKHT-FM	100.7	August 2021	C	1,952	100
	KTEK-AM	1110	August 2021	D	N/A	2.5
	WAVA-FM	105.1	October 2019	B	604	74
	WAVA-AM	780	October 2019	D	N/A	12
Atlanta, GA	WWRC-AM	1260	October 2019	B	N/A	35 / 5
	WNIV-AM	970	April 2020	D	N/A	5 / 0.039
	WLTA-AM	1400	April 2020	C	N/A	1 / 1
Philadelphia, PA	WAFS-AM	1190	April 2020	D	N/A	25
	WFSH-FM	104.7	April 2020	C1	1,657	24
	WGKA-AM	920	April 2020	B	N/A	14 / 0.49
	WDWD-AM	590	April 2020	B	N/A	12 / 4.5
	WFIL-AM	560	August 2022	B	N/A	5 / 5
	WNTP-AM	990	August 2022	B	N/A	50 / 10
	WEZE-AM	590	April 2022	B	N/A	5 / 5
Boston, MA	WROL-AM	950	April 2022	B	N/A	5 / 0.09
	WWDJ-AM	1150	April 2022	B	N/A	5 / 5
	WBIX-AM	1260	April 2022	B	N/A	5 / 5
Miami, FL	WKAT-AM	1360	February 2020	B	N/A	5 / 1
	WHIM-AM	1080	February 2020	B	N/A	50 / 10
	WZAB-AM	880	February 2020	B	N/A	4 / 5
	WOCN-AM	1450	February 2020	B	N/A	1 / 1
Detroit, MI	WDTK-AM	1400	October 2020	C	N/A	1 / 1
	WLQV-AM	1500	October 2020	B	N/A	50 / 10
Seattle-Tacoma, WA	KGNW-AM	820	February 2022	B	N/A	50 / 5
	KLFE-AM	1590	February 2022	B	N/A	20 / 5
	KNTS-AM	1680	February 2022	B	N/A	10 / 1
	KKOL-AM	1300	February 2022	B	N/A	50 / 47
Phoenix, AZ	KKNT-AM	960	October 2021	B	N/A	5 / 5
	KPXQ-AM	1360	October 2021	B	N/A	50 / 1

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Minneapolis-St. Paul, MN	KXXT-AM	1010	October 2021	B	N/A	15 / 0.25
	KKMS-AM	980	April 2021	B	N/A	5 / 5
	KDIZ-AM	1570	April 2021	B	N/A	3.8 / 0.23
	WWTC-AM	1280	April 2021	B	N/A	5 / 5
San Diego, CA	KYCR-AM	1440	April 2021	B	N/A	5 / 0.5
	KPRZ-AM	1210	December 2021	B	N/A	20 / 10
	KCBQ-AM	1170	December 2021	B	N/A	50 / 2.9
Denver-Boulder, CO	KRKS-FM	94.7	April 2021	C	984	100
	KRKS-AM	900	April 2021	B	N/A	6.5 / 0.39
	KNUS-AM	710	April 2021	B	N/A	5 / 5
	KBJD-AM	1650	April 2021	B	N/A	10 / 1
Tampa, FL	KDMT-AM	1690	April 2021	B	N/A	10 / 1
	WTWD-AM	910	February 2020	B	N/A	5 / 5
	WTBN-AM	570	February 2020	B	N/A	5 / 5
	WLCC-AM	760	February 2020	B	N/A	10 / 1
	WGUL-AM	860	February 2020	B	N/A	5 / 1.5
St. Louis, MO	WWMI-AM	1380	February 2020	B	N/A	9.8 / 6.5
	WSDZ-AM	1260	December 2020	B	N/A	20 / 5
	KXFN-AM	1380	December 2021	B	N/A	5 / 1

Portland, OR	KPDQ-FM	93.9	February 2022	C1	1,270	52
	KPDQ-AM	800	February 2022	B	N/A	1 / 0.5
	KFIS-FM	104.1	February 2022	C2	1,266	6.9
	KRYP-FM	93.1	February 2022	C3	1,270	1.6
	KDZR-AM	1640	February 2022	B	N/A	10 / 1
Riverside-San Bernardino, CA	KTIE-AM	590	December 2021	B	N/A	2.5 / 0.96
San Antonio, TX	KSLR-AM	630	August 2021	B	N/A	5 / 4.3
	KLUP-AM	930	August 2021	B	N/A	5 / 1
	KRDY-AM	1160	August 2021	B	N/A	10 / 1
	WORD-FM	101.5	August 2022	B	528	43
Pittsburgh, PA	WPIT-AM	730	August 2022	D	N/A	5 / 0.024
	WPGP-AM	1250	August 2022	B	N/A	5 / 5
	KFIA-AM	710	December 2021	B	N/A	25 / 1
Sacramento, CA	KTKZ-AM	1380	December 2021	B	N/A	5 / 5
	KSAC-FM	105.5	December 2021	B1	1,010	2.55
	KKFS-FM	103.9	December 2021	A	328	6
	WORL-AM	660	February 2020	B	N/A	3.5 / 1
Orlando, FL	WTLN-AM	950	February 2020	B	N/A	12 / 5
	WBZW-AM	1520	February 2020	B	N/A	5 / 0.35
	WDYZ-AM	990	February 2020	B	N/A	50 / 14
	WHKW-AM	1220	October 2020	B	N/A	50 / 50
Cleveland, OH	WFHM-FM	95.5	October 2020	B	620	31
	WHK-AM	1420	October 2020	B	N/A	5 / 5
	WRFD-AM	880	October 2020	D	N/A	23
Columbus, OH	WTOH-FM	98.9	October 2020	A	505	2.6
	WBOZ-FM	104.9	August 2020	A	328	6
	WFFH-FM	94.1	August 2020	A	453	3.2
Nashville, TN	WFFI-FM	93.7	August 2020	A	755	1.15
	WFIA-FM	94.7	August 2020	A	394	3.3
	WGTK-AM	970	August 2020	B	N/A	5 / 5
Louisville, KY	WFIA-AM	900	August 2020	D	N/A	0.93 / 0.162
	WGTK-FM	94.5	December 2019	0	1,489	100
	WRTH-FM	103.3	December 2019	0	495	2.7
	WLTE-FM	95.9	December 2019	A	233	6
Greenville, SC	KHNR-AM	690	February 2022	B	N/A	10 / 10
	KAHM-FM	95.5	February 2022	C	1,854	100
	KGU-AM	760	February 2022	B	N/A	10 / 10
	KHCM-FM	97.5	February 2022	C1	46	80
Honolulu, HI	KHCM-AM	880	February 2022	B	N/A	2 / 2
	KGU-FM	99.5	February 2022	C	1,965	100
	KKOL-FM	107.9	February 2022	C	1,965	100
	KGBI-FM	100.7	June 2021	C0	1,014	100
Omaha, NE	KOTK-AM	1420	June 2021	B	N/A	1 / 0.33
	KCRO-AM	660	June 2021	D	N/A	1 / 0.054
	WLSS-AM	930	February 2020	B	N/A	5 / 3
Sarasota-Bradenton, FL	KDIS-FM	99.5	June 2020	0	312	6
Little Rock, AR	KKSP-FM	93.3	June 2020	0	698	22

Colorado Springs, CO	KGFT-FM	100.7	April 2021	C	2,218	78
	KBIQ-FM	102.7	April 2021	C	2,280	72
	KZNT-AM	1460	April 2021	B	N/A	5 / 0.54
Oxnard-Ventura, CA	KDAR-FM	98.3	December 2021	B1	1,289	1.5
Youngstown-Warren, OH	WHKZ-AM	1440	October 2020	B	N/A	5 / 5
Warrenton, Virginia	WRCW-AM	1250	October 2019	D	N/A	3 / 0.125

Radio station KNTS-AM is an expanded band station paired with station KLFE-AM in the Seattle, WA market, and station KBJD-AM is an expanded band station paired with KRKS-AM in the Denver, CO market. We are operating these four stations pursuant to FCC licenses or other FCC authority pending resolution by the FCC of the issue of AM expanded band dual operating authority. Depending upon how the FCC resolves that issue, it is possible that we will be required to surrender one station license in each station pair. Except for these stations, we are not currently aware of any facts that would prevent the timely renewal of our licenses to operate our radio stations, although there can be no assurance that our licenses will be renewed.

The following table sets forth information with respect to each of our radio stations FM translators for which we are the licensee and/or operate.

Market	Station	Operating	Expiration	FCC	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Power (in Kilowatts) Night
Call Letters	Frequency	Date of License	Class				
Boston	WROL / W262CV	100.3	February 2017	D	164	0.05	0.05
Cleveland	WHK / W260CY	99.9	April 2017	D	164	0.099	0.099
Cleveland	WHKW / W262CY	100.3	April 2017	D	731	0.25	0.25
Colorado Springs	KZNT / K266CK	101.1	March 2019	D	731	0.15	0.15
Colorado Springs	KZNT / K266CK	101.1	May 2017	D	-191	0.15	0.15
Columbus	WRFD / W283CL	104.5	October 2020	D	-191	0.099	0.099
Columbus	WTOH / W240CX	95.9	October 2020	D	545	0.099	0.099
Dallas-Ft. Worth	KTNO / K273BJ	102.5	August 2021	D	696	0.08	0.08
Detroit	WDTK / W268CN	101.5	October 2020	D	434	0.085	0.085
Detroit	WLQV / W224CC	92.7	October 2020	D	914	0.25	0.25
Greenville	WGTK / W245CH	96.9	December 2019	D	923	0.125	0.125
Greenville	WGTK / W275BJ	102.9	December 2019	D	1,364	0.099	0.099
Honolulu	KGU / K236CR	95.1	December 2016	D	1,390	0.25	0.25
Honolulu	KHNR / K239CD	94.3	March 2017	D	204	0.05	0.05
Houston	KNTH / K277DE	103.3	June 2017	D	204	0.099	0.099
Houston	KTEK / K241CM	96.1	January 2017	D	514	0.25	0.25
Louisville	WJIE / W297BV	1007.3	August 2020	D	542	0.15	0.15
Miami	WHIM / W298AM	97.7	October 2019	D	286	0.15	0.15
Miami	WKAT / W272DS	102.3	August 2019	D	603	0.099	0.099
Miami	WOCN / W270CV	101.9	February 2019	D	603	0.099	0.099
Minneapolis	WWTC / K298CO	107.5	November 2019	D	N/A	0.08	0.08
Minneapolis	WWTC / K298CO	107.5	July 2017	D	176	0.085	0.085
New York	WMCA / W272DX	102.3	November 2019	D	176	0.25	0.25
Omaha	KCRO / K293CJ	106.5	June 2021	D	585	0.125	0.125
Omaha	KOTK / K233CO	94.5	June 2021	D	462	0.099	0.099
Orlando	WDYZ / W268CT	101.5	October 2019	D	315	0.25	0.25
Orlando	WORL / W288CJ	105.5	May 2019	D	323	0.05	0.05
Orlando	WTLN / W235CR	94.9	August 2019	D	439	0.099	0.099
Orlando	WORL / W288CJ	105.5	February 2020	D	434	0.25	0.25
Orlando	WTLN / W235CJ	94.9	February 2020	D	439	0.15	0.15
Orlando	WTLN / W235CR	94.9	February 2020	D	434	0.15	0.15
Pittsburgh	WPGP / W233CS	92.5	August 2019	D	434	0.099	0.099
Pittsburgh	WPIT / W243BW	96.5	March 2019	D	N/A	0.099	0.099
Pittsburgh	WPIT / W243BW	96.5	June 2022	D	528	0.08	0.08
Pittsburgh	WPIT / W243BW	96.5	May 2017	D	528	0.085	0.085
Portland	KDZR / K232FM	96.7	TBD	D	528	0.25	0.25
Portland	KPDQ / K294CP	106.3	TBD	D	1,307	0.125	0.125
Sacramento	KFIA / K245AR	105.7	TBD	D	1,307	0.099	0.099
San Diego	KCBQ / K260CG	96.1	August 2017	D	291	0.25	0.25

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San Diego	KPRZ / K279CM	106.1	TBD	D	1,760	0.05	0.05
Seattle	KGNW / K281CQ	104.1	September 2019	D	846	0.099	0.099
Seattle	KGNW / K281CQ	104.1	February 2022	D	1,248	0.25	0.25
St. Louis	KXFN / K283CA	95.9	TBD	D	1,248	0.15	0.15
St. Louis	WSDZ / K236CS	96.7	June 2017	D	501	0.15	0.15
Tampa	WLCC / W282CI	104.3	August 2019	D	501	0.099	0.099
Tampa	WTWD / W271CY	102.1	April 2017	D	417	0.099	0.099
Tampa/Sarasota	WLSS / W229BR	93.7	February 2020	D	271	0.08	0.08
Tampa/Sarasota	WLSS / W276CR	103.1	February 2020	D	212	0.085	0.085

Ownership Matters. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to assign, transfer, grant or renew a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with various rules limiting common ownership of media properties, the “character” of the licensee and those persons holding “attributable” interests therein, and compliance with the Communications Act’s limitation on alien ownership, as well as compliance with other FCC policies, including equal employment opportunity requirements.

Under the Communications Act, a broadcast license may not be granted to or held by a corporation that has more than one-fifth of its capital stock owned or voted by aliens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. Under the Communications Act, there are limitations on the licensee of a broadcast license, that is held by any corporation that is controlled, directly or indirectly, by any other corporation more than one-fourth of whose capital stock is owned or voted by aliens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. These restrictions apply in modified form to other forms of business organizations, including partnerships. We therefore may be restricted from having more than one-fourth of our stock owned or voted by aliens, foreign governments or non-U.S. corporations, although the FCC has recently adopted streamlined waiver procedures for requests to exceed the statutory limits.

Multiple Ownership: The Communications Act and FCC rules also generally restrict the common ownership, operation or control of radio broadcast stations serving the same local market, of a radio broadcast station and a television broadcast station serving the same local market, and of a radio broadcast station and a daily newspaper serving the same local market. The FCC also restricts the number of television stations an entity may own both in local markets and nationwide.

Our current ownership of radio broadcast stations complies with the FCC's multiple ownership rules; however, these rules may limit the number of additional stations that we may acquire in the future in certain of our markets and could limit the potential buyers of any stations we may attempt to sell. The FCC is also required by the Communications Act to review its broadcast ownership rules every four years. During 2009, the FCC held a series of hearings designed to evaluate possible changes to its rules. In May 2010, the FCC formally initiated its 2010 quadrennial review of its media ownership rules with the issuance of a Notice of Inquiry ("NOI"). The NOI was intended to assist the Commission in establishing a framework within which to analyze whether its media ownership rules remain "necessary in the public interest as a result of competition," due to the dramatic changes occurring in the media marketplace. Numerous parties filed comments and reply comments in response to the NOI. In June and July 2011, the FCC released to the public eleven economic studies related to its media ownership rules. In December 2011, the FCC issued a Notice of Proposed Rulemaking ("NPRM") seeking comment on proposed rule changes in connection with the 2010 quadrennial review. In March 2014, the FCC issued a Further Notice of Proposed Rulemaking ("FNPRM") seeking comment on specific proposed changes to its ownership rules in connection with the 2010 and 2014 quadrennial reviews of the broadcast ownership rules and consolidated its 2010 quadrennial review with the 2014 quadrennial review of the ownership rules. On August 25, 2016, the FCC released a Second Report and Order to close the 2010 and 2014 Quadrennial Review proceedings. The FCC decided to retain its local radio ownership rules without modification. The FCC, however, recently filed a motion requesting that the Third Circuit Court of Appeals hold in abeyance the consolidated cases pending before it in connection with the broadcast ownership rules, because it intends to act on a Petition for Reconsideration of the Second Report and Order, which could result in changes to the local radio ownership rules. We can make no determination as to what effect, if any, any such rule changes will have on us.

Attribution: Because of these multiple and cross-ownership rules, a purchaser of voting stock of the company that acquires an "attributable" interest in the company may violate the FCC's rule if it also has an attributable interest in other television or radio stations, or in daily newspapers, depending on the number and location of those radio or television

stations or daily newspapers. Such a purchaser also may be restricted in the other companies in which it may invest, to the extent that these investments give rise to an attributable interest. If an attributable stockholder of the company violates any of these ownership rules, the company may be unable to obtain from the FCC one or more authorizations needed to conduct its radio station business and may be unable to obtain FCC consents for certain future acquisitions.

The FCC generally applies its television/radio/newspaper cross-ownership rules and its broadcast multiple ownership rules by considering the “attributable,” or cognizable, interests held by a person or entity. A person or entity can have an interest in a radio station, television station or daily newspaper by being an officer, director, partner, member, or stockholder of a company that owns that station or newspaper. Whether that interest is cognizable under the FCC’s ownership rules is determined by the FCC’s attribution rules. If an interest is attributable, the FCC treats the person or entity who holds that interest as an “owner” of the radio station, television station or daily newspaper in question, and therefore subject to the FCC’s ownership rules. On December 22, 2011, the FCC issued an NPRM to seek comment on specific proposed changes to its ownership rules. In the NPRM, the FCC tentatively concluded to maintain its local radio ownership rules largely intact. Comments and Reply Comments have been received by the FCC in connection with the NPRM (2010 quadrennial review). In March 2014, the FCC issued an FNPRM seeking comment on specific proposed changes to its ownership rules in connection with the 2010 and 2014 quadrennial reviews of the broadcast ownership rules. On August 25, 2016, the FCC released a Second Report and Order to close the 2010 and 2014 Quadrennial Review proceedings. In the Second Report and Order, the FCC readopted its Television Joint Sales Agreement (JSA) Attribution Rule adopted in the Report and Order in this proceeding, which makes certain television JSAs attributable. No other changes were made to the attribution rules.

