

FIFTH SUCCESSIVE YEAR  
OF INDUSTRY-LEADING  
REVENUE GROWTH

CHRISTIAN TEACHING AND  
TALK STATIONS CONTINUE  
DELIVERING CONSISTENT,  
RELIABLE PERFORMANCE

SWN LOGS 5 MILLION  
VISITS, 55 MILLION PAGE  
VIEWS PER MONTH

START-UP AND  
DEVELOPING STATIONS  
OFFER SUBSTANTIAL  
"HIDDEN VALUE"

# **GROWING** *Our Audience:* **ON AIR, ONLINE** *And* **IN PRINT**



**INSIDE...**

**Significant revenue  
growth in Salem's  
fastest growing  
business segments:**

**News Talk Stations up 34%**

**Salem Web Network™ up 23%**



RADIO

## ABOUT SALEM COMMUNICATIONS

Salem Communications consists of the following five businesses:



### RADIO STATIONS

Owens and operates 104 radio stations, with 66 stations in 24 of the nation's top 25 metropolitan areas

- Christian Teaching & Talk (44)
- Contemporary Christian Music The FISH® format (14)
- Conservative News Talk (34)
- Other Formats (12)

SYNDICATION



### SALEM RADIO NETWORK® (SRN)

- Talk, music and news
- Syndicates more than 150 hours of daily original programming
- Approximately 1,900 affiliates in 224 markets nationwide
- SRNOnline.com

INTERNET



### SALEM WEB NETWORK™

Leading provider of online streaming for Christian ministries and music

- Provides audio streaming for 150 ministries
- Offers 200 talk radio programs and numerous music options
- Crosswalk.com®
- OnePlace.com™
- Christianity.com™
- TheFISH.com™
- CCMMagazine.com™
- ChristianJobs.com™
- CrossDaily.com™
- ChurchStaffing.com™
- Crosscards.com™
- SermonSearch.com™
- Radio station web sites

PRINT



### SALEM PUBLISHING™

A leading publisher of Christian music and ministry magazines

- CCM Magazine®
- Homecoming The Magazine®
- Singing News Magazine™
- YouthWorker Journal™
- Crosswalk.com Magazine™
- FaithTalk Magazine™

SALES

### SALEM RADIO REPRESENTATIVES (SRR)

- The country's only radio rep firm specializing in Christian and family-themed radio
- Represents more than 500 radio stations and SRN
- 19 offices in 14 cities nationwide

### VISTA RADIO REPRESENTATIVES (VRR)

- The newest radio rep firm focused on results-oriented sales serving News Talk and Contemporary Christian Music formats
- Six offices nationwide

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## **ANNUAL REPORT ON FORM 10-K**

### **Forward-Looking Statements**

This report makes "forward-looking statements" within the meaning of federal and state securities laws. Disclosures that use words such as the company "believes," "anticipates," "expects," "intends," "will," "may" or "plans" and similar expressions are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the company's current expectations and are based upon data available to the company at the time the statements are made. 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 the "FORWARD LOOKING STATEMENTS" and "CERTAIN FACTORS AFFECTING SALEM" on page 2 and pages 12-18, respectively, of our annual report on Form 10-K for the year ended December 31, 2005. Such disclosures are specifically incorporated herein by this reference.

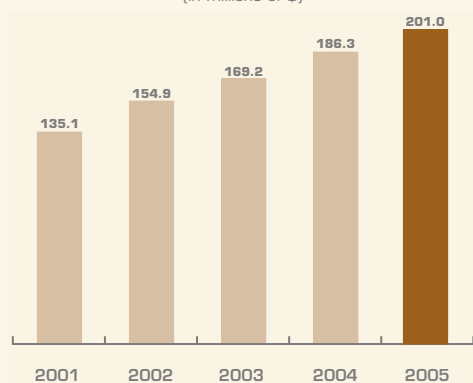
All market rank information used in this report is from the Fall 2005 Radio Market Survey Schedule & Population Rankings published by The Arbitron Company, excluding the Commonwealth of Puerto Rico.

Except as otherwise indicated herein, all references in this report to the number of radio stations currently owned and/or operated assume the completion of all pending transactions.

# Financial Highlights

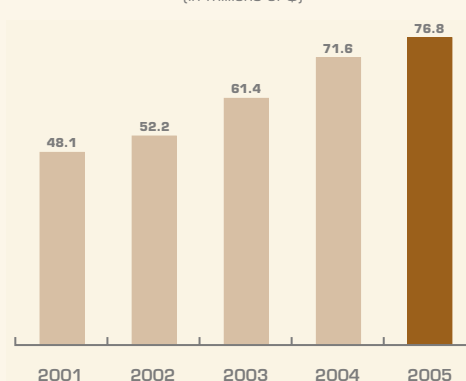
## Net Broadcasting Revenue

(in millions of \$)



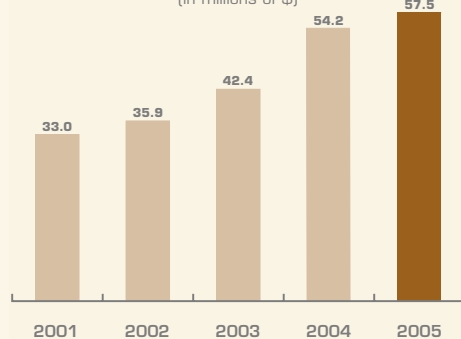
## Station Operating Income\*

(in millions of \$)



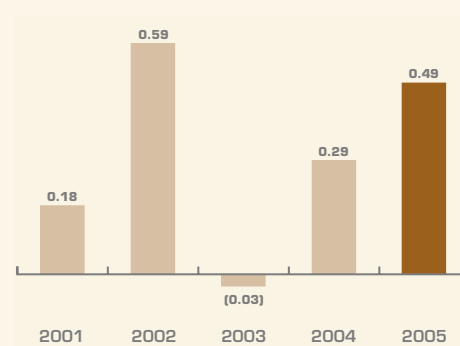
## Operating Income Before Depreciation and Amortization and Gain or Loss on Disposal of Assets

(in millions of \$)



## Basic Earnings Per Share

(in \$)



| <i>(dollars in millions, except per share data)</i>                                                | 2003      | 2004<br>vs. 2003<br>% Change | 2004     | 2005<br>vs. 2004<br>% Change | 2005     |
|----------------------------------------------------------------------------------------------------|-----------|------------------------------|----------|------------------------------|----------|
| Net Broadcasting Revenue                                                                           | \$ 169.2  | 10%                          | \$ 186.3 | 8%                           | \$ 201.0 |
| Other Media Revenue                                                                                | 7.9       | 19%                          | 9.3      | 15%                          | 10.8     |
| Total Revenue                                                                                      | 177.1     | 10%                          | 195.6    | 8%                           | 211.8    |
| Station Operating Income*                                                                          | 61.4      | 17%                          | 71.6     | 7%                           | 76.8     |
| Operating Income Before<br>Depreciation and Amortization and<br>Gain or Loss on Disposal of Assets | 42.4      | 28%                          | 54.2     | 6%                           | 57.5     |
| Net Income (Loss)                                                                                  | \$ (0.7)  | N/A                          | \$ 7.3   | 73%                          | \$ 12.7  |
| Basic Earnings Per Share                                                                           | \$ (0.03) |                              | \$ 0.29  |                              | \$ 0.49  |
| Station Operating Income Margin                                                                    | 36.3%     |                              | 38.5%    |                              | 38.2%    |

For comprehensive financial information, please refer to our audited financial statements included in our Form 10-K for the year ended December 31, 2005.

\* A full reconciliation to our comparable GAAP measure is set forth on pages 23 and 24 of our Form 10-K for the year ended December 31, 2005, incorporated herein by this reference.

## TO OUR FELLOW SHAREHOLDERS

In this, our annual shareholders' letter, we typically write about Salem's significant accomplishments during the year, how our growth has outpaced that of the industry, how we are superserving the growing audience that is interested in Christian and family-themed content, and how we have strategically aligned our radio, Internet and publishing initiatives. As you will see throughout this annual report, all of this remains true.

Given the widespread concern about the future of the radio industry, however, we thought it would be beneficial first to share with you the challenges we see within the industry and the efforts we are undertaking to address them.

Despite even large share repurchases, radio broadcaster public company valuations, represented as multiples of cash flow, have fallen to their lowest levels since before deregulation in 1996. Radio industry revenue growth, which has been below GDP since 2001, has continued to be lackluster. Investor concerns about the long-term competitive threats from new media are more widespread.

The future looks no less demanding. Clearly the Internet, satellite radio, devices like the iPod and mobile telephony are here to stay and will continue to substantially gain market share. Some of this growth will be at the expense of traditional media. The resulting media fragmentation will make it increasingly difficult for traditional media to grow at or above GDP.