Proposed Changes. As noted above, in May 2010, the FCC formally initiated its 2010 quadrennial review of its media ownership rules with the issuance of a NOI. The NOI is intended to assist the Commission in establishing a framework within which to analyze whether its media ownership rules remain “necessary in the public interest as a result of competition,” due to the dramatic changes occurring in the media marketplace. Numerous parties have filed comments and reply comments in response to the NOI. In June and July 2011, the FCC released to the public eleven economic studies related to its media ownership rules. On December 22, 2011, the FCC issued an NPRM in the 2010 quadrennial review to seek comment on specific proposed changes to its ownership rules. In the 2010 quadrennial review NPRM, the FCC tentatively concluded to maintain its local radio ownership rules largely intact. Comments and Reply Comments were received by the FCC in connection with the NPRM. In March 2014, the FCC issued an FNPRM seeking comment on specific proposed changes to its ownership rules in connection with the 2010 and 2014 quadrennial reviews of the broadcast ownership rules and consolidated its 2010 quadrennial review with the 2014 quadrennial review of the ownership rules. On August 25, 2016, the FCC released a Second Report and Order to close the 2010 and 2014 Quadrennial Review proceedings. The FCC decided to retain its local radio ownership rules without modification. The FCC, however, recently filed a motion requesting that the Third Circuit Court of Appeals hold in abeyance the consolidated cases pending before it in connection with the broadcast ownership rules, because it intends to act on a Petition for Reconsideration of the Second Report and Order, which could result in changes to the local radio ownership rules. We can make no determination as to what effect, if any, such changes might have on us.

Federal Antitrust Considerations. The Federal Trade Commission (“FTC”) and the Department of Justice (“DOJ”), which evaluate transactions to determine whether those transactions should be challenged under the federal antitrust laws, are also active in their review of radio station acquisitions, particularly where an operator proposes to acquire additional stations in its existing markets.

For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Improvements Act (“HSR Act”) and the rules promulgated thereunder require the parties to file Notification and Report Forms with the FTC and the DOJ and to observe specified waiting period requirements before consummating the acquisition. At any time before or after the consummation of a proposed acquisition, the FTC or the DOJ could take such action under the antitrust laws, as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition or seeking divestiture of the business acquired or other assets of the company. The FTC or the DOJ may investigate acquisitions that are not required to be reported under the HSR Act under the antitrust laws before or after consummation. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws. The DOJ also has stated publicly that it believes that LMAs and other similar agreements customarily entered into in connection with radio station transfers prior to the expiration of the waiting period under the HSR Act could violate the HSR Act.

We can provide no assurances that our acquisition strategy will not be adversely affected in any material respect by antitrust reviews.

GEOGRAPHIC FINANCIAL INFORMATION

Our advertisers and programmers are based in various locations throughout the United States. While no one customer or programmer accounts for 10% or more of our revenues, individually or in the aggregate, our broadcast operating segment is particularly dependent on advertising revenue generated from our Los Angeles and Dallas broadcast markets. Our Los Angeles radio stations generated 15.1% of our total net broadcasting advertising revenue for the year ended December 31, 2016, 14.7% of our total net broadcasting advertising revenue for the year ended December 31, 2015 and 14.3% for the year ended December 31, 2014. Our Dallas radio stations generated 20.8% of our total net broadcasting advertising revenue for the year ended December 31, 2016, 24.5% of our total net broadcasting advertising revenue for the year ended December 31, 2015 and 24.0% for the year ended December 31, 2014.

Because substantial portions of our broadcast advertising revenues are derived from our Los Angeles and Dallas markets, our ability to generate revenues in those markets could be adversely affected by local or regional economic downturns in these areas.

EMPLOYEES

As of February 2, 2017, we employed 1,590 employees of which 1,214 are full time and 376 are part time. These employees consist of 1,153 employees in radio broadcasting, 181 employees in digital media entities, 136 employees in publishing, and 120 corporate employees. We consider our relations with our employees to be good and none of our employees are covered by collective bargaining agreements.

We employ on-air personalities and we may enter into employment agreements with these on-air personalities in order to protect our interests in these relationships. However, on-air talent may be lost to competitors for a variety of reasons. While we do not believe that the loss of any one of our on-air personalities would have a material and adverse effect on our consolidated financial condition and results of operations, the loss of several key on-air personalities combined could have a material and adverse effect on our business.

AVAILABLE INFORMATION

Our Internet address is www.salemmedia.com. We make available free of charge on our investor relations website under the heading “SEC Filings” our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports are available as soon as reasonably practical after we electronically file them or furnish them to the SEC. *Any information found on our website is not a part of or incorporated by reference into, this or any other report of the company filed with, or furnished to, the SEC.*

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below before investing in our securities. Our business is subject to risks associated with general economic conditions, geopolitical events, competition, technological obsolescence and employee relations. The risks described below, along with risks not currently known to us or that we currently believe are immaterial, may impair our business operations and liquidity in unfavorable ways. We operate in a continually changing business environment in which new risk factors emerge from time to time. We can neither predict new risk factors, nor can we assess the impact, if any, these new risk factors may have on our business. The extent to which any risk factor, or combination of risk factors, may affect our business, financial condition and results of operations could seriously and materially influence the trading price of our common stock.

CERTAIN FACTORS AFFECTING SALEM

We may choose not to pursue potentially more profitable business opportunities outside of our Christian, conservative news talk and family-themed formats, or not to broadcast programming that violates our programming standards, either of which may have a material and adverse effect on our business.

We are fundamentally committed to broadcasting, digital and publishing formats and programming emphasizing Christian values, conservative family themes and news. We may choose not to switch to other formats or pursue potentially more profitable business opportunities due to this commitment, which could result in lower operating revenues and profits than we might otherwise achieve. We also do not intend to pursue business opportunities or broadcast programming that would conflict with our core commitment to Christian and family-themed formats or that would violate our programming standards, even if such opportunities or programming would be more profitable. Our decision not to pursue other formats, business opportunities and/or broadcast programming that is inconsistent with our programming standards may have a material and adverse effect on our business.

We are controlled by a few controlling stockholders who exercise control over most matters submitted to a stockholder vote and may have interests that differ from other security holders. Therefore, they may take actions that are not in the interests of other security holders.

As of December 31, 2016, Edward G. Atsinger III (Chief Executive Officer), Stuart W. Epperson (Chairman), Nancy A. Epperson (wife of Chairman) and Edward C. Atsinger (son of Chief Executive Officer) controlled approximately 83.8% in aggregate of the voting power of our capital stock including all of the outstanding shares of our Class B Common Stock, each share of which is entitled to ten votes on matters subject to a stockholder vote. Thus, these four stockholders have the ability to control fundamental corporate transactions requiring stockholder approval, including but not limited to, the election of all of our directors, approval of merger transactions involving Salem and the sale of all or substantially all of Salem's assets. The interests of any of these controlling stockholders may differ from the interests of our other security holders in a material manner.

RISKS ASSOCIATED WITH BUSINESS OPERATIONS

ECONOMIC CONDITIONS

We may be adversely and acutely affected by deteriorating economic conditions.

The risks associated with our businesses become more acute in periods of a slowing economy or recession, which are often accompanied by a decrease in advertising. A decline in the level of business activity of our advertisers could have an adverse effect on our revenues and profit margins. During economic slowdowns in the United States, many advertisers have reduced their advertising expenditures. While the precise impact of economic slowdowns on our business is difficult to predict, our exposure to several risks increases with a slowing economy or a recession, including but not limited to:

- Increasing pressure to sell advertising and block programming time at discounted rates;
- Increases in the length of time to collect receivables and higher risks that accounts become uncollectible as our customers face tight credit markets;
- Reductions in donations to ministries, which could negatively impact their ability to purchase and pay for block programming time;
- We may be unable to find suitable replacements for ministries which can no longer purchase and pay for block programming;

• Limitations on our ability to obtain additional financing to fund working capital, capital expenditures, acquisitions and other corporate requirements;

- Limitations on our ability to pursue projects that could have been economically beneficial; and
- Impairment losses on the value of our indefinite-lived intangible assets including FCC broadcast licenses, goodwill, and mastheads and impairment losses on other long-lived assets.

Our results of operations could be negatively impacted by weak economic conditions of an individual business sector.

A recession or downturn in the economy of any individual business sector could have a significant effect on us. Even with the recovery seen from the 2008 economic recession, an individual business sector (such as the automotive industry) that tends to spend more on advertising than other sectors, might be forced to maintain a reduced level of advertising expenditures for several years after economic recovery has been in progress. If that sector experiences a slower recovery than the economy in general, that sector may reduce its advertising expenditures further if additional downturns occur. If that sector's spending represents a significant portion of our advertising revenues, any reduction in its advertising expenditures may negatively impact our results of operations.

General economic conditions, including a prolonged weakness in the economy, may affect consumer purchases, which could adversely affect our wellness product sales.

Our wellness product operating results are dependent on a number of factors impacting consumer spending, including general economic and business conditions; consumer confidence; wages and employment levels; the housing market; consumer debt levels; availability of consumer credit; credit and interest rates; fuel and energy costs; energy shortages; taxes; general political conditions, both domestic and abroad; and the level of customer traffic within department stores, malls and other shopping and selling environments. Consumer product purchases, including purchases of our wellness products, may decline during recessionary periods. A prolonged downturn or an uncertain outlook in the economy may materially and adversely affect our wellness product business, revenues and profits.

REPUTATION

Damage to our reputation could damage our businesses and our relationship with advertisers and block programmers.

Maintaining a positive reputation is critical to our ability to attract and maintain relationships with advertisers, block programmers and our audience. As a company that focuses on, among other things, Christian and family-themed content, in particular, damage to our reputation could therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory action, failure to deliver minimum standards of service and quality, compliance failures and unethical behavior. Negative publicity regarding us, whether or not true, may also result in harm to our business prospects.

Poor perception of our brand, business or industry could harm our reputation and materially and adversely affect our business, financial condition and results of operations.

Our business is dependent upon attracting a large audience to our radio stations, websites and publications. Our brand, business and reputation are vulnerable to poor perception. Any damage to our reputation could harm our ability to attract and retain advertisers, customers and content creators, which could materially and adversely affect our financial condition and results of operations.

Unfavorable publicity or consumer perception of our wellness products, the ingredients they contain and any similar products distributed by other companies could cause fluctuations in our operating results and could have a material adverse effect on our reputation, the demand for our wellness products and our ability to generate revenue.

We are highly dependent upon consumer perception of the safety and quality of our wellness products and the ingredients they contain. Consumer perception of our wellness products and the ingredients they contain, as well as consumer perception of similar wellness products, can be significantly influenced by scientific research or findings, national media attention and other publicity about wellness product use. A wellness product may be received favorably, resulting in high sales associated with that product that may not be sustainable as consumer preferences change. Future scientific research or publicity could be unfavorable to the wellness product industry or any of our particular wellness products or the ingredients they contain and may not be consistent with earlier favorable research or publicity. A future research report or publicity that is perceived by our wellness product consumers as less favorable or that questions earlier research or publicity could have a material adverse effect on our ability to generate wellness product revenues. Unfavorable market perception of our wellness products could have a material adverse effect on our reputation, the demand for our wellness products, and our ability to generate wellness product revenues.

KEY EMPLOYEES

Our business is dependent upon the performance of key employees, on-air talent and program hosts, as well as our ability to attract new employees.

Our business is dependent upon the performance and continued efforts of certain key individuals, including Edward G. Atsinger III, our Chief Executive Officer, and Stuart W. Epperson, our Chairman of the Board. Notwithstanding that we have entered into employment agreements with such individuals, the loss of the services of such key individuals could have a material adverse effect upon us. Further, Mr. Epperson has radio interests unrelated to our operations that will continue to impose demands on his time and Mr. Atsinger has an interest in an aviation business unrelated to our operations that will continue to impose demands on his time. Our success is highly dependent upon the retention of these and other key employees throughout our organization. In addition, we are dependent upon our ability to continue to attract new employees with key skills to support continued business growth.

We also employ or independently contract with several on-air personalities and hosts of syndicated radio programs with significant loyal audiences on both a national level and in their respective local markets. Several of our on-air personalities have a presence that extends beyond our radio platforms into other strategic areas. Although we have entered into long-term agreements with some of our executive officers, key on-air talent and program hosts to protect our interests in those relationships, we can give no assurance that all or any of these key employees will remain with us or will retain their audiences. Competition for these individuals is intense and many of our key employees are at-will employees who are under no legal obligation to remain with us. Our competitors may choose to extend offers to any of these individuals on terms that we may be unable or unwilling to meet. In addition, any or all of our key employees may decide to leave for a variety of personal or other reasons beyond our control. Furthermore, the popularity and audience loyalty of our key on-air talent and program hosts is highly sensitive to rapidly changing public tastes. A loss of such popularity or audience loyalty is beyond our control and could limit our ability to generate revenues.

If we fail to maintain strong relationships with our authors and other creative talent, as well as to develop relationships with new creative talent, our business and financial performance could be materially and adversely affected.

Our business, in particular book publishing and financial publications, is highly dependent on maintaining strong relationships with the authors and other creative talent who produce the products and services sold to our customers. Any overall weakening of these relationships, or the failure to develop successful new relationships, could have a material adverse impact on our business and financial performance.

FACTORS AFFECTING REVENUE AND AUDIENCE GROWTH

If we are unable to maintain or grow our advertising revenues, our business, financial condition and operating results may be materially and adversely affected.

Our radio stations, digital media and publishing entities are to varying degrees dependent upon advertising for their respective revenues. We compete for advertising revenue with other commercial broadcasters, including faith-based and general format radio stations, as well as with other media outlets such as broadcast and cable television, newspapers, print magazines, direct mail, digital and billboard advertising. Due to this significant competition, we may not be able to maintain or increase our current advertising revenue. Any sustained economic downturn could negatively impact our ability to generate revenues. If we are unable to maintain and grow our advertising revenues, our business, financial condition and results of operations may be materially and adversely affected.

Since the economic recession of 2008 and 2009, we have experienced a stabilization of advertising revenue. This stabilization excludes the beneficial impact of political advertising as such impact varies with the type and nature of elections. There can be no assurance that our advertising revenue will not be volatile in the future or that such volatility will not have an adverse impact on our business, financial condition or results of operations.

Our business generates revenue from the sale of advertising, and the reduction in spending by or loss of advertisers could seriously harm our business.

We derive a substantial part of our total revenues from the sale of advertising. For the years ended December 31, 2016, 2015 and 2014, 38.3%, 39.2% and 40.0% of our total revenues, respectively, were generated from the sale of broadcast advertising. We are particularly dependent on revenue from our Los Angeles and Dallas markets which generated 15.1% and 20.8%, respectively, of our total net broadcasting advertising revenue for the year ended December 31, 2016, 14.7% and 24.5%, respectively, of our total net broadcasting advertising revenue for the year ended December 31, 2015 and 14.3% and 24.0%, respectively, for the year ended December 31, 2014.

Our revenues and net operating income may not be sufficient to utilize deferred tax assets that could offset future taxable income.

As of December 31, 2016, we had deferred tax assets of \$79.5 million, net of valuation allowances of \$4.5 million, on our consolidated balance sheet included in this annual report on Form 10-K. We expect to utilize these deferred tax assets to reduce consolidated income tax liabilities over future periods. However, we may not be able to fully utilize these deferred tax assets if future taxable income and related income tax liabilities are insufficient to allow their use. We may be required to record a larger valuation allowance against these deferred tax assets if we believe that we are unable to utilize them, which would have a material adverse effect on our results of operations and financial position.

Our advertising revenues in certain markets are ratings-sensitive and subject to decline based on ratings agency projections.

Nielsen uses its own technology to collect data for its ratings service. The Portable People Meter™ (“PPM”) is a small device that does not require active manipulation by the end user and is capable of automatically measuring radio, television, Internet, satellite radio and satellite television signals that are encoded for the service by the broadcaster. The PPM offers a number of advantages over the traditional diary ratings collection system including ease of use, more reliable ratings data and shorter time periods between when advertising runs and when audience listening or viewing habits can be reported. PPM data can fluctuate when changes are made to the “panel” (a group of individuals holding PPM devices) and in markets where we subscribe to Nielsen under the PPM, our ratings tend to fluctuate even when there are no significant programming or competitive changes in the market. As a result, all of our stations are susceptible to inconsistencies in ratings that may or may not accurately reflect the actual number of listeners at any given time, which, in turn, may result in adverse effects on our advertising revenues in markets where such revenues are ratings-sensitive.

Our revenues and net operating income may not be sufficient to utilize deferred tax assets that could offset future taxable income.

As of December 31, 2016, we had deferred tax assets of \$79.5 million, net of valuation allowances of \$4.5 million, on our consolidated balance sheet included in this offering memorandum. We expect to utilize these deferred tax assets to reduce consolidated income tax liabilities over future periods. However, we may not be able to fully utilize these deferred tax assets if future taxable income and related income tax liabilities are insufficient to allow their use. We may be required to record a larger valuation allowance against these deferred tax assets if we believe that we are unable to utilize them, which would have a material adverse effect on our results of operations and financial position.

If we cannot attract the anticipated listener, programmer and advertiser base for our newly-acquired radio stations, we may not recoup associated operating costs or achieve profitability for these radio stations.

We frequently acquire radio stations that previously broadcasted in formats other than our primary formats. We continue to program some of these stations in non-primary formats and we re-program others to one of our primary formats. During, and for a period after, the conversion of a radio station's format, the radio station typically generates operating losses. The magnitude and duration of these losses depend on a number of factors, including the promotional and marketing costs associated with attracting listeners and advertisers to our radio station's new format and the success of these efforts. There is no guarantee that the operation of these newly-acquired stations or our operations in new formats will attract a sufficient listener and advertiser base. If we are not successful in attracting the listener and advertiser base we anticipate, we may not recoup associated operating costs or achieve profitability for these newly-acquired radio stations.

If we do not maintain or increase our block programming revenues, our business, financial condition and operating results may be materially and adversely affected.

The financial success of each of our radio stations that feature Christian Teaching and Talk programming is significantly dependent upon our ability to generate revenue from the sale of block programming time to national and local religious and educational organizations. Block programming accounted for 42.7% of our net broadcast revenue for the year ended December 31, 2016, 41.9% of our net broadcast revenue for the year ended December 31, 2015 and 41.0% of our net broadcast revenue for the year ended December 31, 2014. We compete for this program revenue with a number of commercial and non-commercial radio stations. Due to the significant competition for this block programming, we may not be able to maintain or increase our current block programming revenue, in which case, our business, financial condition and results of operations may be materially and adversely affected.

We face significant competition, which we expect will continue to intensify, and we may not be able to maintain or improve our competitive position or market share.

We operate in a highly competitive broadcast and media business. We compete for advertisers and customers with other radio broadcasters, as well as with other media sources including broadcast and cable television, newspapers and magazines, national and local digital services, outdoor advertising, direct mail, online marketing and media companies, social media platforms, web-based blogs, and mobile devices. We face intense competition from a wide range of competitors, including online marketing and media companies, integrated social media platforms and other specialist and enthusiast websites.

Our broadcast audience ratings and market shares are subject to change, and any change in a particular market could have a material adverse effect on the revenue of our stations located in that market. Salem Web Network competes for visitors and advertisers with other companies that deliver online audio programming and Christian and conservative Internet content as well as providers of general market Internet sites. Our book publishing business competes for

readers with other book publishers, including those targeted specifically at Christian and conservative audiences. Our print magazines compete for readers and advertisers with other print publications including those that follow the Christian music industry and those that address themes of interest to church leadership and the Christian audience. Salem Author Services, comprised of Xulon Press™ and Hillcrest Media, competes for authors with other self-publishers.

The level of competition that we face could make it more difficult for us to provide value to our consumers, our advertisers and our content creators. The perceived level of value could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses, decreased website traffic and failure to increase, or the loss of, market share, any of which would likely seriously harm our business, revenue, financial condition and results of operations. There can be no assurance that we will be able to compete successfully against current or future competitors.

If we are unable to continue to drive and increase visitors to our owned and operated websites and to our customer websites and convert these visitors into repeat users and customers cost-effectively, our business, financial condition and results of operations could be adversely affected.

We attract traffic to our owned and operated websites by offering content that is highly specific and that we believe is relevant to our audiences. How successful we are in these efforts depends, in part, upon our continued ability to create and distribute high-quality, commercially valuable content in a cost-effective manner at scale that connects consumers with content that meets their specific interests and effectively enables them to share and interact with the content and supporting communities. We may not be able to create content in a cost-effective manner or that meets rapidly changing consumer demand in a timely manner, if at all. Any such failure to do so may adversely affect user and customer experiences and reduce traffic driven to our websites that could adversely affect our business, revenue, financial condition and results of operations.

Even if we succeed in driving traffic to our owned and operated websites and to our customer websites, neither we nor our advertisers and customers may be able to monetize this traffic or otherwise retain consumers. Our failure to do so could result in decreases in customers and related advertising revenue, which could have a material adverse effect on our business, financial condition and results of operations.

Concentration of book publication sales may make it difficult for us to compete effectively in the publication market.

The sale of printed book publications is concentrated in national, regional, and online bookstore chains. These bookstore chains account for a vast majority of book publishing revenues. Due to this concentration of book publication sales, it may be difficult for us to compete effectively in the market, which could adversely affect our publishing revenues and growth prospects of our publishing business.

Our financial results would suffer if we fail to successfully meet market needs with our publishing business.

The sale of books represents a substantial part of revenues for Regnery Publishing. If we are unable to successfully develop and execute promotional strategies for new books that respond to customer trends, including trends related to demand for eBooks, or other technological changes, Regnery Publishing and Salem as a whole may suffer accordingly.

We may be unable to increase or maintain our digital advertising revenues, which could have a material adverse effect on our business, financial condition and results of operations.

We generate advertising revenue from the sale of digital display advertisements on our websites. Our ability to increase or maintain this advertising revenue is largely dependent upon the number of users actively visiting our websites. We also must increase user engagement with our advertisers in order to increase our advertising revenues. Additionally, digital advertising techniques are evolving, and if our technology and advertisement serving techniques do not evolve to meet the needs of advertisers, our advertising revenue could decline. Changes in our business model, advertising inventory or initiatives could also cause a decrease in our advertising revenue. Because digital media is a concentrated growth area for us, any decrease in revenues in these areas could affect our business, financial condition and results of operations.

Digital advertisements are reportedly becoming a means to distribute viruses over the Internet. If this practice continues, it could result in consumers becoming less inclined to click through digital advertisements, which could adversely affect the demand for digital advertising. Additionally, we do not have long-term agreements with most of our digital advertisers. Any termination, change or decrease in our advertising relationships could have a material adverse effect on our revenues and profitability. If we do not maintain or increase our advertising revenues, our business, results of operations and financial condition could be materially and adversely affected.

If the methodologies of Internet search engines' are modified, traffic to our websites and corresponding consumer origination volumes could decline.

We depend in part on various Internet search engines, including Google®, Bing®, and Yahoo!®, to direct a significant amount of traffic to our websites. Our ability to maintain the number of visitors directed to our websites through which we distribute our content by search engines is not entirely within our control. Changes in the methodologies used by search engines to display results could cause our websites to receive less favorable placements, which could reduce the number of unique visitors who link to our websites. Any reduction in the number of users directed to our websites could negatively affect our ability to earn revenue. If traffic on our websites declines, we may need to employ more costly resources to replace lost traffic, and such increased expense could adversely affect our business, financial condition and results of operations.

Wireless devices and mobile phones are used to access the Internet, and our online marketing services may not be as effective when accessed through these devices, which could cause harm to our business, financial condition and results of operations.

The number of people who access the Internet through devices other than personal computers has increased substantially in the last several years. Our websites were originally designed for persons accessing the Internet on a desktop or laptop computer. The smaller screens, lower resolution graphics and less convenient typing capabilities of wireless devices and mobile phones may make it more difficult for visitors to respond to our offerings. In addition, the cost of mobile advertising is relatively high and may not be cost-effective for our services. We must also ensure that our licensing arrangements with third-party content providers allow us to make this content available on these devices. If we cannot effectively make our content, products and services available on these devices, fewer consumers may access and use our content, products and services. In addition, if our services continue to be less effective or less economically attractive for customers seeking to engage in advertising through these devices and this segment of Internet traffic grows at the expense of traditional computer Internet access, we will experience difficulty attracting website visitors and attracting and retaining customers and our business, financial condition and results of operations will be harmed.

POTENTIAL LEGAL LIABILITIES

As a creator and a distributor of multimedia content, we face potential liability and expenses for legal claims based on the nature and content of the materials that we create and/or distribute, or that are accessible via our owned and operated websites and our network of customer websites. If we are required to pay damages or expenses in connection with these legal claims, our business, financial condition and results of operations may be harmed.

We rely on the work product of various content creators, both employees and non-employees, to produce original programs, articles and content for our radio programs, websites and print publications. We face potential liability based on a variety of theories, including defamation, negligence, unlawful practice of a licensed profession, copyright, trademark infringement, or other legal theories based on the nature, creation or distribution of this information, and under various laws, including the Lanham Act and the Copyright Act of 1976. We may also be exposed to similar liability in connection with content that we do not create but that is posted to our owned and operated websites and to our network of customer websites by users and other third parties through forums, comments, personas and other social media features. In addition, it is also possible that visitors to our owned and operated websites and to our network of customer websites could make claims against us for losses incurred in reliance upon information provided on our owned and operated websites or our network of customer websites. These claims, whether brought in the United States or abroad, could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merit of these claims. If we become subject to these or similar types of claims and are not successful in our defense, we may be forced to pay substantial damages. While we run our content through a rigorous quality control process, including an automated plagiarism program, there is no guarantee that we will avoid future liability and potential expenses for legal claims based on the content of the materials that we create or distribute. Should the content distributed through our owned and operated websites and our network of customer websites violate the intellectual property rights of others or otherwise give rise to claims against us, we could be subject to substantial liability, which could have a negative impact on our business, financial condition and results of operations.

We could face liability for the information we publish in our financial newsletters, including information based on data we obtain from other parties.

We may be subject to claims for securities law violations, defamation (including libel and slander), negligence, or other claims relating to the information we publish in our financial newsletters. While we strive to minimize such risks, it is possible that we could be subject to investigations and potential enforcement actions by the SEC or civil liability for securities fraud to subscribers who invest on the basis of information provided in our financial newsletters and related materials or by the independent financial commentators who provide newsletter content. For example, subscribers may take legal action against us if they rely on published information or market analysis that contains an error or on market strategies that do not perform as described. Additionally, a company may claim that we have made a defamatory statement about it, its employees or its financial position. The authors of our newsletters also rely on a variety of outside parties as sources for some of the information we use in our published data. These sources include securities exchanges, fund companies, hedge funds, transfer agents, and other data providers. Accordingly, in addition to possible exposure for publishing incorrect information that results directly from our own errors, we could face liability based on inaccurate data provided to us by others or based upon the actions of the authors. Defending civil claims or being subject to SEC investigations or enforcement actions based on the information we publish in our financial newsletters could be expensive and time-consuming and could adversely impact our business, operating results, and financial condition.

The sale of our wellness products involves product liability and related risks that could expose us to significant insurance and loss expenses.

We face an inherent risk of exposure to wellness product liability claims if the use of our wellness products results in, or is believed to have resulted in, illness or injury. Most of our wellness products contain combinations of ingredients, and there is little long-term experience with the effect of these combinations. In addition, interactions of these wellness products with other products, prescription medicines and over-the-counter drugs have not been fully explored or understood and may have unintended consequences. While our third party manufacturers perform tests in connection with the formulations of our wellness products, these tests are not designed to evaluate the inherent safety of our wellness products.

Although we maintain product liability insurance, it may not be sufficient to cover all product liability claims and such claims that may arise could have a material adverse effect on our business and financial condition. We carry product liability insurance coverage that requires us to pay deductibles/retentions with primary and excess liability coverage above the deductible/retention amount. Because of our deductibles and self-insured retention amounts, we have significant exposure to fluctuations in the number and severity of claims. The successful assertion or settlement of an uninsured claim, a significant number of insured claims or a claim exceeding the limits of our insurance coverage would harm us by adding further costs to our business and by diverting the attention of our senior management from the operation of our business. Even if we successfully defend a liability claim, the uninsured litigation costs and adverse publicity may be harmful to our business.

Any product liability claim may increase our costs and adversely affect our revenues and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles, and may make it more difficult to secure adequate insurance coverage in the future. In addition, our product liability insurance may fail to cover future product liability claims, which, if adversely determined, could subject us to substantial monetary damages.

TECHNOLOGICAL ADVANCES

We must respond to the rapid changes in technology, services and standards of our industry in order to remain competitive.

The media industry is subject to rapid technological change, evolving industry standards and the emergence of competition from new media technologies and services. We cannot make assurances that we will have the resources to acquire new technologies or to introduce new services that could compete with these new technologies. Various new

media technologies and services are currently being developed or introduced, including but not limited to:

- Satellite-delivered digital audio radio service, which has resulted in the introduction of new subscriber-based satellite radio services with numerous niche formats;
- Audio programming by cable systems, direct-broadcast satellite systems, personal communications systems, content available over the Internet and other digital audio broadcast formats;
- In-band on-channel digital radio, which provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services;
- Low-power FM radio, which could result in additional FM radio broadcast outlets including additional low-power FM radio signals authorized in December 2010 under the Local Community Radio Act;
- High Definition (“HD”) radio;
- Internet radio and other audio content offerings such as Pandora and iHeart Radio; and
- Personal digital audio devices (e.g. audio via WiFi, mobile phones, WiMAX, etc.) or other emerging next-generation networks and technologies.

We currently program one channel on SiriusXM. We also offer podcasts and downloads of portions of our programming; however, we cannot assure you that this arrangement will be successful or enable us to adapt effectively to these new media technologies. We cannot predict the effect, if any, that competition arising from new technologies or regulatory change(s) may have on the radio broadcast industry or on our financial condition and results of operations.

New technologies may increase competition with our broadcasting and printing operations.

Our broadcasting and printing businesses face increasing competition from new technologies, such as broadband wireless, satellite radio and audio broadcasting by cable television systems, as well as new customer products, such as portable digital audio players and smart mobile phones. These new technologies and alternative media platforms compete with our radio stations for audience share and advertising revenues. The FCC also has approved new technologies for use in the radio broadcasting industry, including the terrestrial delivery of digital audio broadcasting, which significantly enhances the sound quality of radio broadcasts. We are unable to predict the effect that such technologies and related services and products will have on our broadcasting operations, but the capital expenditures necessary to implement such technologies could be substantial. We cannot assure that we will continue to have the resources to acquire new technologies or to introduce new services to compete with other new technologies or services, and other companies employing such new technologies or services could increase competition with our businesses.

Our printing business also faces increasing competition from the Internet, eBook reader devices, tablets and other new technologies. These new technologies and alternative media platforms compete with our printed books and magazines for audience share and advertising revenues. We must continue to expand our publishing businesses from traditional publishers to new digital technologies. We may make significant investments in new products and services that may not be profitable, or whose profitability may be significantly lower than we have experienced. Success and continued growth depends greatly on developing new products and the means to deliver them in an environment of rapid technological change.

We must respond to changes in consumer behavior as a result of new technologies in order to remain competitive.

Technology, particularly digital technology used in the entertainment industry, continues to evolve rapidly, leading to alternative methods for the delivery and storage of digital content. These technological advancements have driven changes in consumer behavior and have empowered consumers to seek more control over when, where and how they consume digital content. Content owners are increasingly delivering their content directly to consumers over the Internet, often without charge, and innovations in distribution platforms have enabled consumers to view such Internet-delivered content on televisions and portable devices. There is a risk that our responses to these changes and strategies to remain competitive, including distribution of our content on a “pay” basis, may not be adopted by consumers. In publishing, the trend toward digital media may drive down the price consumers are willing to spend on our products disproportionately to the costs associated with generating literary content. Our failure to protect and exploit the value of our content, while responding to and developing new technology and business models to take advantage of advancements in technology and the latest consumer preferences, could have a material adverse effect on our business, financial condition and results of operations.

INFORMATION TECHNOLOGY, CYBERSECURITY AND OTHER EVENTS

The interruption or failure of our information technology and communications systems, or those of third parties that we rely upon, may materially and adversely affect our business, financial condition, and results of operations.

The availability of our products and services depends on the continuing operation of our information technology and communications systems. Any damage to or failure of our systems, or those of third parties that we rely upon (e.g., co-location providers for data servers, storage devices, and network access) could result in interruptions in our service, which could reduce our revenue and profits. Our systems are also vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, telecommunications failures, computer viruses or other attempts to harm our systems.

Furthermore, third-party service providers may experience an interruption in operations or cease operations for any reason. If we are unable to agree on satisfactory terms for continued data center hosting relationships, we would be forced to enter into a relationship with other service providers or assume hosting responsibilities ourselves. If we are forced to switch hosting facilities, we may not be successful in finding an alternative service provider on acceptable terms or in hosting the computer servers ourselves. We may also be limited in our remedies against these providers in the event of a failure of service. We also rely on third-party providers for components of our technology platform, such as hardware and software providers. A failure or limitation of service or available capacity by any of these third-party providers may materially and adversely affect our business, financial condition and results of operations.

We rely on third parties to provide software and related services necessary for the operation of our business.

We incorporate and include third-party software into and with our applications and service offerings and expect to continue to do so. The operation of our applications and service offerings could be impaired if errors occur in the third-party software that we use. It may be more difficult for us to correct any defects in third-party software because the development and maintenance of the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software. There can be no assurance that any third-party licensors will continue to make their software available to us on acceptable terms, to invest the appropriate levels of resources in their software to maintain and enhance its capabilities, or to remain in business. Any impairment in our relationship with these third-party licensors could harm our ability to maintain and expand the reach of our service, increase listener hours and sell advertising, each of which could harm our business, financial condition and results of operations.

Our broadcasts often rely on content owned by third parties; obtaining such content could be costly and require us to enter into disadvantageous license or royalty arrangements.

We rely heavily upon content and software owned by third parties in order to provide programming for our broadcasts. The cost of obtaining all necessary licenses and permission to use this third-party content and software continues to increase. Although we attempt to avoid infringing known proprietary rights of third parties in our broadcasting efforts, we expect that we may be subject to legal proceedings and claims for alleged infringement from time to time in the ordinary course of business. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management's attention and resources, or require us to enter into royalty or license agreements which are not advantageous to us. In addition, parties making claims may be able to obtain an injunction, which could prevent us from broadcasting all or certain portions of individual radio broadcasts containing content owned by third parties. We also rely on software that we license from third parties, including software that is integrated with internally developed software and used to perform key broadcasting and accounting functions. We could lose the right to use this software or it could be made available to us only on commercially unreasonable terms. Although we believe that alternative software is available from other third-party suppliers or internal developments, the loss of or inability to maintain any of these software licenses or the inability of the third parties to enhance in a timely and cost-effective manner their products in response to changing customer needs, industry standards or technological developments could result in limitations or delays in broadcasting or accounting for programming by us until equivalent software can be developed internally or identified, licensed and integrated, which would harm our business.

We may have difficulty scaling and adapting our existing technology and network infrastructure to accommodate increased traffic and technology advances or changing business requirements, which could lead to the loss of current and potential customers and advertisers, and cause us to incur expenses to make architectural changes.

To be successful, our network infrastructure has to perform well and be reliable. The greater the user traffic and the greater the complexity of our products and services, the more computing power we will need. In the future, we may spend substantial amounts to purchase or lease data centers and equipment, upgrade our technology and network infrastructure to handle increased traffic on our owned and operated websites and roll out new products and services. This expansion could be expensive and complex and could result in inefficiencies or operational failures. If we do not implement this expansion successfully, or if we experience inefficiencies and operational failures during its implementation, the quality of our products and services and our users' experience could decline. This could damage our reputation and lead us to lose current and potential customers and advertisers. The costs associated with these adjustments to our architecture could harm our operating results. Cost increases, loss of traffic or failure to accommodate new technologies or changing business requirements could harm our business, financial condition and results of operations.

Cyber security and privacy breaches may hurt our business, damage our reputation, increase our costs, and cause losses.