### **New Media Strategy**

To address these challenges directly, we have made it a priority to develop a new media strategy that embraces technology as a growth opportunity for Salem. This strategy is comprised of five principal initiatives:

- Solidify our core competitive strength by controlling our key content across multiple distribution channels;
- Distribute our radio content across multiple media platforms, including Internet streaming, satellite radio, iPod and mobile telephone;
- Build an Internet business featuring content that targets the same audience served by our radio stations;
- Acquire complementary content businesses, such as magazines, that are profitable, provide consolidation benefits to our publishing operation and have content that can be easily repurposed for the Internet; and
- Use our traditional media platform to promote these new media businesses. As a targeted niche broadcaster, we very effectively can cross-promote across multiple media.

This strategy allows our audiences the opportunity to listen to, read and interact with our content in whatever media they prefer. Equally important, the integration of our proven traditional media platform with new media offers substantial growth opportunities, providing us the ability to become a leading multi-media creator, aggregator and distributor of faith, family and values content.

*continues next page*

Edward G. Atsinger III



Stuart W. Epperson

**For the fifth consecutive year, Salem outperformed the radio industry in same station revenue growth, posting a 6% increase in same station net broadcasting revenue and a 9% increase in same station SOI. For the year, we reported net broadcasting revenue of \$201.0 million, an 8% increase over 2004 and SOI of \$76.8 million, a 7% increase over 2004.**

We already are working hard to implement our strategy. In the last six months we renewed the contracts of many of our syndicated radio hosts, obtaining the rights to the content they generate for radio, magazines and the Internet. We have strengthened our content identity by securing trademark protection for *The FISH*<sup>®</sup>, *Safe for the Whole Family*<sup>®</sup> and *Where your Opinion Counts*<sup>®</sup> brands.

In 2005 we undertook an effort to determine how best to introduce our radio audience to our Internet platform. We used unsold radio inventory to promote certain Salem web sites. The response was overwhelming, with traffic at the promoted sites increasing substantially. This was accomplished without cost or sacrificed revenues. We are expanding this program in 2006.

We recently renewed our long-standing relationship with XM Satellite Radio, extending our exclusive right to sell and program its Christian talk channel for another six years.

We continued our expansion into complementary media with the acquisition of *Singing News Magazine*, the dominant franchise serving the southern gospel music audience, and its *SouthernGospel.com* web site.

We also continued to build our Internet business with the acquisition of three Christian content web sites: *Christianity.com*<sup>™</sup>, *ChurchStaffing.com*<sup>™</sup> and *CrossDaily.com*<sup>™</sup>. These “tuck-in” acquisitions are almost immediately accretive because of the cost savings that result from integrating them into our Salem Web Network infrastructure. We also have the opportunity for substantial revenue and profit growth as we promote these new web sites across our multi-media platform. Salem Web Network now is the clear leader in providing Christian content via the Internet, generating approximately 55 million monthly page views and more than five million unique monthly visitors as of February 2006.

### **2005 Financial Highlights**

As important as these new initiatives are to our future, the ownership and operation of radio stations remains the core of our business today. We spend considerable time and resources making sure that they are operated successfully. Despite the challenging radio advertising environment, in 2005 we continued to achieve revenue and SOI (station operating income) growth that, while below our original expectations, were among the best in the radio industry.

For the fifth consecutive year, Salem outperformed the radio industry in same station revenue growth, posting a 6% increase in same station net broadcasting revenue and a 9% increase in same station SOI. For the year, we reported net broadcasting revenue of \$201.0 million, an 8% increase over 2004 and SOI of \$76.8 million, a 7% increase over 2004.

The foundation for this growth is our stable and consistent **Christian Teaching and Talk** radio stations, which grew 5% from 2004 to 2005 and represented 51% of our 2005 net broadcasting revenue. Our Christian Teaching and Talk stations have proven again to be largely immune to the revenue challenges experienced by general market radio.

Our **Contemporary Christian Music** (CCM) stations continued to make solid progress in 2005. CCM stations grew same station revenue 7% to \$42.9 million. This growth was achieved despite implementing an inventory reduction program at KLTY in Dallas. Excluding KLTY, our remaining CCM stations were able to achieve 13% growth in same station revenue.

Our third strategic format, **News Talk**, is now our fastest growing format. For 2005, our 34 News Talk stations achieved a 34% increase in revenue. This growth was a result of increasing our News Talk portfolio from 15 to 34 stations over the past two years and achieving an 18% increase in revenue from News Talk stations that we have owned for more than one year.

A common feature across all three of our strategic radio station formats is the strength of our national advertising business, which achieved a 7% increase in revenue to \$34.5 million.

This growth also extended to our non-broadcast media businesses, Salem Publishing and Salem Web Network, which achieved a combined 15% increase in revenue to \$10.8 million and a 21% profit increase to \$0.9 million. With revenue growth of 6% for Salem Publishing and 23% for Salem Web Network respectively, non-broadcast media is becoming an increasingly important segment of our business.

### **Key Initiatives for Continued Growth**

Looking ahead, we are focused on achieving a significant improvement in our stock price. We are implementing six key initiatives to drive our revenue, EBITDA and earnings per share growth:

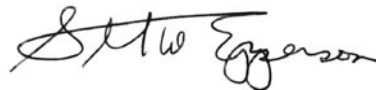
- Continue to deliver top-line revenue growth at our Christian Teaching and Talk stations in excess of GDP growth. By combining revenue growth with careful cost management, look to achieve mid to high single-digit SOI growth;
- Replicate the ratings and power ratio of our flagship CCM station in Dallas at our other full-market signal CCM stations;
- Substantially grow the ratings and revenue of our 34 News Talk stations;
- Achieve continued and accelerated growth of our national advertising business by building on the growing awareness among general market advertisers and their agencies of the size and buying power of the Christian audience;
- Drive our start-up and developing radio station properties to profitability and then to a level where their SOI is sufficient to deliver an appropriate return on invested capital; and
- Aggressively pursue our new media strategy to capitalize on our ability to use technology as an opportunity, not a threat.

We are convinced we have a team that can deliver these results. Our people are experienced, passionate and committed to the success of Salem. We approach the future with great enthusiasm and optimism, but understand that the broadcasting industry is facing very real challenges that are best addressed directly. We are aiming to do so.

Sincerely,



Edward G. Atsinger III  
*President and Chief Executive Officer*

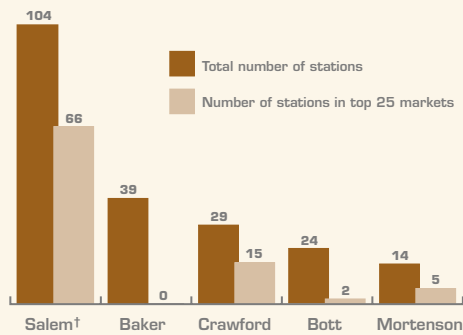


Stuart W. Epperson  
*Chairman of the Board*

March 2006

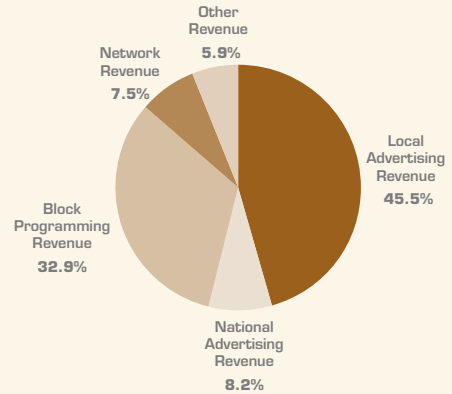
# Investment Highlights

## Market Leader in Christian and Family-Themed Commercial Radio Broadcasting



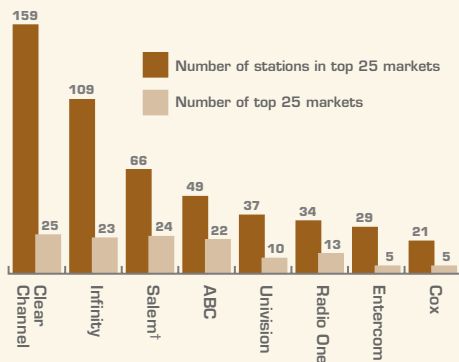
- Clear leader in Christian radio broadcasting
  - The best way to effectively target the Christian audience on a national basis is through Salem
- †station count for Salem includes pending transactions