Our information technology systems could be subject to invasion, cyber-attack, or data privacy breaches by employees, others with authorized access, and unauthorized persons. Such attacks could result in disruption to our operations, loss or disclosure of, or damage to, our or any of our customer's or vendor's data or confidential information. Security measures may also be breached due to employee error, malfeasance, or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, customers or vendors to disclose sensitive information in order to gain access to our data and information technology systems. Any such breach could result in significant legal and financial exposure, damage to our reputation, loss of competitive advantage, and a loss of confidence in the security of our information technology systems that could potentially have an impact on our operations. Because the techniques used to obtain unauthorized access, disable or degrade, or sabotage our information technology systems change frequently and often are not recognized until launched, we may be unable to anticipate these techniques or to implement adequate preventive measures.

Third parties that provide services for our operations could also be a source of security risk in the event of a failure of their own security systems and infrastructure. In addition, sophisticated hardware and operating system software and applications that are procured from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of our information technology systems.

Although we have developed systems and processes designed to protect information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach, such measures cannot provide absolute security. Such breaches, whether successful or unsuccessful, could result in the incurrence of costs related to rebuilding internal systems, defending against litigation, responding to regulatory inquiries or actions, paying damages, or taking other remedial steps.

Global privacy legislation, enforcement, and policy activity are rapidly expanding and creating a complex compliance environment. Our failure to comply with federal, state, or international privacy related or data protection laws and regulations could result in proceedings against us by governmental entities or others. Although we have insurance coverage for protecting against cyber security risks, it may not be sufficient to cover all possible claims and losses that could have a material adverse effect on our business.

Our business may be adversely affected by malicious applications that interfere with, or exploit security flaws in, our Internet websites and online services.

Our business may be adversely affected by malicious applications that make changes to our users' computers and interfere with their experience with our websites. These applications may attempt to change our users' Internet experience, including hijacking queries to our website, altering or replacing search results or otherwise interfering with our ability to connect with our users. The interference often occurs without disclosure or consent, resulting in a negative experience that users may associate with us. These applications may be difficult or impossible to uninstall or disable, may reinstall themselves and may circumvent other applications' efforts to block or remove them. The ability to reach users and provide them with a superior experience is critical to our success. If our efforts to combat these malicious applications are unsuccessful, our reputation may be harmed and user traffic could decline, which would damage our business.

Privacy protection is increasingly demanding, and we may be exposed to risks and costs associated with security breaches, data loss, credit card fraud and identity theft that could cause us to incur unexpected expenses and loss of revenue as well as other risks.

The protection of customer, employee, vendor, and other business data is critical to us. Federal, state, provincial and international laws and regulations govern the collection, retention, sharing and security of data that we receive from and about our employees, customers, vendors and franchisees. The regulatory environment surrounding information security and privacy has been increasingly demanding in recent years, and we may see the imposition of new and additional requirements by states and the federal government as well as foreign jurisdictions in which we do business. Compliance with these requirements may result in cost increases due to necessary systems changes and the development of new processes to meet these requirements. In addition, customers have a high expectation that we will adequately protect their personal information. If we or our service providers fail to comply with these laws and regulations or experience a significant breach of customer, employee, vendor, franchisee or other company data, our reputation could be damaged and result in an increase in service charges, suspension of service, lost sales, fines or lawsuits.

The use of credit payment systems makes us more susceptible to a risk of loss in connection with these issues, particularly with respect to an external security breach of customer information that we or third parties (including those with whom we have strategic alliances) under arrangements with us control. Significant portions of our sales require the collection of certain customer data, such as credit card information. In order for our sales channel to function, we and other parties involved in processing customer transactions must be able to transmit confidential information, including credit card information, securely over public networks. In the event of a security breach, theft, leakage, accidental release or other illegal activity with respect to employee, customer, or vendor with whom we have strategic alliances or other company data, we could become subject to various claims, including those arising out of thefts and fraudulent transactions, and may also result in the suspension of credit card services. This could cause consumers to lose confidence in our security measures, harm our reputation as well as divert management attention

and expose us to potentially unreserved claims and litigation. Any loss in connection with these types of claims could be substantial. In addition, if our electronic payment systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. In addition, we are reliant on these systems, not only to protect the security of the information stored, but also to appropriately track and record data. Any failures or inadequacies in these systems could expose us to significant unreserved losses, which could materially and adversely affect our business, financial condition and results of operations. Our brand reputation would likely be damaged as well.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins or similar events. A significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, financial condition and results of operations. Our insurance coverage may be insufficient to compensate us for losses that may occur. Our principal executive offices are located in Southern California, a region known for seismic activity. In addition, acts of terrorism could also cause disruptions in our business or the economy as a whole. We rely heavily on servers, computers, communications systems and the Internet to conduct our business and provide high quality service to our listeners. Our servers may be vulnerable to cyber-security risks such as computer viruses and break-ins. Disruptions in these services could negatively impact our ability to run our business, result in the loss of existing or potential listeners, the loss of existing or potential advertisers and increase maintenance costs, each of which could materially and adversely affect our business, financial condition and results of operations. To date, we have not experienced significant disruptions in running our business due to catastrophic events, earthquakes, computer viruses or terrorism.

ACQUISITIONS AND CAPITAL INVESTMENTS

We may be unable to integrate the operations and management of acquired stations or businesses, which could have a material and adverse effect on our business and operating results.

Acquisitions may have a substantial impact on our revenues, costs, cash flows, and financial position. We spent \$10.1 million, \$17.3 million and \$18.7 million on acquisitions during the years ended December 31, 2016, 2015 and 2014, respectively. We expect to make additional acquisitions of radio stations, FM transmitters, digital businesses and publishing businesses. Acquisitions involve risks and uncertainties, including difficulties in integrating acquired operations and in realizing expected opportunities; diversions of management resources and loss of key employees; challenges with respect to operating new businesses; debt incurred in financing such acquisitions; and other unanticipated problems and liabilities. There can be no assurance that we will be able to successfully integrate the operations or management of acquired radio stations and businesses and realize anticipated revenue synergies, or the operations or management of stations and businesses that may be acquired in the future.

Continued acquisitions will require us to manage a larger and likely more geographically diverse region of radio stations, digital portfolios and publishing portfolios than historically has been the case. Our inability to integrate and manage newly-acquired radio stations, digital businesses or publishing entities successfully could have a material and adverse effect on our business and operating results.

If we are unable to execute our acquisition strategy successfully, our business may not continue to grow.

We intend to continue to selectively acquire radio stations, FM translators, digital media entities and publishing businesses. With respect to the acquisition of radio stations, our acquisition strategy has been, and will continue to focus primarily on, the acquisition of stations in the top fifty (50) markets. However, we may not be able to identify and consummate future acquisitions successfully, and stations that we do acquire may not increase our station operating income or yield other anticipated benefits. Acquisitions in markets in which we already own stations may not increase our station operating income due to saturation of audience demand. Acquisitions in smaller markets may have less potential to increase operating revenues. With respect to our acquisition strategy of digital and publishing businesses, we may not be able to identify and consummate the acquisition of future businesses successfully. Additionally, we may not be able to effectively integrate the operation of newly-acquired businesses with our existing businesses, which could result in reduced operating income from our businesses. Our failure to execute our acquisition strategy successfully in the future could limit our ability to continue to grow in terms of number of stations or profitability.

Some of our acquisition agreements contain contingent earn-out consideration, the value of which may impact future operating results.

Some of our acquisition agreements include contingent earn-out consideration, the fair value of which is estimated as of the acquisition date based on the present value of the expected contingent payments as determined using weighted probabilities of possible future payments. These fair value estimates contain unobservable inputs and estimates that could materially differ from the actual future results. The fair value of the contingent earn-out consideration could increase or decrease, up to the contracted limit, as applicable. Changes in the fair value of contingent earn-outs will be reflected in our results of operations in the period in which they are recognized, the amount of which may be material and cause volatility in our operating results.

If we are unable to implement our market cluster strategy, we may not realize anticipated operating efficiencies.

As part of our operating strategy, we attempt to realize efficiencies in operating costs and cross-selling of advertising by clustering the operations of two or more radio stations in a single market. However, there can be no assurance that this operating strategy will be successful. Furthermore, we cannot make any assurance that the clustering of radio stations in one market will not result in downward pressure on advertising rates at one or more of the existing or new radio stations within the cluster. Furthermore, there can be no assurance that any of our stations will be able to maintain or increase its current listening audiences and operating revenue in circumstances where we implement our clustering strategy.

Additionally, FCC rules and policies allow a broadcaster to own a number of radio stations in a given market and permit, within limits, joint arrangements with other stations in a market relating to programming, advertising sales and station operations. We believe that radio stations that elect to take advantage of these clustering opportunities may have lower operating costs and may be able to offer advertisers more attractive rates and services. The future development of our business in new markets, as well as the maintenance of our business growth in those markets in which we do not currently have radio station clusters, may be negatively impacted by competitors who are taking or may take advantage of these clustering opportunities by operating multiple radio stations within markets.

We base capital allocation decisions primarily on our analysis of the predicted internal rate of return. If the estimates and assumptions we use in calculating the internal rate of return are inaccurate, our capital may be inefficiently allocated. If we fail to appropriately allocate our capital, our growth rate and financial results will be adversely affected.

We continually seek opportunities for growth by increasing the strength and number of our broadcast signals, increasing the number of page views on our web platform and increasing the subscriber base of our publications. In order to realize these growth opportunities, we must rely on continued technical improvements to expand our broadcasting, digital and publication footprint. When deciding which opportunities to pursue, we must predict the internal rate of return associated with each project. Our calculations are based on certain estimates and assumptions that may not be realized. Accordingly, the calculation of internal rate of return may not be reflective of our actual returns, and our capital may be inefficiently allocated. If we fail to appropriately allocate our capital, our growth rate and financial results will be adversely affected.

Our syndicated programming is dependent upon maintenance of our transponder equipment, which is located at various customer sites.

Delivery of our national programs is dependent upon transponder equipment that is located at various customer locations. The quality and durability of this equipment, as well as our ability to protect the equipment from damage, destruction or theft, directly impacts our ability to transmit programming. Losses to this equipment and any business interruption may not be fully insurable.

If we are unable to protect our domain names, our reputation and brands could be adversely affected.

We currently hold various domain name registrations relating to our brands. The registration and maintenance of domain names generally are regulated by governmental agencies and their designees. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to register or maintain relevant domain names. We may be unable, without significant cost or at all, to prevent third parties from registering domain names that are similar to, infringe upon or otherwise decrease the value of, our trademarks and other proprietary rights. Failure to protect our domain names could adversely affect our reputation and brands, and make it more difficult for users to find our websites and our services.

Impairment of FCC licenses, goodwill and other intangible assets deemed to have indefinite useful lives could cause future losses due to asset impairment.

A majority of the purchase price for broadcast stations is allocated to FCC licenses. We may also record goodwill based on our acquisition activity. Approximately 70% of our total assets at December 31, 2016 consisted of indefinite-lived intangible assets including broadcast licenses, goodwill and mastheads. The value of these indefinite-lived intangible assets depends significantly upon the operating results of our businesses. We do not amortize goodwill or other indefinite-lived intangible assets, but rather test for impairment at least annually or more frequently if events or circumstances indicate that an asset may be impaired.

We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year. We have incurred significant impairment losses in prior years with regard to our indefinite-lived intangible assets.

The valuation of intangible assets is subjective and based on estimates rather than precise calculations. The fair value measurements of our indefinite-lived intangible assets use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material. Given the current economic environment and uncertainties that can negatively impact our business, there can be no assurance that our estimates and assumptions made for the purpose of our indefinite-lived intangible fair value estimates will prove to be accurate.

During our annual testing in the fourth quarter of 2016, we recognized an impairment charge of \$6.5 million associated with the value of broadcast licenses in our Cleveland, Dallas, Detroit and Portland clusters that was largely attributable to increases in the risk free interest rate and corporate borrowing rates during the year ended December 31, 2016 as compared to the prior year. We also recognized an impairment charge of \$0.5 million associated with the value of mastheads in our magazine publishing segment due to declining revenue forecasts that we believe are indicative of trends in the magazine publishing industry as a whole. During our annual testing in the fourth quarter of 2015, we recognized an impairment charge of \$0.4 million associated with the value of goodwill in our Singing News Network (formerly Solid Gospel Network) due to a reduction of projected net revenues. During our annual testing in the fourth quarter of 2014, we recognized impairment charges of \$79,000 associated with mastheads and goodwill within our magazine publishing segment, largely due to continual declines in revenues that were not offset with cost reductions from the decrease in the number of publications printed. The growth of digital-only publications, which are often free or significantly less than a print magazine has hindered the ability of the publishing industry to recover from the economic recession that began in 2008. We believe that the impairments are indicative of trends in the industry as a whole and are not unique to our company or operations.

While the impairment charges we have recognized are non-cash in nature and do not violate covenants relating to our senior secured credit facility, they are indicative of declining expectations for future economic conditions and performance. The potential for future impairment charges can be viewed as a negative factor with regard to forecasted future performance and cash flows. We believe that we have adequately considered the economic downturn in our valuation models and do not believe that the non-cash impairments in and of themselves are a liquidity risk.

FINANCIAL REPORTING

The requirements of being a public company may strain our resources and divert management's attention.

We are subject to the reporting requirements of the Exchange Act, the listing requirements of the NASDAQ Global Select Market, and other applicable securities rules and regulations. Compliance with these rules and regulations results in a higher level of legal and financial compliance costs. Compliance can divert the time and attention of management from revenue-generating activities. Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, our business and operating results may be harmed.

In addition, complying with public disclosure rules makes our business more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results.

We have identified a material weakness in our internal control over financial reporting, which could, if not sufficiently remediated, result in material misstatements in our consolidated financial statements.

We are subject to Section 404 of the Sarbanes-Oxley Act (SOX), which requires us to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. We have consumed and will continue to consume management resources and incur expenses for SOX compliance on an ongoing basis.

As disclosed in Item 9A of this report in November 2016, management identified a control deficiency with respect to the precision of the review of the calculation of our valuation allowance for certain deferred tax assets and concluded that such deficiency constituted a material weakness in internal control over financial reporting.

Our management has reviewed and revised its policies and procedures with respect to controls over the review and verification of the accuracy of the calculation of the valuation allowance for certain deferred tax assets to ensure that all reasonable steps are taken to correct this material weakness. Our management has enhanced the precision of the controls, including hiring a Tax Director, however, the deficiency will not be considered remediated until internal controls are operational for a period of time and tested, and management concludes that such controls are operating effectively. Based on our assessment, we consider that the material weakness related to the precision of the review of the calculation of the provision for income taxes not to have been fully remediated and is still present as of December 31, 2016 as the remedial measures have not operated effectively for a sufficient period of time for management to conclude, through testing, that the applicable controls have operated effectively.

Accordingly, based on its assessment, management has concluded that our internal control over financial reporting was not effective as of December 31, 2016, and we have received an adverse opinion from our independent registered public accounting firm on our internal control over financial reporting as of December 31, 2016. Because of the material weakness in internal control over financial reporting, our management has not been able to conclude that our disclosure controls and procedures were effective as of December 31, 2016.

We cannot assure you that any remediation plan can resolve the material weakness identified in our internal control over financial reporting. If we are unable to fully remediate such material weakness or fail to maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the trading price of our Class A common stock could be negatively affected. Additionally, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

WELLNESS PRODUCTS

The efficacy of wellness products is supported by limited conclusive clinical studies, which could result in claims that our wellness products are ineffective or harmful to consumers.

Our wellness products are made from various ingredients including vitamins, minerals, amino acids, herbs, botanicals, fruits, berries and other substances for which there is a long history of human consumption. However, there is little long-term experience with human consumption of certain product ingredients or combinations of ingredients in concentrated form. Although we believe all of our wellness products fall within the generally known safe limits for daily doses of each ingredient contained within them, nutrition science is imperfect. Moreover, some people have peculiar sensitivities or reactions to nutrients commonly found in foods, and may have similar sensitivities or reactions to nutrients contained in our wellness products. Furthermore, nutrition science is subject to change based on new

research. New scientific evidence may disprove the efficacy of our wellness products or prove our wellness products to have effects not previously known. We could be adversely affected by studies that may assert that our wellness products are ineffective or harmful to consumers, or if adverse effects are associated with a competitor's similar products.

We are currently dependent on a limited number of independent suppliers and manufacturers of our wellness products, which may affect our ability to deliver our wellness products in a timely manner. If we are not able to ensure timely product deliveries, potential distributors and customers may not order our wellness products, and our revenues may decrease.

We rely entirely on a limited number of third parties to supply and manufacture our wellness products. These third parties are subject to FDA regulation and must operate in accordance with strict manufacturing requirements referred to as Current Good Manufacturing Practices (“CGMP’s”) for dietary supplements. Our wellness products are manufactured on a purchase order basis only and manufacturers can terminate their relationships with us at any time. These third party manufacturers may be unable to satisfy our supply requirements, manufacture our wellness products on a timely basis and in compliance with CGMP’s, fill and ship our orders promptly, provide services at competitive costs or offer reliable products and services. The failure to meet any of these critical needs and legal requirements would delay or reduce wellness product shipments and adversely affect our revenues, as well as jeopardize our relationships with our customers. In the event any of our third party manufacturers were to become unable or unwilling to continue to provide us with products in required volumes and at suitable quality levels, we would be required to identify and obtain acceptable replacement manufacturing sources. There is no assurance that we would be able to obtain alternative manufacturing sources on a timely basis. Additionally, all of our third party manufacturers source the raw materials for our products, and if we were to use alternative manufacturers, we may not be able to duplicate the exact taste and consistency profile of the product from the original manufacturer. An extended interruption in the supply of our products would result in decreased product sales and our revenues would likely decline. We believe that we can meet our current supply and manufacturing requirements with our current suppliers and manufacturers or with available substitute suppliers and manufacturers.

We are dependent on our third party manufacturers to supply our wellness products in the compositions we require, and we do not independently analyze our wellness products. Any errors in our wellness product manufacturing could result in wellness product recalls, contamination, significant legal exposure, reduced revenues and the loss of distributors.

While we require that our manufacturers verify the accuracy of the contents of our wellness products, we do not have the expertise or personnel to monitor the production of products by these third parties. We rely exclusively, without independent verification, on certificates of analysis regarding wellness product content provided by our third party suppliers and limited safety testing they perform. We cannot be assured that all of the third parties involved in the manufacturing of our products are complying with government health and safety standards, and even if our wellness products meet these standards, they could otherwise become contaminated. Errors in the manufacture of our wellness products and the occurrence of contamination could result in product recalls, significant legal exposure, adverse publicity, decreased revenues and loss of distributors and endorsers. We also cannot be assured that these outside manufacturers will continue to supply wellness products to us reliably in the compositions we require. Any of these failures or occurrences could negatively affect our wellness products business and financial performance.