## Diverse Radio Revenue Base: Advertising + Block Programming



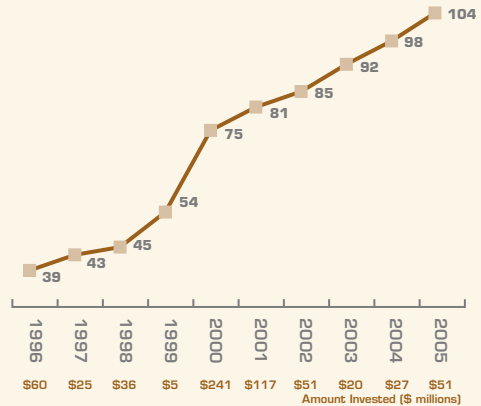
- Unique mix of niche advertising and block programming revenue enables Salem to be less reliant on traditional advertising categories
- Block programming contracts are negotiated annually in advance, establishing rates (historically from 5 to 8% annual increases with 90% of contracts renewing) for the coming year

## Third Largest Number of Stations in the Top 25 Markets: Very Significant Asset Value



- Approximately 50% of adults 12+ live in the top 25 radio markets
- †station count for Salem includes pending transactions

## Proven Track Record of Growth Through Acquisitions

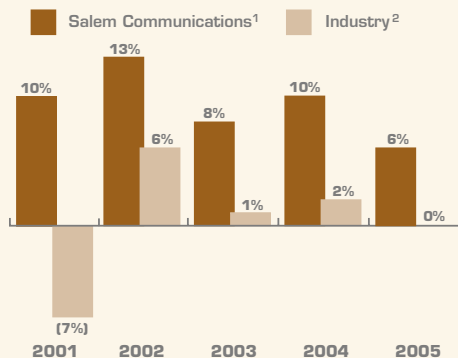


- Large metropolitan market focus on top 50 markets
- Enhanced national coverage
- Increased reach for block programming clients

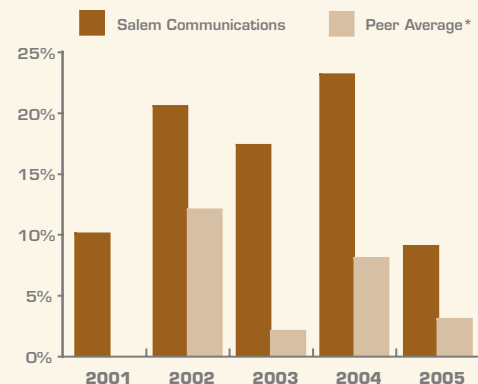
## Industry Leading Same Station Revenue and SOI Growth

Salem Communications has significantly exceeded peer net broadcasting revenue and SOI growth for each of the last five years

### Revenue Growth



### Same Station Operating Income Growth



(1) Same station net broadcasting revenue growth for Salem  
 (2) Total Advertising Sales growth reported by Radio Advertising Bureau

\*Peer average includes: BBGI, CMLS, CXR, EMMS, ETM, RGCI, ROIA, and SGA.

## Stock Price Relative Performance Graph

December 2000 - January 2006



The graph assumes that the value of an investment in Salem's Class A common stock and each index was \$100 on December 29, 2000. Past performance may not be indicative of future stockholder return.

## Station Operating Income (SOI) Margin Composition Analysis

The following presentation of the company's radio station portfolio, which is for analytical purposes only, separates each station into one of four categories based upon 2005 performance. The company believes this analysis is helpful in assessing the portfolio's financial and operational development.

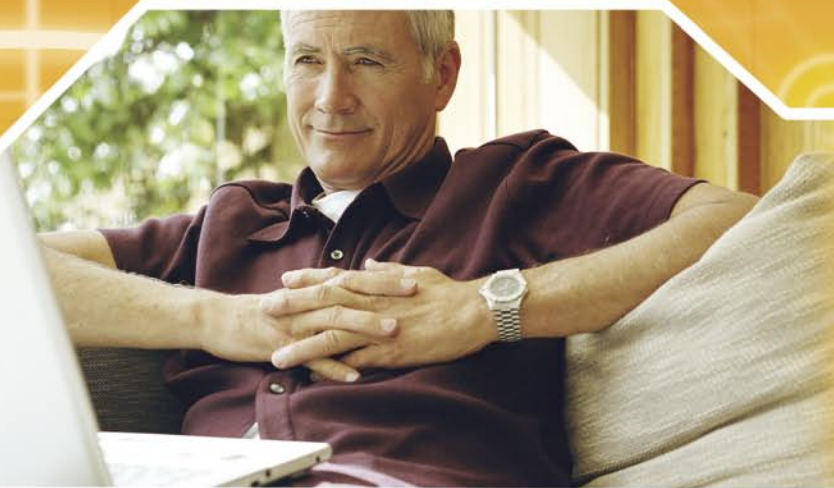
### Twelve Months ended December 31, 2005 (Net Broadcasting Revenue and SOI in millions)

| SOI Margin      | # of Stations | Net Broadcasting Revenue | SOI*           | Average SOI % |
|-----------------|---------------|--------------------------|----------------|---------------|
| 50% and greater | 13            | \$ 65.7                  | \$ 41.5        | 63.2%         |
| 30% to 49%      | 31            | 71.0                     | 30.0           | 42.3%         |
| 0% to 29%       | 36            | 38.3                     | 7.3            | 18.8%         |
| Less than 0%    | 22            | 8.1                      | (2.9)          | (35.8%)       |
| <b>Subtotal</b> | <b>102</b>    | <b>183.1</b>             | <b>75.9</b>    | <b>41.4%</b>  |
| <b>Other</b>    | <b>0</b>      | <b>17.9</b>              | <b>0.9</b>     | <b>5.3%</b>   |
| <b>Total</b>    | <b>102</b>    | <b>\$ 201.0</b>          | <b>\$ 76.8</b> | <b>38.2%</b>  |

\* A full reconciliation to our comparable GAAP measure is set forth on pages 23 and 24 of our Form 10-K for the year ended December 31, 2005, incorporated herein by this reference.

# GROWING

*Our Audience:*



# 46%

Nearly half of all adults listen to a Christian radio broadcast in a typical month, including almost one quarter of unchurched Americans.

From: Barna Research, 2005

# ON AIR, ONLINE *And* IN PRINT

Salem Communications is a leading U.S. media company serving a large and growing audience interested in Christian and family themes on air, online and in print. With a nationwide presence that would be difficult to duplicate, Salem serves its radio listeners and partners via 104 radio stations in 40 markets, with 66 stations in 24 of the top 25 radio markets and 83 stations in 32 of the top 50 radio markets. Headquartered in Camarillo, California, Salem employs more than 1,500 people nationwide.

1961

Stuart W. Epperson, Salem's chairman, obtains permit to build new AM station in Roanoke, VA.

1963

Epperson acquires second station in Winston-Salem, NC.

1967

Salem's president and CEO, Edward G. Atsinger III, obtains permit to build his first station in Raleigh, NC.

1972

Epperson and Atsinger form partnership to acquire full-time AM station in Bakersfield, CA.

1974

Atsinger launches radio station KDAR-FM in Oxnard, CA, his first full-time Christian radio station.

Salem's radio business is focused on the clustering of three strategic formats: Christian Teaching and Talk, Contemporary Christian Music and conservative News Talk. Salem also owns Salem Radio Network®, a national radio network that syndicates music, news and talk programming to approximately 2,000 affiliated radio stations, in addition to Salem's own stations. Salem Radio Representatives® is a national radio advertising sales firm with offices in 14 U.S. cities. Salem Web Network™, the premiere provider of online Christian content and streaming, and Salem Publishing™, a leading publisher of Christian magazines, are owned and operated by Salem.

## RADIO

Salem is the leading U.S. radio broadcaster targeting the audience interested in Christian and family-themed programming. With 66 stations in 24 of the top 25 markets, Salem is the third largest owner of radio stations in major metropolitan areas. Stations in these markets are considered by many to be the "beach front" properties of radio, difficult to acquire and very valuable.

## BUSINESS STRATEGY

We strive to reach the largest audience possible in each market, then translate that audience share into advertising revenue. Our national presence gives advertisers a station platform that is a unique and powerful way to reach the Christian audience. A key programming strategy on our Christian Teaching and Talk radio stations is to sell blocks of time to a variety of charitable and ministry organizations that create compelling radio programs.

## ACQUISITION AND CLUSTER STRATEGY

Since its initial public offering in July 1999, Salem has grown from 46 radio stations to 104 stations located in 40 radio markets. The company focuses on acquiring stations in large markets that have strong signals and that will deliver an appropriate return on investment. Because of our unique programming strategy that serves the Christian and family-themed audience, we typically reformat, market and promote each newly-acquired station to develop listenership and cultivate a customer base to grow revenue.