If the wellness products we sell do not have the healthful effects intended, our wellness products business may suffer.

In general, our wellness products sold consist of nutritional supplements, which are classified in the United States as “dietary supplements” which do not currently require approval from the FDA or other regulatory agencies prior to sale. Although many of the ingredients in such wellness products are vitamins, minerals, herbs and other substances for which there is a long history of human consumption, they contain innovative ingredients or combinations of ingredients. Although we believe all of such wellness products and the combinations of ingredients in them are safe when taken as directed, there is little long-term experience with human or other animal consumption of certain of these ingredients or combinations thereof in concentrated form. The wellness products could have certain side effects if not taken as directed or if taken by a consumer that has certain medical conditions. Furthermore, there can be no assurance that any of the wellness products, even when used as directed, will have the effects intended or will not have harmful side effects.

RISKS ASSOCIATED WITH REGULATIONS

The restrictions on ownership of multiple radio stations in each market may prevent us from implementing our broadcasting market cluster strategy.

We seek to acquire additional radio stations in markets in which we already have existing stations. Our ability to acquire, operate and integrate any such future acquisitions as part of a cluster is limited by antitrust laws, the Communications Act, FCC regulations and other applicable laws and regulations. Changes to any of these laws or regulations may affect our ability to acquire additional stations in radio markets where we already own one (1) or more radio station(s). In 1996, Congress passed legislation that requires the FCC to periodically conduct reviews of its regulations, including those which govern the maximum number of radio stations an entity may own or have joint arrangements with relating to programming, advertising sales and station operations (the “Ownership Limits”). The FCC has adopted radio multiple ownership rules that depend upon the total number of radio stations located in the market in determining the applicable Ownership Limits. In 2003, the FCC modified its definition of the term “market” and its method of determining the number of radio stations located in a “market.” Specifically, in larger markets, the FCC replaced its “signal contour method” of defining a market and determining the number of radio stations located in the market with the use of “geographic markets” delineated by Nielsen, which is a commercial ratings service, as reported in the BIA database, as issued by BIA/Kelsey, a research and advisory company focused on the local advertising marketplace. For smaller radio markets for which Nielsen has not delineated a geographic market, the “signal contour method” continues to be the method of defining the market and determining the number of radio stations in the market. The methods the FCC uses to define markets affect the number of radio stations an entity may own or have joint arrangements with relating to programming, advertising sales and station operations in areas adjacent to a delineated Nielsen market.

In 2010, the FCC opened a new phase of rulemaking concerning its broadcast ownership rules. The FCC sought public comments on the existing rules, including arguments and factual data on their impact on competition, localism, and diversity and held public meetings around the country on the issue of media ownership rules. The FCC 2010 quadrennial review of broadcast ownership rules was consolidated into the FCC's 2014 quadrennial review of broadcast ownership rules, which commenced in spring of 2014. The local radio ownership rule, the radio/television cross-ownership rule and newspaper/broadcast cross-ownership rule are among the broadcast ownership rules considered in the 2010 and 2014 quadrennial reviews. The FCC instructed its Media Bureau to complete the combined 2010 and 2014 reviews by June 30, 2016. On August 25, 2016, the FCC released a Second Report and Order to close the 2010 and 2014 Quadrennial Review proceedings. The FCC decided to retain its local radio ownership rules without modification. The FCC, however, recently filed a motion requesting that the Third Circuit Court of Appeals hold in abeyance the consolidated cases pending before it in connection with the broadcast ownership rules, because it intends to act on a Petition for Reconsideration of the Second Report and Order, which could result in changes to the local radio ownership rules.

We cannot predict the impact of possible modifications to the FCC's local radio multiple ownership rules on our business operations. Likewise, we cannot predict whether there will be a change in the antitrust laws, Communications Act or other laws governing the ownership or operation of radio stations, or whether the FCC, U.S. Department of Justice ("DOJ") or Federal Trade Commission ("FTC") will modify their regulations and policies governing or affecting the acquisition of additional radio stations in a market. In addition, we cannot predict whether a private party will challenge acquisitions we propose in the future. These events could adversely affect our ability to implement our cluster acquisition strategy.

Government regulation of the broadcasting industry by the FTC, DOJ and FCC may limit our ability to acquire or dispose of radio stations and enter into certain agreements.

The Communications Act and FCC rules and policies require prior FCC approval for transfers of control of, and assignments of, FCC broadcast licenses. The FTC and the DOJ evaluate transactions to determine whether those transactions should be challenged under federal antitrust laws. As we have gained a presence in a greater number of markets and percentage of the top 50 markets, our future proposed transactions may be subject to more frequent and aggressive review by the FTC and/or the DOJ due to market concentration concerns. This increased level of review may be accentuated in instances where we propose to engage in a transaction with parties who themselves have multiple stations in the relevant market. The FCC might not approve a proposed radio station acquisition or disposition when the DOJ has expressed market concentration concerns with respect to the buy or sell side of a given transaction, even if the proposed transaction would otherwise comply with the FCC's numerical limits on in-market ownership. We cannot be sure that the DOJ or the FTC will not seek to prohibit or require the restructuring of our future acquisitions or dispositions on these or other bases.

If a complaint was filed against us or other FCC licensees involved in a transaction with us, or an objection to the transaction itself, the FCC could delay the grant of, or refuse to grant, its consent to an assignment or transfer of

control of licenses and effectively prohibit a proposed acquisition or disposition.

As noted in the immediately preceding risk factor, the FCC's local radio multiple ownership rules limit the maximum number of stations we may own or operate in a market. This may limit our ability to make future radio station acquisitions in certain markets. Additionally, this may limit our ability, in certain markets, to enter into agreements whereby we provide programming to or sell advertising on radio stations that we do not own. It could also limit our ability to sell stations to other entities that already own stations in some markets.

We may be adversely affected by statutes dealing with indecency.

The Broadcast Decency Enforcement Act of 2005 enhances the FCC's enforcement of its rules concerning the broadcast of obscene, indecent, or profane material became law in 2006. This legislation increased the FCC's authority in this area to impose substantially higher monetary forfeiture penalties, up to \$325,000 per violation and a total of \$3,000,000 for any one incident. While we do not anticipate these increased penalties to impact us as significantly as some of our competitors given the nature of our programming, we could face increased costs in the form of fines as a result of this legislation.

We may be subject to fines and other penalties related to violations of FCC indecency rules and other FCC rules and policies, the enforcement of which has increased in recent years, and complaints related to such violations may delay our renewal applications with the FCC.

We provide live news reporting that is controlled by our on-air news talent. Although our on-air talent have been professional and careful in what they say, there is always the possibility that information may be reported that is inaccurate or even in violation of certain indecency rules promulgated by the FCC.

If we fail to maintain our broadcast licenses with the FCC, we would be prevented from operating affected radio stations.

We operate each of our radio stations pursuant to one or more FCC broadcast licenses, generally of eight years' duration. As each license expires, we apply for renewal of the license. However, we cannot be sure that any of our licenses will be renewed, and renewal is subject to challenge by third parties or to denial by the FCC. In evaluating a broadcast license renewal application, the FCC must grant the renewal if: (1) the station has served the public interest, convenience and necessity; (2) there have been no serious violations of the Communications Act or the FCC's rules; and (3) there have been no other violations which, taken together, constitute a pattern of abuse. If, however, the station fails to meet these standards, the FCC may deny the application, after notice and an opportunity for a hearing, or grant the application on terms and conditions that are appropriate, including renewal for less than the maximum term otherwise allowed. The failure to renew any of our licenses would prevent us from operating the affected station and generating revenue from it. If the FCC decides to include conditions or qualifications in any of our licenses, we may be limited in the manner in which we may operate the affected station.

Proposed legislation requires radio broadcasters to pay higher royalties to record labels and recording artists.

We must maintain music programming royalty arrangements with, and pay license fees to, Broadcast Music, Inc. ("BMI"), American Society of Composers, Authors and Publishers ("ASCAP"), and SESAC, Inc. ("SESAC"). These organizations negotiate with copyright users, collect royalties and distribute them to songwriters and music publishers. Currently, we pay royalties to song composers and publishers through BMI, ASCAP and SESAC.

On April 13, 2015, legislation was introduced to Congress under the "Fair Play, Fair Pay Act" (H.R. 1733 – 114th Congress) that would require terrestrial radio broadcasters to pay a royalty to record labels and performing artists for use of their recorded songs. The proposed legislation would add an additional layer of royalties to be paid directly to the record labels and artists. As of the date of this report, this bill has not been passed. It is currently unknown what proposed legislation, if any, will become law, and what significance this royalty would have on our results from operations, cash flows or financial position.

Changes in regulations or user concerns regarding privacy and protection of user data, or any failure to comply with such laws, could diminish the value of our services and cause us to lose customers and revenue.

When a user visits our websites or certain pages of our customers' websites, we use technologies, including "cookies," to collect information related to the user, such as the user's Internet Protocol, or IP, address, demographic information, and history of the user's interactions with advertisements previously delivered by us. The information that we collect

about users helps us deliver appropriate content and targeted advertising to the user. A variety of federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we receive from and about our users. The existing privacy-related laws and regulations are evolving and subject to potentially differing interpretations. We post privacy policies on all of our owned and operated websites that set forth our policies and practices related to the collection and use of customer data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with industry standards or laws or regulations could result in a loss of customer confidence in us, or result in actions against us by governmental entities or others, all of which could potentially cause us to lose customers and revenues.

In addition, various federal, state and foreign legislative and regulatory bodies may expand current or enact new laws regarding privacy matters. New laws may be enacted, or existing laws may be amended or re-interpreted, in a manner that limits our ability to analyze user data. If our access to user data is limited through legislation or any industry development, we may be unable to provide effective technologies and services to customers and we may lose customers and revenue.

Certain U.S. and foreign laws could subject us to claims or otherwise harm our business.

We are subject to a variety of laws in the U.S. and abroad that may subject us to claims or other remedies. Our failure to comply with applicable laws may subject us to additional liabilities, which could adversely affect our business, financial condition and results of operations. In addition to laws and regulations that are described elsewhere in the risk factors, laws and regulations that are particularly relevant to our business address (a) privacy; (b) freedom of expression; (c) information security; (d) content and distribution of content, including liability for user reliance on such content; (e) intellectual property rights, including secondary liability for infringement by others; (f) domain name registration; and (g) online advertising and marketing, including email marketing and unsolicited commercial email.

Many applicable laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues of the Internet. Moreover, the applicability and scope of the laws that do address the Internet remain uncertain. For example, the laws relating to the liability of providers of online services are evolving. Claims have been either threatened or filed against us under both U.S. and foreign laws for defamation, copyright infringement and trademark infringement. In the future, claims may also be alleged against us based on tort claims and other theories based on our content, products and services or content generated by our users.

We receive, process and store large amounts of personal user data on our owned and operated websites and from our freelance content creators. Our privacy and data security policies govern the collection, use, sharing, disclosure and protection of this data. The storing, sharing, use, disclosure and protection of personal information and user data are subject to federal, state and international privacy laws, the purpose of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. If requirements regarding the manner in which certain personal information and other user data are processed and stored change significantly, our business may be adversely affected, impacting our financial condition and results of operations. In addition, we may be exposed to potential liabilities as a result of differing views on the level of privacy required for customer and other user data we collect. Our failure or the failure of various third-party vendors and service providers to comply with applicable privacy policies or applicable laws and regulations or any compromise of security that results in the unauthorized release of personal information or other user data could adversely affect our business, financial condition and results of operations.

Government regulation of the Internet is evolving, and unfavorable developments could have a material and adverse affect on our operating results.

We are subject to general business regulations and laws, as well as regulations and laws specific to the Internet. Such laws and regulations cover taxation, user privacy, data collection and protection, copyrights, electronic contracts, sales procedures, automatic subscription renewals, credit card processing procedures, customer protections, broadband Internet access and content restrictions. We cannot guarantee that we have been or will be fully compliant in every jurisdiction, as it is not entirely clear how existing laws and regulations governing issues such as privacy, taxation and consumer protection apply to the Internet. Moreover, as Internet commerce continues to evolve, increasing regulation by federal, state and foreign agencies becomes more likely. The adoption of any laws or regulations that adversely affect the popularity or growth in use of the Internet, including laws limiting Internet neutrality, could decrease listener demand for our service offerings and increase our cost of doing business. Future regulations, or changes in laws and regulations or their existing interpretations or applications, could also hinder our operational flexibility, raise compliance costs and result in additional historical or future liabilities for us, resulting in material and adverse impacts on our business and our operating results.

Environmental, health, safety and land use laws and regulations may limit or restrict some of our operations.

We must comply with various federal, state and local environmental, health, safety and land use laws and regulations that have a tendency to affect broadcast facilities differently than other uses. We are subject to such laws and regulations relating to the use, storage, disposal, emission and release of hazardous and non-hazardous substances and employee health and safety, as well as zoning restrictions that may affect, among other things, the ability for us to improve or relocate our radio broadcasting facilities. Historically, we have not incurred significant expenditures to comply with these laws; however, existing laws, and those that may be applied in the future, or a finding of a violation of such laws or liability, could require us to make significant expenditures and otherwise limit or restrict some of our operations.

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints, which can make compliance for our wellness business costly and subject us to enforcement actions by governmental agencies.

The processing, formulation, safety, manufacturing, packaging, labeling, advertising and distribution of our wellness products are subject to federal laws and regulation by one or more federal agencies, including the FDA, FTC, U.S. Consumer Product Safety Commission, United States Department of Agriculture and Environmental Protection Agency. These activities are also regulated by various state, local and international laws and agencies of the states and localities in which our wellness products are sold. Government regulations may prevent or delay the introduction, or require the reformulation, of our wellness products, which could result in lost revenues and increased costs to us. For instance, the FDA regulates, among other things, the composition, safety, manufacture, labeling and marketing of dietary supplements (including vitamins, minerals, herbs, and other dietary ingredients for human use). The FDA may not accept the evidence of safety for any new dietary ingredient that we may wish to market, may determine that a particular dietary supplement or ingredient presents an unacceptable health risk based on the required submission of serious adverse events or other information, and may determine that a particular claim or statement of nutritional value that we use to support the marketing of a dietary supplement is an impermissible drug claim, is not substantiated, or is an unauthorized version of a "health claim."

Any of these actions could prevent us from marketing particular wellness products or making certain claims or statements with respect to those wellness products. The FDA could also require us to remove a particular wellness product from the market. Any future recall or removal would result in additional costs to us, including lost revenues from any wellness product that we are required to remove from the market, any of which could be material. Any wellness product recalls or removals could also lead to an increased risk of litigation and liability, substantial costs, and reduced growth prospects.

Additional or more stringent laws and regulations of dietary supplements and other wellness products have been considered from time to time. These developments could require reformulation of some wellness products to meet new standards, recalls or discontinuance of some wellness products not able to be reformulated, additional record-keeping requirements, increased documentation of the properties of some wellness products, additional or different labeling, additional scientific substantiation, or other new requirements. Any of these developments could increase our costs significantly.

Our failure to comply with FTC regulations could result in substantial monetary penalties and could adversely affect our business, financial condition and results of operations.

The FTC exercises jurisdiction over the advertising of wellness products and has instituted numerous enforcement actions against dietary supplement companies for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. Our failure to comply with FTC regulations could result in substantial monetary penalties and could adversely affect our business, financial condition and results of operations.

RISKS ASSOCIATED WITH OUR SUBSTANTIAL INDEBTEDNESS

Capital requirements necessary to implement acquisitions could pose risks.

We face competition from other companies for acquisition opportunities. If the prices sought by sellers of these companies were to rise, we may find fewer acceptable acquisition opportunities. In addition, the purchase price of possible acquisitions could require additional debt or equity financing on our part. Since the terms and availability of this financing depend to a large degree upon general economic conditions and third parties over which we have no control, we can give no assurance that we will obtain the needed financing or that we will obtain such financing on attractive terms. In addition, our ability to obtain financing depends on a number of other factors, many of which are also beyond our control, such as interest rates and national and local business conditions. If the cost of obtaining needed financing is too high or the terms of such financing are otherwise unacceptable in relation to the acquisition opportunity we are presented with, we may decide to forego that opportunity. Additional indebtedness could increase our leverage and make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures.

If we are not able to obtain financing or generate sufficient cash flows from operations, we may be unable to fund future acquisitions.

We may require significant financing to fund our acquisition strategy, which may not be available to us. The availability of funds under our existing senior secured credit facility at any time is dependent upon, among other factors, our ability to satisfy financial covenants. Our future operating performance will be subject to financial, economic, business, competitive, regulatory and other factors, many of which are beyond our control. Accordingly, we cannot make any assurances that our future cash flows or borrowing capacity will be sufficient to allow us to complete future acquisitions or implement our business plan, which could have a material negative impact on our business and results of operations.

We have substantial debt and have the ability to incur additional debt. The principal and interest payment obligations of such debt may restrict our future operations and impair our ability to meet our obligations under such debt.

At December 31, 2016, we and our subsidiary guarantors had approximately \$263.0 million outstanding on our Term Loan B and \$0.5 million on our revolving credit facility (“Revolver”) with Wells Fargo Bank.

Our substantial debt may have important consequences. For instance, it could:

- make it more difficult for us to satisfy our financial obligations; require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which will reduce funds available for other business purposes, including capital expenditures, acquisitions and payment of dividends; place us at a competitive disadvantage compared with some of our competitors that may have less debt and better access to capital resources; and limit our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business or acquisition strategies.

The agreements governing our various debt obligations impose restrictions on our business and could adversely affect our ability to undertake certain corporate actions.

The agreements governing our debt obligations, including the agreements governing our Term Loan B and Revolver, include covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things:

- incur additional debt;
- declare or pay dividends, redeem stock or make other equity distributions to stockholders;
- make investments;

- create liens or use assets as security in other transactions;
- merge or consolidate, or sell, transfer, lease or dispose of all or substantially all of our assets;
 - engage in transactions with affiliates; and
 - sell or transfer assets.