It can take five to six years of development for an acquired radio station to reach maturity. Over the long term, this strategy gives stations a competitive advantage and allows Salem to super-serve this large and loyal market segment.

We strive to build clusters of radio stations in each of our markets with each format targeting different demographic segments of the audience interested in Christian and family-themed programming. This clustering and programming segmentation strategy allows us to achieve greater penetration into each segment of our target market. We then are able to offer advertisers multiple audiences and to bundle the radio stations for advertising sales purposes when advantageous.

There are several benefits that result from operating multiple radio stations in the same market. First, collectively our stations afford our clients a larger percentage of advertising time in that market. Second, the more stations we program, the greater the market share we can achieve in our target demographic groups through our distinctive programming. Third, we realize cost and operating efficiencies by consolidating sales, technical and administrative support and promotional functions where possible. Finally, the purchase of additional radio stations in an existing market allows us to leverage our market expertise to better serve our advertisers and our listeners.

In 2005, Salem completed the acquisitions of stations in the Chicago, IL; Dallas, TX; Houston, TX; Miami, FL; Tampa, FL; Portland, OR; Cleveland, OH; Sacramento, CA; Honolulu, HI; Omaha, NE and Sarasota, FL markets.

1977

Atsinger and Epperson sell secular formatted stations to develop and satisfy demand for Christian formatted radio broadcasting.

1978

**WEZE-AM is acquired in Boston, MA.**

1982

Salem enters the New York, NY market acquiring WNYM-AM, which later is sold in 1989 to acquire the superior signal of WMCA-AM.

1984

**KGNW-AM is acquired in Seattle, WA.**

1985

The FCC grants Salem's license for KKLA-FM, offering full market coverage in Los Angeles, CA.

# 80%

of Americans are convinced  
that God exists.

From: Gallup Poll, 2005

## PROGRAMMING STRATEGY

Through the strength of our Christian Teaching and Talk format, the influence of our News Talk format and the growing popularity of our Contemporary Christian Music format, we are well-positioned to improve upon our leadership position in Christian and family-themed radio.

### Christian Teaching and Talk

Christian Teaching and Talk is our foundational format. Through this format a listener can hear Bible teaching and sermons and gain answers to questions relating to daily life, from raising children to preserving religious legal rights in education and the workplace. This format serves as both a learning resource and a personal support for listeners nationwide. In response, listeners call and write into these programs to ask questions, get more materials on a subject, and receive study guides based on what they have learned on the radio.

### Block Programming

Salem's national station platform and focused programming strategy provide the company with the ability to consistently offer block programmers on its Christian Teaching and Talk stations both scale and targeting efficiencies. In 2005, Salem's same station block programming revenue grew by 6 percent, compared to flat growth in general market advertising. Historically, and in 2006, more than 90 percent of Salem's national block programming partners renewed their respective relationships with Salem. As a result, Salem's block programming business tends to be recession resilient and provides a steady and consistent stream of revenue and cash flow.

### News Talk

News talk programming is the second most popular radio format in the country, based both on listenership and number of radio stations. Research has shown that our News Talk format is highly complementary to our core format of Christian Teaching and Talk. As programmed by Salem, both formats express conservative views and family values. Our News Talk format also provides us with the opportunity to leverage syndicated talk programming produced by Salem Radio Network® (SRN). Our nationally syndicated programs are distributed through approximately 2,000 affiliates.

### The FISH® – Contemporary Christian Music

Through our CCM format, called The FISH® in most markets, we are able to bring listeners the words of inspirational recording artists, set to upbeat contemporary music. Our music format is branded "Safe for the Whole Family®", with sounds that everyone enjoys and lyrics that parents appreciate. The CCM genre continues to be popular. The American Music Awards® annually honors and recognizes this format. According to Nielson Christian SoundScan®, sales of Christian music, including digital, rose 2.4 percent in 2005 making CCM the sixth most popular music genre in America. We believe this listener base has been underserved in terms of radio coverage, especially in the larger markets.

### XM Satellite Radio

As America's most popular satellite radio service, XM reaches more than six million subscribers from coast to coast. Salem's satellite radio station, XM 170, is the exclusive Christian Teaching and Talk channel on XM, reaching subscribers across the entire nation 24 hours a day, seven days a week.

1986

KPRZ-AM is acquired in San Diego, CA.

The first cluster acquisition happens in Portland, OR, with KPDQ-AM and FM.

1990

WYLL-AM is acquired in Chicago, IL.

1992

Salem creates national sales agency: Salem Radio Representatives® (SRR) to help build national advertising revenue for Christian formatted radio.

WAVA-FM is acquired in Washington, D.C.

1993

Salem Radio Network® is launched, taking advantage of Salem's major market presence and leveraging its radio programming.

## AUDIENCE GROWTH

We grow our radio audience by programming high quality, compelling content that is tested and fine-tuned to appeal to listeners in each of our strategic formats. We work to maximize audience share and then convert these audience share ratings into advertising revenue; we also minimize clutter and control operating costs. A combination of research, marketing, targeted promotions and live events help to create visibility and brand awareness for our stations in their local markets.

## STATION DEVELOPMENT

Approximately half of Salem radio stations are in a start-up or early development stage. Less mature stations generally grow their revenue and cash flow at a fast rate. To achieve stability and high revenue, Salem's strategy is to drive these start-up and development stage stations to maturity as rapidly and as effectively as possible. In addition, Salem focuses on improving same-station revenue and station operating income at its mature stations. The start-up to maturity process in most cases is a span of five to six years, beginning with a period of start-up losses, moving to breakeven and then growing profitability. As Salem's start-up and development stage stations mature, significant revenue and cash flow growth is realized. Operating income margins typically improve as radio stations mature due to the fact that many costs are fixed or grow at or around the rate of inflation while revenues of the station grow at a faster rate.

## TECHNICAL IMPROVEMENTS

A key focus for Salem is to improve a radio station's broadcast signal so that it can reach as many listeners as possible, both during the day and at night. Salem has completed a number of enhancements that improve the coverage of numerous signals, including several in the top 25 markets. In 2005, Salem completed tower upgrade projects for WYLL-AM in Chicago, and for The FISH®, WFSH-FM in Atlanta. In early 2006, Salem launched KTRO-FM, a new station in Portland, OR, that the company was able to relocate into the Portland market from Astoria, OR.

## RADIO ADVERTISING SALES

Salem has assembled an effective, highly-trained sales staff responsible for converting audience share into revenue. We operate with a focused, sales-oriented culture that rewards aggressive selling efforts through a competitive commission and bonus compensation structure. We hire and deploy teams of sales professionals for each of our stations or station clusters, and we provide these teams with the resources necessary to compete effectively in the markets in which we operate. We utilize various sales strategies to sell and market our stations as stand-alones, in combination with other stations within a given market and across markets, where appropriate.

Although Salem's growth is less reliant on the advertising environment than most traditional radio companies, the general advertising climate is an important driver in Salem's growth. In 2005, Salem's advertising revenues, including local and national spot and network, grew seven percent, compared to flat revenue for the industry. This out-performance is the result of growth at Salem's developing radio stations, as well as an even greater appreciation by general market advertisers and ad agencies of the size and the buying power of the large and growing Christian audience.

**One of every six adults visits a faith-oriented web site each month, and one out of three reads a Christian magazine.**

*From: Barna Research, 2005*

1994

Salem acquires WWDJ-AM, New York, NY; WZZD-AM, Philadelphia, PA; and KSLR-AM, San Antonio, TX.

1995

Salem acquires **KNUS-AM, Denver, CO**, its first News Talk station.

1998

KRLA-AM, a second News Talk station, is acquired in Los Angeles, CA.

1999

Salem Communications becomes publicly traded through its initial public offering of Common Stock (Nasdaq: SALM).

Expanding beyond radio broadcasting, Salem Communications acquires CCM Magazine (now Salem Publishing) and OnePlace.com (now Salem Web Network).

## MARKETING PLATFORM TO NATIONAL ADVERTISERS

Through our acquisitions, we have created a national platform of radio stations that reaches more than four million listeners weekly. National companies find advertising on all our radio stations to be an efficient and cost-effective way to reach this target audience. Through Salem Radio Representatives, we bundle and sell this platform of radio stations to national advertisers, thereby enhancing our revenue generating opportunities, expanding our base of advertisers, creating greater demand for our advertising time inventory and making our sales effort more efficient.

## SIGNIFICANT COMMUNITY INVOLVEMENT

We believe our active involvement and significant relationships in the Christian community provide a competitive advantage in targeting Christian audiences. Our proactive involvement in the Christian community in each of our markets significantly improves the marketability of our radio broadcast time to advertisers who are targeting such communities. We believe that a radio station's image should reflect the lifestyle and viewpoints of the target demographic group it serves. We regularly partner with organizations that serve the Christian and family-themed audience and sponsor and support events important to this group. These events include listener rallies, pastor recognition events and concerts like *FishFest*® and *Celebrate Freedom*™. These events connect us with our listeners and enable us to create enhanced awareness and name recognition in our markets. Involvement leads to increased effectiveness in developing and improving our programming formats, leading to greater listenership and higher ratings over the long term.

## SALEM IN THE NEWS

### Salem a Winner Again at National Religious Broadcasters (NRB)

- Christian Teaching and Talk station, WFIL-AM 560 in Philadelphia, PA, won the award for *Radio Station of the Year in Talk*.
- SRN News was awarded *Best Radio News Format*.
- Focus on the Family® announced its stations of the year at NRB. WFIA-FM/AM, in Louisville, KY, won the award for *Medium Market Station of the Year*.

### Medved's Talk Officially is Hot

- SRN's syndicated talk host Michael Medved reached millions during their coffee break at Starbucks®. A quote by Medved is featured on coffee cups, part of Starbucks "The Way I See It" promotion.

### 99.5 FM KKLA in Los Angeles, CA, Celebrates 20 Years

- The station celebrated 20 years of service in 2005 with a year of activities and special programs featuring audience and ministry events.

2000

Salem makes its largest acquisition—purchasing eight stations from Clear Channel for \$185.6 million.

**KLTY-FM, Dallas, TX, our flagship Contemporary Christian Music station is purchased.**

2001

Salem purchases 12 radio stations including major market stations in Chicago, IL, San Francisco, CA, Boston, MA, Minneapolis, MN, Tampa, FL and Cleveland, OH.

2002

Salem acquires Crosswalk.com®, becoming the leading Christian content Internet provider, and purchases five radio stations, including an additional full market FM in Portland, OR.

# SALEM RADIO NETWORK®

SRN is Talk...SRN is News...SRN is Music...Through the original production, syndication and distribution of radio programming content, SRN extends the reach of Salem's broadcast coverage beyond its owned and operated stations. With approximately 2,000 affiliates in 268 markets and all 50 states, SRN is the leading provider of Christian and family-themed radio content nationwide. Through a broad menu of content options, advertisers are provided unique and unparalleled access to our highly sought after and expanding national audience.

Compelling and spirited conversation is the hallmark of **SRN** Talk. SRN provides general market news talk stations with five long-form daily talk shows, hosted by high visibility personalities Bill Bennett, Mike Gallagher, Dennis Prager, Michael Medved and Hugh Hewitt. Each adds his unique style of entertaining commentary and listener interaction to the issues of the day. SRN's Christian talk syndication is hosted by well-known and respected communicators in the Christian community. Janet Parshall, Albert Mohler, Cal Thomas, Gary and Barb Rosberg and Richard Land provide Christian-formatted stations with a diverse style of issue-focused, family and inspirational talk from a distinctly Christian perspective.

Originating from Washington, D.C., the newsmaker capital of the world, **SRN** News offers more than

1,100 affiliates from coast-to-coast a comprehensive package of headline news, specials and breaking news 24 hours a day, 7 days a week. Produced and anchored by a seasoned team of broadcast journalists, including full-time correspondents at the White House, Capitol Hill and reporters from around the world, SRN was the recipient of the prestigious Best News Format Award from the National Religious Broadcasters in 2005.

Headquartered in Nashville, TN, **Salem Music Network® (SMN)** is radio's leading commercial provider of Christian music. From three around-the-clock formats—Today's Christian Music™, The Word in Praise® and Solid Gospel™—to specialty weekend programming, SMN provides a skillfully-blended mix of today's best Christian music to more than 270 affiliates nationwide.

## SALEM RADIO REPRESENTATIVES®

Since its inception in 1992, Salem Radio Representatives® (SRR) has become the dominant national sales firm in Christian-formatted radio with a record-setting revenue performance in 2005. Headquartered in Dallas, with offices in 14 cities across the United States, SRR represents hundreds of client radio stations and more than 20 network programs. With unmatched access to the ever-growing faith-based and family values audience, SRR offers an extensive menu of research, advertising and promotional choices to meet the varied needs of national radio advertisers. In June, 2005, SRR expanded its business portfolio with the creation of Vista Radio Representatives (VRR) with offices in New York City, NY, Los Angeles, CA, Dallas, TX, Atlanta, GA, Portland, OR and Greenville, SC. The focus of VRR is the creation and placement of new general market national advertising on client radio stations.

2003

Salem acquires stations in Jacksonville, FL, Boston, MA, Sacramento, CA and Colorado Springs, CO.

2004

Salem successfully completes a secondary offering of 2.3 million Class A common shares.

In a landmark deal, Salem exchanges radio stations with Univision. Salem exchanges FM stations in Chicago, IL and San Raphael, CA for a heritage AM station in Chicago, IL and stations in Dallas, TX, Houston, TX and Sacramento, CA.

**SALEM RADIO NETWORK**  
AFFILIATES BY STATE

|                           |            |
|---------------------------|------------|
| Alabama                   | 55         |
| <b>Alaska</b>             | <b>31</b>  |
| Arizona                   | 26         |
| <b>Arkansas</b>           | <b>25</b>  |
| California                | 130        |
| <b>Colorado</b>           | <b>50</b>  |
| Connecticut               | 4          |
| <b>Delaware</b>           | <b>6</b>   |
| Florida                   | 90         |
| <b>Georgia</b>            | <b>76</b>  |
| Hawaii                    | 11         |
| <b>Idaho</b>              | <b>14</b>  |
| Illinois                  | 57         |
| <b>Indiana</b>            | <b>62</b>  |
| Iowa                      | 30         |
| <b>Kansas</b>             | <b>46</b>  |
| Kentucky                  | 46         |
| <b>Louisiana</b>          | <b>24</b>  |
| Maine                     | 14         |
| <b>Maryland</b>           | <b>15</b>  |
| Massachusetts             | 12         |
| <b>Michigan</b>           | <b>58</b>  |
| Minnesota                 | 47         |
| <b>Mississippi</b>        | <b>20</b>  |
| Missouri                  | 55         |
| <b>Montana</b>            | <b>34</b>  |
| Nebraska                  | 21         |
| <b>Nevada</b>             | <b>22</b>  |
| New Hampshire             | 9          |
| <b>New Jersey</b>         | <b>11</b>  |
| New Mexico                | 32         |
| <b>New York</b>           | <b>100</b> |
| North Carolina            | 60         |
| <b>North Dakota</b>       | <b>9</b>   |
| Ohio                      | 55         |
| <b>Oklahoma</b>           | <b>38</b>  |
| Oregon                    | 37         |
| <b>Pennsylvania</b>       | <b>91</b>  |
| Rhode Island              | 3          |
| <b>South Carolina</b>     | <b>45</b>  |
| South Dakota              | 6          |
| <b>Tennessee</b>          | <b>63</b>  |
| Texas                     | 111        |
| <b>Utah</b>               | <b>19</b>  |
| Vermont                   | 15         |
| <b>Virginia</b>           | <b>72</b>  |
| Washington                | 48         |
| <b>West Virginia</b>      | <b>28</b>  |
| Wisconsin                 | 38         |
| <b>Wyoming</b>            | <b>6</b>   |
| Puerto Rico               | 2          |
| <b>US Virgin Islands</b>  | <b>2</b>   |
| Bermuda                   | 1          |
| <b>Canada</b>             | <b>13</b>  |
| Cayman Islands            | 2          |
| <b>Dominican Republic</b> | <b>1</b>   |

**OUR LONG FORMAT TALK SHOWS  
ARE HOSTED BY WELL-KNOWN,  
GIFTED PERSONALITIES**



**BILL BENNETT**

Host of *Morning in America™*, former Secretary of Education and editor of *The Book of Virtues*.



**MIKE GALLAGHER**

Host of *The Mike Gallagher Show*, frequent guest host on Fox News and author of *Surrounded by Idiots*.



**HUGH HEWITT**

Host of *The Hugh Hewitt Show*, author of *Blog* and among the top bloggers in the country today.



**MICHAEL MEDVED**

Host of *The Michael Medved Show*, widely-recognized movie and cultural critic and author of *Right Turns*.



**ALBERT MOHLER**

President of The Southern Baptist Theological Seminary, author, speaker and host of *The Albert Mohler Program*.



**JANET PARSHALL**

Host of *Janet Parshall's America*, an author and a devoted advocate of the principles and policies that strengthen the family.



**DENNIS PRAGER**

Host of *The Dennis Prager Show*, syndicated columnist and author of *Happiness is a Serious Problem*.



**2005**

Salem acquires first radio station in Miami, FL.