Our Term Loan B and our Revolver also require us to comply with a number of financial ratios and covenants and restricts our ability to make certain capital expenditures.

Our ability to comply with these agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities. The breach of any of these covenants or restrictions could result in a default under the Term Loan B and Revolver. An event of default under any of our debt agreements could permit some of our lenders to declare all amounts borrowed from them to be immediately due and payable, together with accrued and unpaid interest, which could, in turn, trigger defaults under other debt obligations and the commitments of the lenders to make further extensions of credit under our Revolver could be terminated. If we were unable to repay debt to our lenders, or are otherwise in default under any provision governing our outstanding secured debt obligations, our secured lenders could proceed against us and the subsidiary guarantors and against the collateral securing that debt.

To service our indebtedness, we will require a significant amount of cash. However, our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on, and to refinance, our indebtedness, and to fund capital expenditures, will depend on our ability to generate cash in the future, which, in turn, is subject to general economic, financial, competitive, regulatory and other factors, many of which are beyond our control.

Our business may not generate sufficient cash flow from operations and we may not have available to us future borrowings in an amount sufficient to enable us to pay our indebtedness. In these circumstances, we may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. Without this financing, we could be forced to sell assets or secure additional financing to make up for any shortfall in our payment obligations under unfavorable circumstances. In addition, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We own or lease various properties throughout the United States from which we conduct business. No one physical property is material to our overall business operations. We believe that each of our properties are in good condition and suitable for our operations; however, we continually evaluate opportunities to upgrade our properties. We believe that we will be able to renew existing leases when applicable or obtain comparable facilities, as necessary.

Corporate

Our corporate headquarters are located in Camarillo, California where we own an approximately 46,000 square foot office building.

Broadcasting

We own or lease multiple properties throughout the United States from which we operate our radio stations and related facilities. These properties include offices and studios, transmitter locations, antenna sites and tower sites. A radio station studio is typically located in an office in a downtown or business district. Transmitter, antenna and tower sites are located in areas that provide maximum market coverage.

Our SRN and SMR offices, Salem Consumer Products, and our Dallas radio station studios and offices are located in the Dallas, Texas metropolitan area, where we own an approximately 43,000 square foot office building. We also own office buildings in Honolulu, Hawaii; Tampa, Florida; and Orlando, Florida from which our radio stations studios and offices operate. Our national radio network operates from various offices and studios. These studios may be used to generate programming or programming can also be relayed from a remote point of origination. Our network leases satellite transponders used in the delivery of its programming.

We lease certain property from our principal stockholders or trusts and partnerships created for the benefit of the principal stockholders and their families. These leases are described in Note 16 – Related Party Transactions in the notes to our consolidated financial statements contained in Item 8 of this annual report on Form 10-K. All such leases have cost of living adjustments. Based upon our management's assessment and analysis of local market conditions for comparable properties, we believe such leases have terms that are as favorable as, or more favorable, to the company

than those that would have been available from unaffiliated parties.

Our current lease agreements range from one to thirty years remaining on the lease term.

While none of our owned or leased properties is individually material to our operations, if we were required to relocate any of our broadcast towers, the cost would be significant. Significant costs are due to the moving and reconstruction of the tower as well as the limited number of sites in any geographic area that permit a tower of reasonable height to provide adequate market coverage. These limitations are due to zoning and other land use restrictions, as well as Federal Aviation Administration and FCC regulations.

Digital Media

Our digital media entities operate from office buildings and also require data storage centers. Salem Web Network operates from leased office facilities in Richmond, Virginia and Nashville, Tennessee. Townhall Media operates from a leased facility in Washington, D.C. that is also used by our radio stations in that market. Eagle Financial Publications operates from a leased office in Washington, D.C. that is also used by Eagle Wellness and Gene Smart. Fulfillment of wellness inventory is managed by a third party in New Holland, Pennsylvania. Our current lease agreements range from one to nine years remaining on the lease term.

Publishing

Salem Publishing operates from leased office facilities in Nashville, Tennessee. Salem Author Services, comprised of Xulon Press and Hillcrest Media, operates from leased facilities in Orlando, Florida. Regnery Publishing operates from leased facilities in Washington, D.C. with inventory fulfillment managed by a third party in Jackson, Tennessee. Our current lease agreements range from one to two years remaining on the lease term.

ITEM 3. LEGAL PROCEEDINGS.

We and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. We maintain insurance that 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. 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 our annual consolidated financial position, results of operations or cash flows.

In April 2016, pursuant to a counterclaim to a collection suit initiated by Salem, an award was issued against Salem for breach of contract and attorney fees. While we have filed an appeal against the award as well as a malpractice lawsuit against the lawyer that represented Salem in the suit, we recorded a legal reserve of \$0.5 million as of March 31, 2016. This reserve represents the total possible loss contingency without third-party recoveries from our appeal, malpractice lawsuit or insurance claims. There have been no changes in our estimates as of the date of this filing.

ITEM 4. MINE AND SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Class A common stock trades on the NASDAQ Global Market® ("NASDAQ-NGM") under the symbol SALM. On February 2, 2017, the company had approximately 47 stockholders of record (not including the number of persons or entities holding stock in nominee or street name through various brokerage firms) and 20,275,480 outstanding shares of its Class A common stock and two stockholders of record and 5,553,696 outstanding shares of its Class B common stock. The following table sets forth for the fiscal quarters indicated the range of high and low sale price information per share of the Class A common stock of the company as reported on the NASDAQ-NGM.

	2015				2016			
	1 st	2 nd	3 rd	4 th	1 st	2 nd	3 rd	4 th
	Qtr	Qtr	Qtr	Qtr	Qtr	Qtr	Qtr	Qtr
High (mid-day)	\$7.97	\$6.75	\$6.85	\$6.50	\$6.06	\$8.17	\$8.10	\$6.64
Low (mid-day)	\$5.50	\$4.38	\$5.26	\$4.53	\$3.60	\$5.84	\$5.68	\$5.00

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

DIVIDEND POLICY

Our dividend policy is based upon our Board of Directors' current assessment of our business and the environment in which we operate. The actual declaration of any future equity 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 and legal requirements, and other factors. The reduction or elimination of equity distributions may negatively affect the market price of our common stock.

The following table shows the equity distributions that have been declared and paid to all stockholders of record of our Class A and Class B common stock during the years ended December 31, 2016 and 2015.

Announcement Date	Record Date	Payment Date	Amount Per Share	Cash Distributed (in thousands)
December 7, 2016	December 19, 2016	December 31, 2016	\$0.0650	\$ 1,678
September 9, 2016	September 19, 2016	September 30, 2016	\$0.0650	\$ 1,679
June 2, 2016	June 16, 2016	June 30, 2016	\$0.0650	\$ 1,664
March 10, 2016	March 22, 2016	April 5, 2016	\$0.0650	\$ 1,657
December 1, 2015	December 15, 2015	December 29, 2015	\$0.0650	\$ 1,656
September 1, 2015	September 16, 2015	September 30, 2015	\$0.0650	\$ 1,655
June 2, 2015	June 16, 2015	June 30, 2015	\$0.0650	\$ 1,654
March 5, 2015	March 17, 2015	March 31, 2015	\$0.0650	\$ 1,647

While we intend to pay regular quarterly distributions, the actual declaration of such 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 and legal 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 Adjusted EBITDA less cash paid for capital expenditures, less cash paid for income taxes, and less cash paid for interest. Adjusted EBITDA is a non-GAAP financial measure defined in Item 6, Selected Financial Data included in this annual report on Form 10-K.

Based on the number of shares of Class A and Class B common stock currently outstanding we expect to pay total annual equity distributions of approximately \$6.8 million in 2017.

Our sole source of cash available for making any future equity distributions is our operating cash flow subject to our Term Loan B and Revolver, which contain covenants that restrict the payment of dividends and equity distributions unless certain specified conditions are satisfied.

STOCK PRICE PERFORMANCE GRAPH

The graph below compares the cumulative total stockholder return of the our Class A common stock with the cumulative total return of the NASDAQ – NMS equity index and the Bloomberg Broadcast and Cable Radio Index for a five year period commencing December 31, 2011 and ending December 31, 2016. Our Class B common stock is not publicly traded and is not registered under the Exchange Act. The graph assumes that the value of an investment in our Class A common stock and each index was \$100 on December 31, 2010 and that any dividends were reinvested. Stockholder returns over the indicated period are not indicative of future stockholder returns.

The stock price performance graph above shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data below as of and for the years ended December 31, 2016 and December 31, 2015, is derived from our audited consolidated financial statements included in Item 8 of this annual report on Form 10-K. The selected financial data as of and for the years ended December 31, 2014, December 31, 2013 and December 31, 2012 is derived from our audited financial statements not included herein. The selected financial data should be read in conjunction with, and is qualified by reference to, our consolidated financial statements, related notes, other financial information included (incorporated by reference) herein, and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” including the disclosure concerning the reconciliation for historical Non-GAAP financial measures presented in “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Non-GAAP Financial Measures” included in Item 7 of this annual report on Form 10-K.

Certain reclassifications have been made to prior year financial data to conform to the current year presentation. These reclassifications include: (1) the change in composition of our operating segments as of December 2014 to include digital revenue generated by our broadcast stations within broadcast operating revenue and (2) the inclusion of Salem Consumer Products within broadcast operating revenue. These changes were to conform to 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. All prior periods presented are updated to reflect this new composition of our operating segments. Refer to Note 20 – 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.

Note that our financial results are not comparable from year to year due to acquisitions and dispositions of radio stations, digital media operations, publishing entities, asset impairments and other non-recurring significant events:

	Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(Dollars in thousands, except share and per share data)</i>				
Statement of Operations Data:					
Net broadcast revenue	\$ 189,169	\$ 189,892	\$ 194,094	\$ 197,184	\$ 202,016
Net digital media revenue	26,637	33,808	45,691	44,761	46,777
Net publishing revenue	13,373	13,234	26,751	23,842	25,528
Total revenue	229,179	236,934	266,536	265,787	274,321
Operating expenses:					
Broadcast operating expenses	127,551	130,713	139,206	140,819	146,283
Digital media operating expenses	21,811	24,885	35,590	35,380	36,290
Publishing operating expenses	13,339	14,280	26,143	24,774	26,209
Unallocated corporate expenses	14,396	16,081	17,092	15,146	14,994
Depreciation and amortization	14,647	15,262	18,825	17,741	17,276
Change in the estimated fair value of contingent earn-out consideration	—	—	734	(1,715)	(689)
Impairment of long-lived assets	6,808	—	—	—	700
Impairment of indefinite-lived long-term assets other than goodwill	88	1,006	34	—	7,041
Impairment of goodwill	—	438	45	439	32
Impairment of amortizable intangible assets	—	—	—	—	8
(Gain) loss on the sale or disposal of assets	49	(264)	251	181	(1,901)
Total operating expenses	198,689	202,401	237,920	232,765	246,243
Operating income from continuing operations	30,490	34,533	28,616	33,022	28,078
Other income (expense):					
Interest income	106	68	45	8	6
Interest expense, net of capitalized interest	(24,911)	(16,892)	(15,993)	(15,429)	(14,938)
Change in fair value of interest rate swaps	—	3,177	(2,702)	(1,273)	285
Gain on bargain purchase	—	—	—	1,357	95
Loss on early retirement of long-term debt	(1,088)	(27,795)	(391)	(41)	(87)
Net miscellaneous income and expenses	79	18	665	201	6
Total other expense, net	(25,814)	(41,424)	(18,376)	(15,177)	(14,633)
Income from continuing operations before income taxes	4,676	(6,891)	10,240	17,845	13,445
Provision for (benefit from) income taxes	153	(4,192)	4,765	6,695	4,572
Income (loss) from continuing operations	4,523	(2,699)	5,475	11,150	8,873
Loss from discontinued operations, net of tax	(95)	(37)	—	—	—
Net income (loss)	\$ 4,428	\$ (2,736)	\$ 5,475	\$ 11,150	\$ 8,873

Basic earnings (loss) per share data:

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Earnings (loss) per share Class A and Class B common stock from continuing operations	\$0.18	\$(0.11) \$0.21	\$0.43	\$0.34
Loss per share from discontinued operations	—	—	—	—	—
Net earnings (loss) per share Class A and Class B common stock	\$0.18	\$(0.11) \$0.21	\$0.43	\$0.34
Diluted earnings (loss) per share data:					
Earnings (loss) per share Class A and Class B common stock from continuing operations	\$0.18	\$(0.11) \$0.21	\$0.43	\$0.34
Loss per share from discontinued operations	—	—	—	—	—
Net earnings (loss) per share Class A and Class B common stock	\$0.18	\$(0.11) \$0.21	\$0.43	\$0.34
Distributions per share	\$0.14	\$0.21	\$0.24	\$0.26	\$0.26
Basic weighted average Class A and Class B common shares outstanding	24,577,605	24,938,075	25,336,809	25,426,732	25,669,538
Diluted weighted average Class A and Class B common shares outstanding	24,986,966	24,938,075	26,081,175	25,887,819	26,034,990

Year Ended December 31,
2012 2013 2014 2015 2016
(Dollars in thousands)

Balance Sheet Data:

Cash and cash equivalents	\$380	\$65	\$33	\$98	\$130
Broadcast licenses	373,720	381,836	385,726	393,031	388,517
Other intangible assets, net including goodwill	33,009	32,035	37,912	36,877	40,353
Total assets	562,181	575,113	583,159	596,166	590,268
Long-term debt (including current portion)	268,980	290,793	277,505	274,755	261,674
Stockholders' equity	206,069	201,785	203,994	209,821	213,846
Cash flows related to:					
Operating activities	\$31,077	\$28,735	\$41,925	\$36,130	\$38,866
Investing activities	(19,066)	(17,737)	(21,734)	(29,183)	(15,493)
Financing activities	(11,697)	(11,276)	(20,223)	(6,882)	(23,341)
Non-GAAP Financial Measures:					
Station Operating Income (1)	\$61,618	\$59,179	\$54,888	\$56,365	\$55,733
Station Operating Income margin (2)	32.6 %	31.2 %	28.3 %	28.6 %	27.6 %
Digital Media Operating Income (3)	\$4,826	\$8,923	\$10,101	\$9,381	\$10,487
Publishing Operating Income (Loss) (4)	\$34	\$(1,046)	\$608	\$(932)	\$(681)
Adjusted EBITDA (5)	\$53,450	\$52,824	\$50,081	\$50,439	\$51,127

- (1) We define non-GAAP Station Operating Income as net broadcast revenue less broadcast operating expenses.
- (2) We define non-GAAP Station Operating Income margin as Station Operating Income as a percentage of net broadcast revenue.
- (3) We define non-GAAP digital media operating income as net digital media revenue less digital media operating expenses
- (4) We define non-GAAP publishing operating income as net publishing revenue less publishing operating expenses. We define Non-GAAP Adjusted EBITDA as net income before interest, taxes, depreciation, and amortization (EBITDA) before gains or losses on the sale or disposal of assets, before changes in the estimated fair value of
- (5) contingent earn-out consideration, before the change in fair value of interest rate swaps, before the impairment of long-lived assets, before net miscellaneous income and expenses, before loss on early retirement of debt and before non-cash compensation expense.

NON-GAAP FINANCIAL MEASURES

Management uses certain non-GAAP financial measures defined below in communications with investors, analysts, rating agencies, banks and others to assist such parties in understanding the impact of various items on our financial statements. We use these non-GAAP financial measures to evaluate financial results, develop budgets, manage expenditures and as a measure of performance under compensation programs.

Our presentation of these non-GAAP financial measures should not be considered as a substitute for or superior to the most directly comparable financial measures as reported in accordance with GAAP.

Item 10(e) of Regulation S-K defines and prescribes the conditions under which certain non-GAAP financial information may be presented in this report. We closely monitor EBITDA, Adjusted EBITDA, Station Operating Income ("SOI"), Same Station net broadcast revenue, Same Station broadcast operating expenses, Same Station Operating Income, Digital Media Operating Income, and Publishing Operating Income, all of which are non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful information about our core operating results, and thus, are appropriate to enhance the overall understanding of our financial performance. These non-GAAP financial measures are intended to provide management and investors a more complete understanding of our underlying operational results, trends and performance.

The performance of a radio broadcasting company is customarily measured by the ability of its stations to generate SOI. We define SOI as net broadcast revenue less broadcast operating expenses. Accordingly, changes in net broadcast revenue and broadcast operating expenses, as explained above, have a direct impact on changes in SOI. SOI is not a measure of performance calculated in accordance with GAAP. SOI should be viewed as a supplement to and not a substitute for our results of operations presented on the basis of GAAP. We believe that SOI is a useful non-GAAP financial measure to investors when considered in conjunction with operating income (the most directly comparable GAAP financial measures to SOI), because it is generally recognized by the radio broadcasting industry

as a tool in measuring performance and in applying valuation methodologies for companies in the media, entertainment and communications industries. SOI is commonly used by investors and analysts who report on the industry to provide comparisons between broadcasting groups. We use SOI as one of the key measures of operating efficiency and profitability, including our internal reviews associated with impairment analysis of our indefinite-lived intangible assets. SOI does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance prepared in accordance with GAAP. Our definition of SOI is not necessarily comparable to similarly titled measures reported by other companies.

We define Same Station net broadcast revenue as net broadcast revenue from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. We define Same Station broadcast operating expenses as broadcast operating expenses from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income includes those stations we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income for a full calendar year is calculated as the sum of the Same Station-results for each of the four quarters of that year. We use Same Station Operating Income, a non-GAAP financial measure, both in presenting our results to stockholders and the investment community, and in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Our definition of Same Station net broadcast revenue, Same Station broadcast operating expenses and Same Station Operating Income is not necessarily comparable to similarly titled measures reported by other companies.