Salem purchases Christianity.com

Salem acquires *Singing News Magazine*, the leading magazine devoted to southern gospel music

**2006**

Salem Acquires CrossDaily.com and ChurchStaffing.com



# Christian Teaching and Talk

**Salem's Christian Teaching and Talk** stations attract listeners more likely to be married women and men in the 25-54 age range. These educated listeners enjoy creating a beautiful home: nearly 25 percent have spent \$3,000 or more on household improvements in the past year. Slightly more than 30 percent have purchased furniture, and nearly three quarters of the listeners shop at hardware, paint, lawn or garden stores.

More than half are employed in white collar positions. These listeners have numerous financial products including mortgages, auto loans, savings and money market accounts. In addition to multiple digital entertainment systems, they are computer literate and have Internet access.

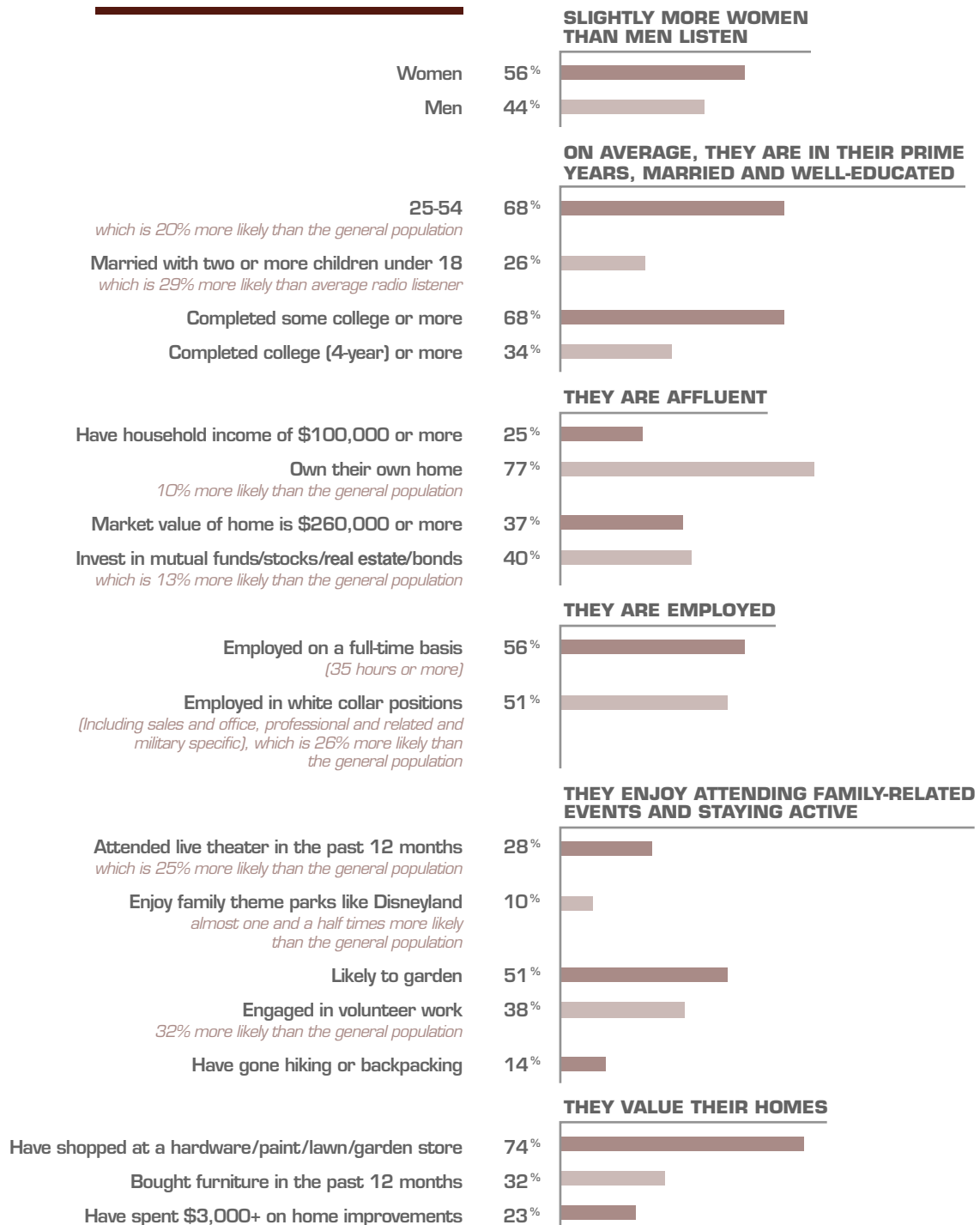
In their spare time, they tend to garden, bicycle, swim and take photos. Their families are almost one-and-a-half times more likely to enjoy family theme parks such as Disneyland. In the past year, more than 25 percent have attended live theater. Almost 12 percent have seen two or more movies in the last month.

# 97%

of working women tune into radio weekly.

From: Center for Media Research, 2005

## OUR CHRISTIAN TEACHING AND TALK AUDIENCE



Source: Scarborough USA +, Release 1, 2005 12 mo., Salem Communications Christian Teaching and Talk markets

# SALEM WEB NETWORK™

Salem's online strategy centers on creating the premiere Internet platform serving the audience interested in Christian and family-themed content. Each Internet site that is part of the Salem Web Network® leverages our engaged and loyal radio listener base. *Oneplace.com*™, *Crosswalk.com*® and *Christianity.com* feature compelling text and audio content for a national audience, while our radio station web sites provide targeted

content for their local audiences. In 2005 we acquired *Christianity.com*, *ChristianJobs.com* and *ChurchStaffing.com*. These recent acquisitions enhance our web leadership as a provider and distributor of Christian content and services for our target audience. *Salem Web Network*™ generated more than 500 million page views and averaged more than four million unique visitors each month in 2005.



## ONEPLACE.COM™

Acquired in January 1999, *OnePlace.com*™ has grown to become the leading online provider of audio streaming for Christian ministries. *OnePlace.com*™ serves as both a complement to, and an extension of, our block programming radio business. It services more than 150 of our broadcast ministries, providing 30-day archived, on-demand audio streaming of more than 200 radio programs.



## CROSSWALK.COM®

In October 2002, we significantly expanded our Internet presence through the acquisition of *Crosswalk.com*®. *Crosswalk.com*® is the one of most visited online destinations for Christians and offers the freshest biblically-based content on the web. *Crosswalk.com*® is built around four primary content areas – Faith, Family, Fun and Community. Each category is further subdivided into areas of interest such as Bible study, devotionals, marriage, parenting, movies, singles and more.



## CHRISTIANITY.COM

Our Internet strategy took a huge leap forward in February 2005 when we acquired *Christianity.com*. At the time of the acquisition this site was a rather small provider of audio streaming, but it has been re-designed to be a vibrant resource for Christian Bible study and devotional content.



## CHRISTIANJOBS.COM™

This acquisition was not only accretive immediately, it also brought to Salem an operating platform for job search. More than 1,900 employers have paid for listings since early 2005 and with this database of employers that want values-centered employees, the business is poised for further growth and profitability in 2006.

## CHURCHSTAFFING.COM™

Acquired in late 2005, this site is a leading source of job search information on the Internet for professional church staff workers. At the time of purchase, *ChurchStaffing* revenue had been growing in excess of 25 percent per year, and the site currently has more than 800 job listings and 9,000 active resumes.



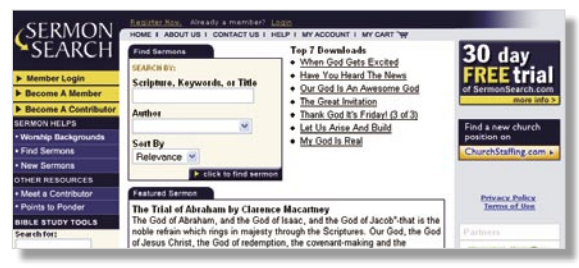
## CROSSCARDS.COM™

*Crosscards.com*™ is a web site designed to provide the online faith-based audience with e-greeting cards that offer unique messages of God's love, inspiration, encouragement and fun.



## SERMONSEARCH.COM™

*SermonSearch.com* is a leading Internet resource for pastors, lay ministers and serious-minded Christians who want to access sermons and Bible-study content and tools. *SermonSearch.com* is a database-driven subscription web site containing more than 15,000 sermons by well-known pastors and speakers.



## THEFISH.COM™

Launched in December 2003, *TheFISH.com*™ is an online resource for digital delivery of Christian music. *TheFISH.com*™ also offers entertainment news and information of interest to Christian music listeners.



## CROSSDAILY.COM™

Acquired in 2006, *CrossDaily.com* complements current efforts to serve the growing church services market by providing one of the largest collections of Christian graphics available on the web. The addition of more than seven million page views and 600,000 unique users will only strengthen our Internet presence.



## SALEM RADIO STATION WEB SITES

Salem's radio station web sites not only promote our core radio station business, but many serve as portals for our listeners to access content provided by our branded national web sites.



# News Talk

Salem's **News Talk** listeners are college-educated, affluent homeowners in the 25 to 54 age range. Responsible decision makers, they consult on information technology and make telecommunications decisions for their companies. More than the general population, they are likely to purchase a second or vacation home and make financial investments. These listeners have discretionary income.

In addition to reading a daily paper, they watch The History Channel®, the Fox News Channel® or MSNBC®. Their homes have at least one computer with a high speed connection and they utilize technology such as Personal Digital Assistant (PDA) devices. When shopping online, they are most likely to purchase airline tickets, books, computer hardware or software, music and vehicles.

Outside of work, our News Talk listeners enjoy participating in sports like golf, bicycling, running, jogging and swimming. Other interests include photography and gardening.

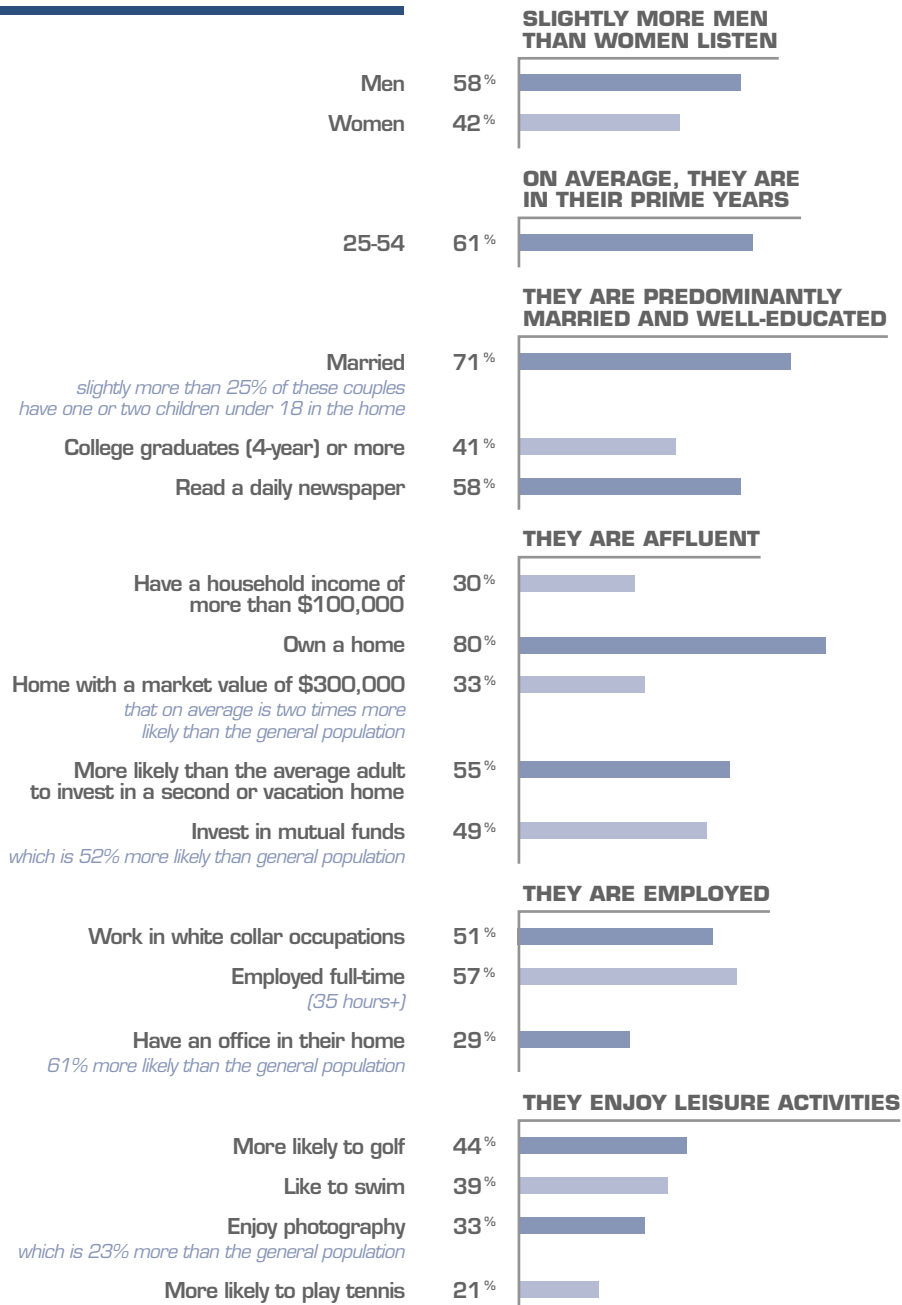
***Where Your Opinion Counts®***

# 20%

of Adults 18+ listen to  
News Talk radio.

From: Scarborough Research, 2005

## OUR NEWS TALK AUDIENCE



Source: Scarborough USA +, Release 1, 2005 12 mo., Salem Communications News Talk markets

## SALEM PUBLISHING™

Salem's leadership in the distribution of Christian content also extends into print through Salem Publishing™, which serves the Christian audience and the Christian music industry. Salem published more than two million units last year. The company's flagship publication, *CCM Magazine*®, has covered the contemporary Christian music

industry for more than 25 years, playing an important role in the growth of contemporary Christian music. Salem Publishing is well positioned to grow with the addition of its other magazines: *Homecoming*® *The Magazine*, *YouthWorker Journal*™, *Singing News Magazine*®, *FaithTalk Magazine*™ and *CrossWalk.com Magazine*.



### CCM MAGAZINE®

*CCM Magazine* is a special interest consumer magazine that covers Christian music, publishing and entertainment from a faith-based perspective. Each issue contains news, interviews, book and album reviews and in-depth looks at the spiritual lives of contemporary Christian music artists. With a monthly circulation of 70,000, *CCM Magazine* is a leader in covering Christian music.

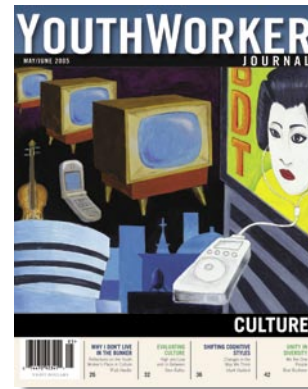


### HOMECOMING® THE MAGAZINE

For more than 13 years, Bill and Gloria Gaither's *Homecoming*® video series has topped sales charts and broken box office records. *Homecoming*® *The Magazine*, a bi-monthly publication, is full of stories and insights, sharing all the faith, friendship and fun you would expect from a magazine developed by the talented and inspiring Gaither family. Since its launch, *Homecoming*® *The Magazine* has achieved a bi-monthly circulation of 90,000.

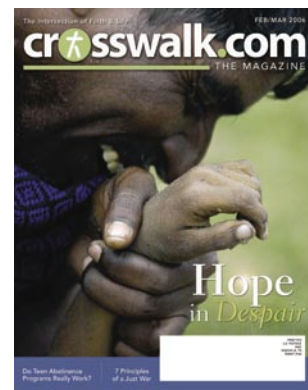
### YOUTHWORKER JOURNAL™

*YouthWorker* is the leading professional journal for youth ministry. This publication delivers in-depth, no-nonsense articles that explore problems and challenges unique to professional youth workers. It treats critical youth ministry issues in a comprehensive, candid manner and is designed to help youth workers create effective strategies for their ministries. *YouthWorker Journal* reaches 10,000 subscribers every other month.



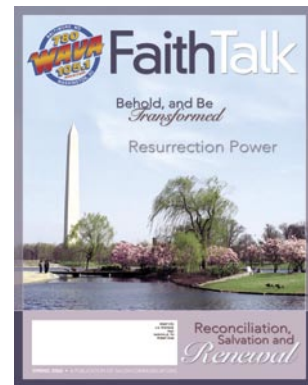
### CROSSWALK.COM MAGAZINE

*Crosswalk.com Magazine* will change in 2006 from a station-branded magazine to a magazine focused on the user of *Crosswalk.com*. The magazine will leverage content from the web site and will be promoted primarily to the site's 2+ million users, to expand the reach of the Crosswalk brand and to take users deeper.



### FAITH TALK MAGAZINE™

Published in conjunction with select Salem Christian Teaching and Talk radio stations, *FaithTalk* is designed to strengthen the stations' listenership, enhance sales and leverage the local brand strength. Circulation will exceed 400,000 in 2006.