We apply a similar methodology to our digital media and publishing group. Digital Media Operating Income is defined as net digital media revenue less digital media operating expenses. Publishing Operating Income is defined as net publishing revenue less publishing operating expenses. Digital Media Operating Income and Publishing Operating Income are not measures of performance in accordance with GAAP. Our presentations of these non-GAAP financial performance measures are not to be considered a substitute for or superior to our operating results reported in accordance with GAAP. We believe that Digital Media Operating Income and Publishing Operating Income are useful non-GAAP financial measures to investors, when considered in conjunction with operating income (the most directly comparable GAAP financial measure), because they are comparable to those used to measure performance of our broadcasting entities. We use this analysis as one of the key measures of operating efficiency, profitability and in our internal review. This measurement does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance in accordance with GAAP. Our definitions of Digital Media Operating Income and Publishing Operating Income are not necessarily comparable to similarly titled measures reported by other companies.

We define EBITDA as net income before interest, taxes, depreciation, and amortization. We define Adjusted EBITDA as EBITDA before gains or losses on the sale or disposal of assets, before changes in the estimated fair value of contingent earn-out consideration, before gains on bargain purchases, before the change in fair value of interest rate swaps, before impairments, before net miscellaneous income and expenses, before loss on early retirement of debt, before (gain) loss from discontinued operations and before non-cash compensation expense. EBITDA and Adjusted EBITDA are commonly used by the broadcast and media industry as important measures of performance and are used by investors and analysts who report on the industry to provide meaningful comparisons between broadcasters. EBITDA and Adjusted EBITDA are not measures 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 our results of operations and financial condition presented in accordance with GAAP. Our definitions of EBITDA and Adjusted EBITDA are not necessarily comparable to similarly titled measures reported by other companies.

For all non-GAAP financial measures, investors should consider the limitations associated with these metrics, including the potential lack of comparability of these measures from one company to another.

We use non-GAAP financial measures to evaluate financial performance, develop budgets, manage expenditures, and determine employee compensation. Our presentation of this additional information is not to be considered as a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES:

In the tables below, we present a reconciliation of net broadcast revenue, the most comparable GAAP measure, to Same Station net broadcast revenue, and broadcast operating expenses, the most comparable GAAP measure to Same

Station broadcast operating expense. We show our calculation of Station Operating Income and Same Station Operating Income, which is reconciled from net income, the most comparable GAAP measure in the table following our calculation of Digital Media Operating Income and Publishing Operating Income (Loss). Our presentation of these non-GAAP measures are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Year Ended December 31,				
	2012	2013	2014	2015	2016
	(Dollars in thousands)				
Reconciliation of Net Broadcast Revenue to Same Station Net Broadcast Revenue					
Net broadcast revenue	\$189,169	\$189,892	\$194,094	\$197,184	\$202,016
Net broadcast revenue – acquisitions	(1,310)	(65)	(1,551)	(105)	(2,522)
Net broadcast revenue – format change	(417)	—	—	(107)	(115)
Net broadcast revenue – dispositions	(103)	—	—	—	—
Net broadcast revenue – Same Station	\$187,339	\$189,827	\$192,543	\$196,972	\$199,379
Reconciliation of Broadcast Operating Expenses to Same Station Broadcast Operating Expenses					
Broadcast operating expenses	\$127,551	\$130,713	\$139,206	\$140,819	\$146,283
Broadcast operating expenses – acquisitions	(1,475)	(136)	(1,848)	(140)	(2,843)
Broadcast operating expenses – format change	(350)	—	—	(192)	(142)
Broadcast operating expenses – dispositions	(67)	—	—	—	—
Broadcast operating expenses – Same Station	\$125,659	\$130,577	\$137,358	\$140,487	\$143,298
Reconciliation of Operating Income to Same Station Operating Income					
Station Operating Income	\$61,618	\$59,179	\$54,888	\$56,365	\$55,733
Station operating loss – acquisitions	165	71	297	35	321
Station operating income – format change	(67)	—	—	85	27
Station operating income – dispositions	(36)	—	—	—	—
Station Operating Income – Same Station	\$61,680	\$59,250	\$55,185	\$56,485	\$56,081

In the table below, we present our calculations of Station Operating Income, Digital Media Operating Income and Publishing Operating Income. Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Year Ended December 31,				
	2012	2013	2014	2015	2016
	(Dollars in thousands)				
Calculation of Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)					
Net Broadcast revenue	\$189,169	\$189,892	\$194,094	\$197,184	\$202,016
Less Broadcast operating expenses	(127,551)	(130,713)	(139,206)	(140,819)	(146,283)
Station Operating Income	\$61,618	\$59,179	\$54,888	\$56,365	\$55,733
Net Digital Media revenue	\$26,637	\$33,808	\$45,691	\$44,761	\$46,777
Less Digital Media Operating expenses	(21,811)	(24,885)	(35,590)	(35,380)	(36,290)
Digital Media Operating Income	\$4,826	\$8,923	\$10,101	\$9,381	\$10,487
Net Publishing revenue	\$13,373	\$13,234	\$26,751	\$23,842	\$25,528
Less Publishing operating expenses	(13,339)	(14,280)	(26,143)	(24,774)	(26,209)
Publishing Operating Income (Loss)	\$34	\$(1,046)	\$608	\$(932)	\$(681)

In the table below, we present a reconciliation of net income, the most directly comparable GAAP measure to Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss). Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Year Ended December 31,				
	2012	2013	2014	2015	2016
	(Dollars in thousands)				
Reconciliation of Net Income (Loss) to Operating Income and Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)					
Net income (loss)	\$4,428	\$(2,736)	\$5,475	\$11,150	\$8,873
Plus loss from discontinued operations	95	37	—	—	—
Plus provision for (benefit from) income taxes	153	(4,192)	4,765	6,695	4,572
Plus net miscellaneous income and (expenses)	(79)	(18)	(665)	(201)	(6)
Plus gain on bargain purchase				(1,357)	(95)
Plus loss on early retirement of long-term debt	1,088	27,795	391	41	87
Plus change in fair value of interest rate swaps		(3,177)	2,702	1,273	(285)
Plus interest expense, net of capitalized interest	24,911	16,892	15,993	15,429	14,938
Less interest income	(106)	(68)	(45)	(8)	(6)
Net operating income from continuing operations	\$30,490	\$34,533	\$28,616	\$33,022	\$28,078
Plus gain (loss) on the sale or disposal of assets	49	(264)	251	181	(1,901)
Plus impairment of amortizable intangible assets	—	—	—	—	8
Plus impairment of goodwill	—	438	45	439	32
Plus impairment of indefinite-lived long-term assets other than goodwill	88	1,006	34	—	7,041
Plus impairment of long-lived assets	6,808	—	—	—	700
Change in the estimated fair value of contingent earn-out consideration	—	—	734	(1,715)	(689)
Plus depreciation and amortization	14,647	15,262	18,825	17,741	17,276
Plus unallocated corporate expenses	14,396	16,081	17,092	15,146	14,994
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)	\$66,478	\$67,056	\$65,597	\$64,814	\$65,539
Station Operating Income	\$61,618	\$59,179	\$54,888	\$56,365	\$55,733
Digital Media Operating Income	4,826	8,923	10,101	9,381	10,487
Publishing Operating Income (Loss)	34	(1,046)	608	(932)	(681)
	\$66,478	\$67,056	\$65,597	\$64,814	\$65,539

In the table below, we present a reconciliation of Adjusted EBITDA to EBITDA to Net Income (Loss), the most directly comparable GAAP measure. EBITDA and Adjusted EBITDA are non-GAAP financial performance measures that are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

Year Ended December 31,
2012 2013 2014 2015 2016
(Dollars in thousands)

Reconciliation of Adjusted EBITDA to EBITDA to Net Income

Net income (loss)	\$4,428	\$(2,736)	\$5,475	\$11,150	\$8,873
Plus interest expense, net of capitalized interest	24,911	16,892	15,993	15,429	14,938
Plus provision for (benefit from) income taxes	153	(4,192)	4,765	6,695	4,572
Plus depreciation and amortization	14,647	15,262	18,825	17,741	17,276
Less interest income	(106)	(68)	(45)	(8)	(6)
EBITDA	\$44,033	\$25,158	\$45,013	\$51,007	\$45,653
Plus gain (loss) on the sale or disposal of assets	49	(264)	251	181	(1,901)
Plus change in the estimated fair value of contingent earn-out consideration			734	(1,715)	(689)
Plus gain on bargain purchase				(1,357)	(95)
Plus changes the fair value of interest rate swaps		(3,177)	2,702	1,273	(285)
Plus impairment of long-lived assets	6,808				700
Plus impairment of indefinite-lived long-term assets other than goodwill	88	1,006	34		7,041
Plus impairment of goodwill		438	45	439	32
Plus impairment of amortizable intangible assets					8
Plus net miscellaneous income and expenses	(79)	(18)	(665)	(201)	(6)
Plus loss on early retirement of long-term debt	1,088	27,795	391	41	87
Plus loss from discontinued operations	95	37			
Plus non-cash stock-based compensation	1,368	1,849	1,576	771	582
Adjusted EBITDA	\$53,450	\$52,824	\$50,081	\$50,439	\$51,127

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

GENERAL

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report on Form 10-K. Our consolidated financial statements are not directly comparable from period to period due to acquisitions and dispositions of selected radio station assets, digital and publishing businesses. Refer to Note 4 of our consolidated financial statements under Item 8 of this annual report on Form 10-K for details of each of these transactions.

Salem Media Group, Inc. ("Salem") is a domestic multimedia company with integrated operations including radio broadcasting, digital media, and publishing. 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. We maintain a website at www.salemmedia.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge through our website as soon as reasonably practicable after those reports are electronically filed with or furnished to the SEC. *The information on our website is not a part of or incorporated by reference into, this or any other report of the company filed with, or furnished to, the SEC.*

OVERVIEW

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. 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. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

During the third quarter of 2016 we reclassified Salem Consumer Products, our e-commerce business that sells books, DVD's and editorial content developed by our on-air personalities, from Digital Media to Broadcast to assess the performance of each network program based on all revenue sources. Changes to our operating segments did not impact the reporting units used to test non-amortizable assets for impairment. All prior periods presented are updated to reflect the new composition of our operating segments. Refer to Note 20 – 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.

We measure and evaluate our operating segments based on operating income and operating expenses that exclude costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury. We also exclude costs such as amortization, depreciation, taxes and interest expense when evaluating the performance of our operating segments.

Our principal sources of broadcast revenue include:

- the sale of block program time to national and local program producers;
- the sale of advertising time on our radio stations to national and local advertisers;
- the sale of advertising time on our national network;
- the syndication of programming on our national network;
- product sales and royalties for on-air host materials, including podcasts and programs;
- the sale of banner advertisements on our station websites or on our mobile applications;
- the sale of digital streaming advertisements on our station websites or on our mobile applications;
- the sale of advertisements included in digital newsletters;
- fees earned for creating custom web pages or social media promotions on behalf of our advertisers;
- revenue from station events, including ticket sales and sponsorships; and
- listener purchase programs, often called non-traditional revenue, where revenue is generated by promoting discounted goods and services to our listeners from special discounts and incentives offered to our listeners.

The rates we are able to charge for broadcast air time and other advertisements are dependent upon several factors, including:

- audience share;
- how well our stations and digital platform perform for our clients;
- the size of the market and audience reached;
- the number of impressions delivered;
- the number of page views achieved;
- the number of events held, the number of event sponsorships sold and the attendance at each event;

- the general economic conditions in each market; and
- supply and demand on both a local and national level.

Our principal sources of digital media revenue include:

- the sale of digital banner advertisements on our websites and mobile applications;
- the sale of digital streaming advertisements on websites and mobile applications;
- the support and promotion to stream third-party content on our websites;
- the sale of advertisements included in digital newsletters;
- the digital delivery of newsletters to subscribers;
- the number of video and graphic downloads; and
- the sale and delivery of wellness products.

Our principal sources of publishing revenue include:

- the sale of books and e-books;
- subscription fees for our magazines;
- the sale of print magazine advertising; and
- publishing fees from authors.

Broadcasting

Our foundational business is the ownership and operation of radio stations in large metropolitan markets. We also own and operate Salem Radio Network® (“SRN”), SRN News Network (“SNN”), Today’s Christian Music (“TCM”), Singing News Network (formerly Solid Gospel Network), and Salem Media Representatives™ (“SMR”). SRN, SNN, and Singing News Network are networks that develop, produce and syndicate a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations throughout the United States, including Salem-owned and operated stations. SMR, a national advertising sales firm with offices in nine U.S. cities, specializes in placing national advertising on religious and other commercial radio stations. In December 2014, we merged Vista Media Representatives (“VMR”), our national advertising sales firm established for non-Christian format stations, into SMR as our SMR and VMR sales teams consistently pursue advertising for all station formats.

We currently program 40 of our stations with our Christian Teaching and Talk format, which is talk programming with Christian and family themes. We also program 32 News Talk stations, 13 Contemporary Christian Music stations, 13 Business format stations, and eight Spanish-language Christian Teaching and Talk stations. The business format features financial commentators, business talk, and nationally recognized Bloomberg programming. The

business format operates similar to our Christian Teaching and Talk format as it features long-form block programming. Each of our radio stations has a website specifically designed for that station.

Revenues generated from our radio stations are reported as broadcast revenue in our consolidated financial statements included in Item 8 of this annual report on Form 10-K. Broadcast revenues are impacted by the rates radio stations can charge for programming and advertising time, the level of airtime sold to programmers and advertisers, the number of impressions delivered or downloads made, and the number of events held, including the size of the event and the number of attendees. Block programming rates are based upon our stations' ability to attract audiences that will support the program producers through contributions and purchases of their products. Advertising rates are based upon the demand for advertising time, which in turn is based on our stations and networks' ability to produce results for their advertisers. We market ourselves to advertisers based on the responsiveness of our audiences. We do not subscribe to traditional audience measuring services for most of our radio stations. In select markets, we subscribe to Nielsen Audio, which develops quarterly reports measuring a radio station's audience share in the demographic groups targeted by advertisers. Each of our radio stations and our networks has a pre-determined level of time available for block programming and/or advertising, which may vary at different times of the day.

Nielsen Audio uses PPM technology to collect data for its ratings service. PPM is a small device that is capable of automatically measuring radio, television, Internet, satellite radio and satellite television signals encoded by the broadcaster. The PPM offers a number of advantages over traditional diary ratings collection systems, including ease of use, more reliable ratings data, shorter time periods between when advertising runs and actual listening data, and little manipulation of data by users. A disadvantage of the PPM includes data fluctuations from changes to the "panel" (a group of individuals holding PPM devices). This makes all stations susceptible to some inconsistencies in ratings that may or may not accurately reflect the actual number of listeners at any given time.

As is typical in the radio broadcasting industry, our second and fourth quarter advertising revenue generally exceeds our first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. Additionally, we experience increased demand for advertising during election years by way of political advertisements. Quarterly revenue from the sale of block programming time does not tend to vary significantly because program rates are generally set annually and are recognized on a per program basis.

Our cash flows from broadcasting are affected by transitional periods experienced by radio stations when, based on the nature of the radio station, our plans for the market and other circumstances, we find it beneficial to change the station format. During this transitional period, when we develop a radio station's listener and customer base, the station may generate negative or insignificant cash flow.

Trade or barter agreements are common in the broadcast industry. Our radio stations utilize barter agreements to exchange airtime for goods or services in lieu of cash. We enter barter agreements if the goods or services to be received can be used in our business or can be sold to our audience under Listener Purchase Programs. We minimize the use of barter agreements with our general policy being not to preempt airtime paid for in cash for airtime sold under a barter agreement. In each of the years ended December 31, 2016, 2015 and 2014, 97% of our broadcast revenue was sold for cash.

Broadcast operating expenses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as rent and utilities, (iii) marketing and promotional expenses, (iv) production and programming expenses, and (v) music license fees. In addition to these expenses, our network incurs programming costs and lease expenses for satellite communication facilities.

Digital Media

Web-based and digital content has been a growth area for Salem and continues to be a focus of future development. Our digital media-based businesses provide Christian, conservative, investing and health-themed content, e-commerce, audio and video streaming, and other resources digitally through the web. Salem Web Network™ ("SWN") websites include Christian content websites: OnePlace.com, Christianity.com, Crosswalk.com®, GodVine.com, CrossCards.com, LighSource.com, Jesus.org, BibleStudyTools.com, iBelieve.com, CCMmagazine.com and ChristianHeadlines.com. Our conservative opinion websites, collectively known as Townhall Media, include Townhall.com™, HotAir.com, Twitchy.com, HumanEvents.com, RedState.com, and BearingArms.com. We also issue digital newsletters, including Eagle Financial Publications, which provide market analysis and non-individualized investment strategies from financial commentators on a subscription basis.

Church product websites including WorshipHouseMedia.com, SermonSpice.com, SermonSearch.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 audiences throughout the United States.

E-commerce includes Eagle Wellness and Gene Smart, which are online e-commerce sites offering complimentary health advice and sales of nutritional products.

The revenues generated from this segment are reported as digital media revenue in our consolidated statements of operations included in this annual report on Form 10-K. Digital media revenues are impacted by the rates our sites can charge for advertising time, the level of advertisements sold, the number of impressions delivered or the number of downloads made and the number digital subscriptions sold. Like our broadcasting segment, our second and fourth quarter advertising revenue generally exceeds our first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. We also experience fluctuations in quarter-over-quarter comparisons based on the date on which the Easter holiday is observed, as this holiday generates a higher volume of video downloads from our church product sites. Additionally, we experience increased demand for advertising time and placement during election years for political advertisements.

The primary operating expenses incurred by our Digital Media businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as rent and utilities, (iii) marketing and promotional expenses, (iv) royalties, (v) streaming costs, and (vi) cost of goods sold associated with e-commerce sites.

Publishing

Our publishing operations include book publishing through Regnery Publishing, print magazines and our self-publishing services. Regnery Publishing has published dozens of bestselling books by leading conservative authors and personalities, including Ann Coulter, Newt Gingrich, David Limbaugh, Ed Klein, Mark Steyn and Dinesh D'Souza. Books are sold in traditional printed form and as eBooks.

Salem Publishing™ produces and distributes numerous Christian and conservative opinion print magazines, including: *Homecoming® The Magazine*, *YouthWorker Journal*, *Singing News®*, *FaithTalk Magazine™*, and *Preaching Magazine™*. Salem Author Services includes Xulon Press™ and Hillcrest Media, which offer print-on-demand self-publishing services for authors. Xulon Press™ publishes books for Christian authors while Hillcrest Media publishes books for all general market publications.

The revenues generated from this segment are reported as publishing revenue in our consolidated statements of operations included in this annual report on Form 10-K. Publishing revenue is impacted by the retail price of books and e-books, the number of books sold, the number and retail price of e-books sold, the number and rate of print magazine subscriptions sold, the rate and number of pages of advertisements sold in each print magazine, and the number and rate at which self-published books are made. Regnery Publishing revenue has been impacted by elections as they generate higher levels of interest and demand for publications containing conservative and political based opinions.

The primary operating expenses incurred by our Publishing businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as rent and utilities, (iii) marketing and promotional expenses, (iv) printing and production costs, including paper costs, (v) cost of goods sold, and (vi) inventory reserves.

KNOWN TRENDS AND UNCERTAINTIES

Broadcast revenue growth remains challenged, which we believe is due to several factors, including increasing competition from other forms of content distribution and time spent listening by audio streaming services, podcasts and satellite radio. This increase in competition and mix of radio listening time may lead advertisers to conclude that the effectiveness of radio has diminished. To minimize the impact of these factors, we continue to enhance our digital assets to complement our broadcast content. We also support industry initiatives to increase the number of smartphones and other wireless devices that contain an enabled FM tuner as well as provide initiatives for wireless carriers in the United States to permit these FM tuners to receive the free over-the-air local radio stations.

Our Broadcast revenues are particularly dependent on our Los Angeles and Dallas markets, which generated 11.9% and 11.0%, respectively, of our total net broadcasting revenue for the year ended December 31, 2016.

Revenues from print magazines, including advertising revenue and subscription revenues, are challenged both economically and by the increasing use of other mediums that deliver comparable information. Book sales are contingent upon overall economic conditions and our ability to attract and retain authors. Because digital media has been a growth area for us, decreases in digital revenue streams could adversely affect our operating results, financial condition and results of operations. Digital revenue is impacted by the nature and delivery of page views. We have experienced a shift in the number of page views from desktop devices to mobile devices. While mobile page views have increased dramatically, they carry a lower number of advertisements per page which are generally sold at lower rates. Digital media revenue is impacted by page views and the number of advertisements per page. Declines in desktop page views impact revenue as mobile devices carry lower rates and less advertisement per page. To minimize the impact that any one of these areas could have, we continue to explore opportunities to cross-promote our brands and our content, and to strategically monitor costs.

Key Financial Performance Indicators – SAME STATION DEFINITION

In the discussion of our results of operations below, we compare our broadcast operating results between periods on an as-reported basis, which includes the operating results of all radio stations and networks owned or operated at any time during either period and on a Same-Station basis. Same Station is a Non-GAAP financial measure used both in

presenting our results to stockholders and the investment community as well as in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Our definition of Same Station Operating Income is not necessarily comparable to similarly titled measures reported by other companies. Refer to “NON-GAAP FINANCIAL MEASURES” presented after our results of operation for a reconciliation of these non-GAAP performance measures to the most comparable GAAP measures.

We define Same Station net broadcast revenue as net broadcast revenue from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. We define Same Station broadcast operating expenses as broadcast operating expenses from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income includes those stations we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income for a full calendar year is calculated as the sum of the Same Station results for each of the four quarters of that year.

RESULTS OF OPERATIONS

Year Ended December 31, 2016 compared to the year ended December 31, 2015

The following factors affected our results of operations and our cash flows for the year ended December 31, 2016 as compared to the prior year:

Financing

Throughout the year ended December 31, 2016, we repaid \$11.0 million in principal from \$274.0 million to \$263.0 million on our term loan of \$300.0 million (“Term Loan B”) and paid interest through each repayment date compared to principal repayments of \$2.0 million, from \$276.0 million to \$274.0 million, plus interest through each repayment date during the prior year.

Broadcast Acquisitions

We acquired or entered agreements to acquire several FM Translators or FM Translator construction permits during the year. The FCC permits AM and FM radio stations to operate FM Translators. The FCC began an AM Revitalization program, or “AMR,” that included several initiatives intended to benefit AM broadcasters. One of these benefits, intended to promote the use of FM Translators by AM broadcasters, allows an AM station to relocate one FM translator up to 250 miles from its authorized site and operate the translator on any non-reserved band FM channel in the AM station’s market, subject to coverage and interference rules (“250 Mile Window”). On February 23, 2017, the FCC amended its rules to allow an AM station using a rebroadcasting FM translator to locate the FM translator anywhere within the AM station’s daytime service contour or anywhere within a 25-mile radius of the transmitter, even if the contour extends farther than 25 miles from the transmitter. This rule change, when it becomes effective, will be particularly useful for finding a location for these translators.

On January 29, 2016, the FCC opened a one-time only 250 Mile Window during which only Class C and Class D AM broadcast stations could participate. This window closed on July 28, 2016. A second window opened on July 29, 2016, allowing Class A and Class B AM broadcast stations to participate in addition to any Class C and Class D AM broadcast station that did not participate in the first 250 Mile Window. The second 250 Mile Window closed on October 31, 2016. During these filing windows, qualifying AM stations were able to apply for one new FM translator station, in the non-reserved FM band to be used solely to re-broadcast the AM station’s AM signal to provide fill-in and/or nighttime service. The FM translator must rebroadcast the related AM station for at least four years, not counting any periods of silence.

Construction permits provide authority to construct new FM Translators or make changes in existing facilities. We believe that securing these FM Translators allows us to increase our listening audience by providing enhanced coverage and reach of our existing AM broadcasts that can be heard on FM or expand the listenership of FM HD channels with the potential to create new stations using the HD-2, HD-3 and HD-4 channel capacity.

Our broadcast acquisitions during the year ended December 31, 2016 include the following:

On December 31, 2016, we closed on the acquisition of an FM translator in Aurora, Florida for \$50,000 in cash. The FM translator will be used by our WHIM-AM radio station in Miami, Florida.

On December 31, 2016, we closed on the acquisition of an FM translator in Port St. Lucie, Florida for \$50,000 in cash. The FM translator will be used by our WLCC-AM radio station in Tampa, Florida.

On December 14, 2016, we closed on the acquisition of an FM translator in Rhinelander, Wisconsin for \$50,000 in cash. The FM translator will be used by our WWTC-AM radio station in Minneapolis, Minnesota.

On December 8, 2016, we closed on the acquisition of an FM translator in Little Fish Lake Valley, California for \$44,000 in cash. The FM translator will be used by our KFIA-AM radio station in Sacramento, California.

On December 1, 2016, we closed on the acquisition of an FM translator in Lake Placid, Florida for \$35,000 in cash. The FM translator will be used by our WTLN-AM radio station in Orlando, Florida.

On November 22, 2016, we closed on the acquisition of two FM translator construction permits in Lahaina, Hawaii and Kihei, Hawaii for \$110,000 in cash. The FM translators will be used by our KHNR-AM and KGU-AM radio stations in Honolulu, Hawaii.

On November 22, 2016, we closed on the acquisition of an FM translator in Crested Butte, Colorado for \$38,500 in cash. The FM translator will be used by our KZNT-AM radio station in Colorado Springs, Colorado.

On November 21, 2016, we closed on the acquisition of an FM translator in Dansville, New York for \$75,000 in cash. The FM translator will be used by our WMCA-AM radio station in New York, New York.

On November 21, 2016, we closed on the acquisition of an FM translator in Carbondale, Pennsylvania for \$75,000 in cash. The FM translator will be used by our WPGP-AM radio station in Pittsburgh, Pennsylvania.

On November 11, 2016, we closed on the acquisition of an FM translator construction permit in Kingsville, Texas for \$50,000 in cash. The FM translator will be used by our KNTH-AM radio station in Houston, Texas.

On November 7, 2016, we closed on the acquisition of an FM translator in Sebring, Florida for \$77,000 in cash. The FM translator will be used by our WKAT-AM radio station in Miami, Florida.

On October 20, 2016, we closed on the acquisition of radio station KXFN-AM in St. Louis, Missouri for \$190,000 in cash. The station was dark upon closing and launched in December 2016.

On October 20, 2016, we closed on the acquisition of three FM translator construction permits for \$155,000 in cash. The FM translator construction permits were based in Angola, Indiana, Cofax, Indiana and Battle Creek, Michigan and will be used by WHK-AM and WHKW-AM, our radio stations in Cleveland, Ohio and WSDZ-AM our radio station in St. Louis, Missouri.

On October 19, 2016, we closed on the acquisition of an FM translator construction permit in Palm Coast, Florida for \$65,000 in cash from a related party. The FM translator will be used by our WTWD-AM radio station in Tampa, Florida.

On October 12, 2016, we closed on the acquisition of an FM translator in Lake City, Florida for \$65,000 in cash from a related party. The FM translator will be used by our WBZW-AM radio station in Orlando, Florida.

On June 24, 2016, we entered into a Local Marketing Agreement (“LMA”) to operate radio station KTRB-AM in San Francisco, California beginning on July 1, 2016. On December 15, 2016, we entered into a new LMA to operate this station with East Bay Broadcasting, LLC, a related party.

On June 20, 2016, we closed on the acquisition of an FM translator in the Columbus, Ohio market for \$0.3 million in cash. The FM translator is used in our Columbus, Ohio market.

On June 10, 2016, we closed on the acquisition of an FM translator in Amherst, New York for \$60,000 in cash. The FM translator is used in our Pittsburgh, Pennsylvania market.

On June 8, 2016, we closed on the acquisition of a construction permit for an FM translator construction permit in Charlotte, Michigan for \$50,000 in cash. The FM translator will be used in our Detroit, Michigan market.

On June 3, 2016, we closed on the acquisition of a construction permit for an FM translator in Atwood, Kentucky for \$88,000 in cash. The FM translator will be used in our Columbus, Ohio market.

On May 13, 2016, we closed on the acquisition of a construction permit for an FM translator in Kerrville, Texas for \$50,000 in cash. The FM translator will be used in our Houston, Texas market.

On May 2, 2016, we closed on the acquisition of an FM translator in Lincoln, Maine for \$100,000 in cash. The FM translator is used in our Boston, Massachusetts market.

On April 29, 2016, we closed on the acquisition of a construction permit for an FM translator in Emporia, Kansas for \$25,000 in cash. The FM translator will be relocated to Omaha, Nebraska, for use by our KCRO-AM radio station.

Acquisitions – Digital Media

On December 1, 2016, we acquired ChristianConcertAlerts.com for \$0.2 million, of which \$0.1 million was paid in cash upon close and the remaining \$50,000 is due in two installments within the next year.

On October 17, 2016, we purchased Historyonthenet.com and Authentichistory.com for \$0.1 million in cash.

On September 13, 2016, we acquired Mike Turner's line of investment products, including TurnerTrends.com, other domain names and related assets for \$0.4 million in cash and the assumption of \$0.1 million in deferred subscription liabilities. As part of the purchase agreement, we may pay up to an additional \$0.1 million in contingent earn-out consideration over the next twelve months based on the achievement of certain revenue benchmarks.

On April 1, 2016, we acquired the Retirement Watch newsletter and websites for \$0.1 million in cash and the assumption of \$0.6 million in deferred subscription liabilities.

On March 8, 2016, we acquired King James Bible mobile applications for \$4.0 million, of which \$2.7 million was paid in cash upon close and \$1.3 million is due in deferred installments within one year from the closing date.

Throughout the twelve-month period ended December 31, 2016, we acquired other domain names and assets associated within our digital media operating segment for approximately \$3,000 in cash.

Acquisitions – Publishing

On August 1, 2016, we acquired the assets of Hillcrest Media Group, Inc. for \$3.5 million and the assumption of \$1.0 million in deferred revenue liabilities. We paid \$3.3 million in cash upon close with the remaining \$0.2 million due within 90 days upon the finalization of deferred revenue obligations.

Throughout the twelve-month period ended December 31, 2016, we acquired other domain names and assets associated within our publishing operating segment for approximately \$3,000 in cash.

Divestitures

In November 2016, we entered an agreement with Word Broadcasting Network to transfer the operation of our Louisville radio stations (WFIA-AM; WFIA-FM; WGTK-AM) under a twenty-four month Time Brokerage Agreement (“TBA”) effective as of January 3, 2017. We received \$0.5 million of cash from Word Broadcasting Network associated with an option for them to purchase these stations.

On September 1, 2016, we received \$0.7 million in cash associated with a land easement granted in our South Carolina market.

On June 10, 2016, we received \$2.5 million in cash from the National Park Service in exchange for its claim under eminent domain for our tower site in Miami, Florida. We recognized a pre-tax gain of \$1.9 million from this sale. We entered a limited terms of use agreement with the National Park Service to broadcast from the tower site for the next twenty years for a nominal fee.

Net Broadcast Revenue

	Year Ended December 31,								
	2015	2016	Change \$	Change %		2015		2016	
	(Dollars in thousands)					% of Total Net Revenue			
Net Broadcast Revenue	\$197,184	\$202,016	\$ 4,832	2.5	%	74.2	%	73.6	%
Same Station Net Broadcast Revenue	\$196,972	\$199,379	\$ 2,407	1.2	%				

The following table shows the dollar amount and percentage of net broadcast revenue for each broadcast revenue source.

	Year Ended December 31,					
	2015		2016			
	(Dollars in thousands)					
Block program time:						
National	\$46,401	23.5	%	\$49,271	24.4	%
Local	36,156	18.3		37,034	18.3	
	82,557	41.9		86,305	42.7	
Advertising:						
National	13,939	7.1		13,426	6.6	
Local	63,375	32.1		64,028	31.7	
	77,314	39.2		77,454	38.3	
Digital	6,680	3.4		6,984	3.5	
Infomercials	2,545	1.3		2,636	1.3	
Network	15,010	7.6		17,683	8.8	
Other	13,078	6.6		10,954	5.4	
Net broadcast revenue	\$197,184	100.0	%	\$202,016	100.0	%

Block programming revenue increased \$3.7 million of which \$1.1 million was generated from stations that we acquired late in 2015, many of which we began programming in January 2016. On existing stations, we saw increases in the number of national and local programmers featured on our stations that often creates a higher demand for certain time slots. This increase in demand can result in the realization of higher rates. Our Christian Teaching and Talk stations generated a \$1.4 million increase in programming revenues of which \$1.3 million was from national

programs. Programming revenue on our News Talk stations increased \$0.9 million of which \$0.3 million was generated from launching a local program onto our national platform. The remaining \$0.3 million increase was generated from our Spanish Christian Teaching and Talk and Business News format stations.

Advertising revenue, net of agency commissions, increased by \$0.1 million including a \$2.3 million increase in political advertising. Net of political advertising, the net decrease in advertising revenue of \$2.2 million was due to a \$3.5 million decline in advertising on our CCM stations, particularly in our Dallas market due to higher competition for advertising sales from agencies and what we believe to be a shift in advertisers toward a younger demographic. In response to these trends, we have undertaken efforts to retool our music, image and promotions to capture more of that audience. The decline in advertising on our CCM stations was partially offset with a \$0.7 million increase from our News Talk stations, a \$0.3 million increase from our Business stations and a \$0.2 million increase from our Spanish Christian Teaching and Talk stations. Our stations, particularly our News Talk format, benefited from a higher demand for airtime associated with news and related content from the 2016 presidential election cycle. This higher demand for airtime results in higher spot rates for premium airtime.

Digital revenue generated from our radio station websites increased \$0.3 million, primarily from our News Talk Stations. Digital revenues were favorably impacted by higher demand and higher page views associated with news and related content from the 2016 presidential election cycle. Rates charged were consistent with those during the same period of the prior year.

Infomercial revenue increased \$0.1 million due to a higher number of placements on our Christian Teaching and Talk stations. We have seen declining infomercial revenues in recent years due to our efforts to feature programming that is tailored to our listeners and consistent with our company values. While we continue to seek alternatives to infomercial programs that we believe are not of interest to our listeners, we may continue to place programs that are categorized as infomercials.

Network revenue increased by \$2.7 million including a \$2.9 million increase in advertising sales through our network, of which \$0.2 million was due to political advertising. This increase was offset by a \$0.2 million decline in event revenue due to a special listener event held in 2015 that included our network hosts on a historical tour.

Other revenues declined by \$2.1 million due to a \$1.4 million decline in listener purchase program revenue due to lower demand from our audience with respect to participation in sales incentives and discount programs and a \$0.7 million decline in event revenue due to lower ticket sales and attendance primarily due to weather related conditions during outdoor summer events.

On a Same Station basis, net broadcast revenue increased \$2.4 million, which reflects these items net of the impact of stations with acquisitions and format changes.

Net Digital Media Revenue

	Year Ended December 31,							
	2015	2016	Change \$	Change %	2015	2016		
	(Dollars in thousands)				% of Total Net Revenue			
Net Digital Media Revenue	\$44,761	\$46,777	\$ 2,016	4.5	% 16.8	% 17.1	%	

The following table shows the dollar amount and percentage of net digital media for each digital media revenue source.

	Year Ended December 31,							
	2015	2016			2015	2016		
	(Dollars in thousands)							
Digital Advertising, Net	\$24,472	54.7	%		\$27,296	58.4	%	
Digital Streaming	4,472	10.0			4,504	9.6		
Digital Subscriptions	5,189	11.6			4,881	10.4		

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Digital Downloads	7,661	17.1	7,475	16.0
e-commerce	2,371	5.3	2,159	4.6
Other Revenue	596	1.3	462	1.0
Net Digital Media Revenue	\$44,761	100.0%	\$46,777	100.0%

Digital advertising revenue, net of agency commissions, increased \$2.8 million on a consolidated basis of which \$0.6 million was due to political-based advertising revenue. Salem Web Network generated a \$1.5 million increase in net digital advertising revenue while our conservative opinion websites within Townhall Media generated a \$0.7 million increase in net digital advertising revenue. These increases resulted from growth in page views including growth in page views generated from the use of mobile applications.

While changes in the Facebook newsfeed algorithm negatively impacted the volume of our desktop page views, we have been developing and promoting the use of mobile applications. The incr