### SINGING NEWS MAGAZINE®

Salem's publishing platform expanded in January 2006 with the acquisition of *Singing News*, known for 36 years as "the voice of southern gospel music." With paid subscribers in all 50 states, *Singing News Magazine* strengthens Salem's position as the nation's preeminent publisher of Christian music magazines. The monthly magazine also publishes the most widely read radio airplay charts for southern gospel music.





# Contemporary Christian Music

Families who are active and involved make up the bulk of our **Contemporary Christian Music** audience, with a larger percentage of listeners being women. More than half of listeners work full time, and most have children under 18 who are living at home. These college-educated listeners are homeowners with means. Over 20 percent earn more than \$75,000 annually and a sizable portion of listeners invest in stock, a 401(k) and mutual funds. Their homes are wired and they do not hesitate to shop online for airline tickets, books or movie tickets. More than 40 percent volunteer in their communities.

These listeners want family-friendly content in their homes, online and in their cars. Outside of work, they like to garden, hike, swim and bowl. They often tune into HGTV®, ABC Family® or the Discovery Channel®. More than 60 percent have a dog or cat in the home.

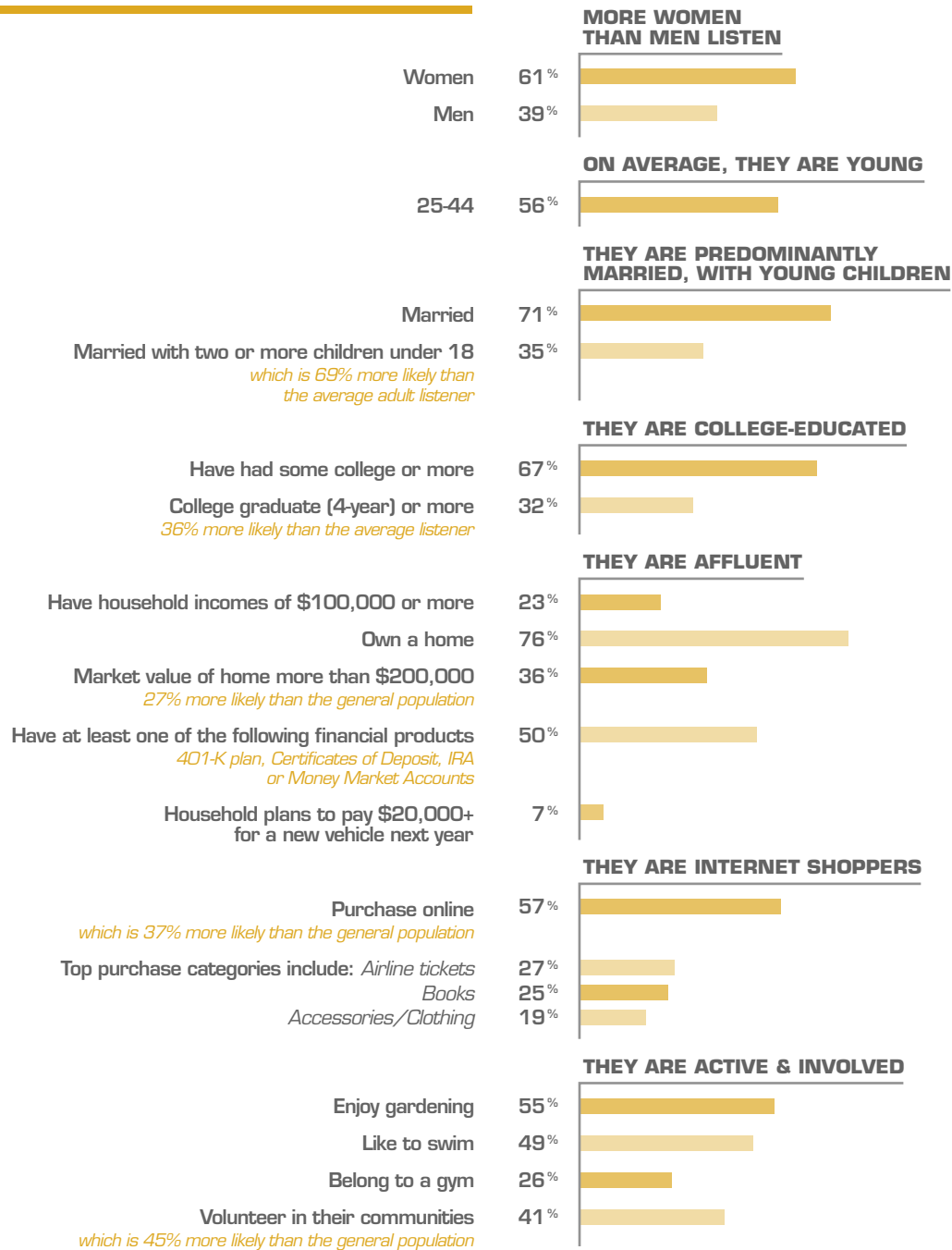
**Safe for the Whole Family®**

# 95%

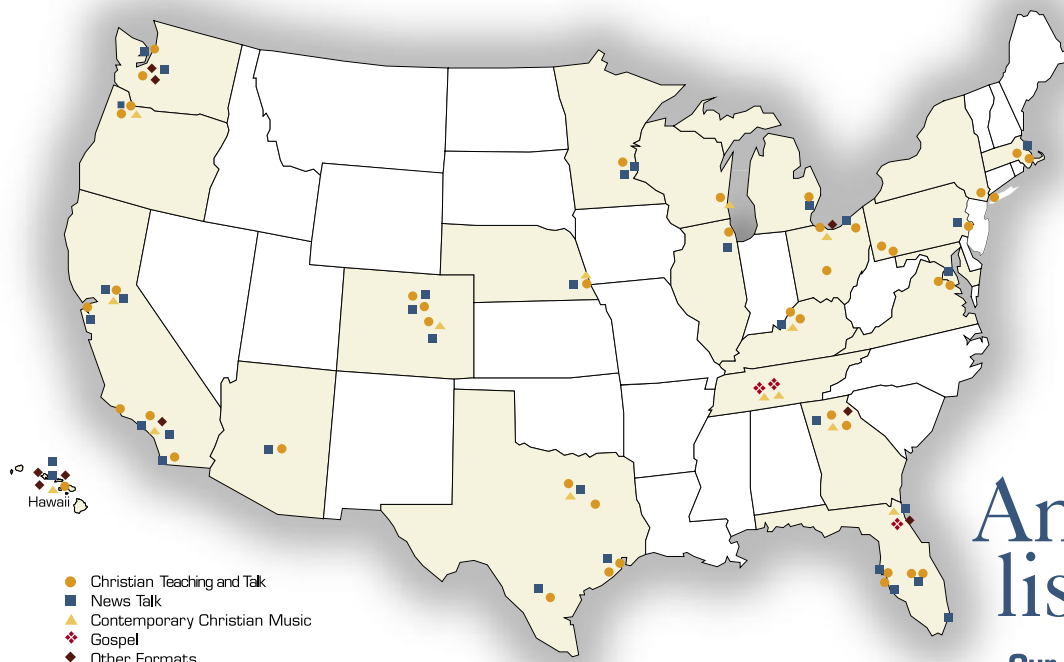
of college grads listen to the radio during a week.

From: Center for Media Research, 2005

## OUR CONTEMPORARY CHRISTIAN MUSIC AUDIENCE



Source: Scarborough USA +, Release 1, 2005 12 mo., Salem Communications CCM markets



- Christian Teaching and Talk
- News Talk
- ▲ Contemporary Christian Music
- ◆ Gospel
- ◆ Other Formats

# America is listening.

**Our 104 radio stations are located in the top radio markets nationwide**

## Arizona

- Phoenix KKNT AM 960
- Phoenix KPXQ AM 1360

## California

- Los Angeles KKLA FM 99.5
- ▲ Los Angeles KFSH FM 95.9
- Los Angeles KRLA AM 870
- ◆ Los Angeles KXMX AM 1190
- Oxnard-Ventura KDAR FM 98.3
- Riverside-San Bern. KTIE AM 590
- Sacramento KFIA AM 710
- Sacramento KTKZ AM 1380
- Sacramento KTKZ FM 105.5
- ▲ Sacramento KKFS FM 103.9
- San Diego KPRZ AM 1210
- San Diego KCBQ AM 1170
- San Francisco KFAQ AM 1100
- San Francisco KNTS AM 1220

## Colorado

- ▲ Colorado Springs KBIQ FM 102.7
- Colorado Springs KGFT FM 100.7
- Colorado Springs KZNT AM 1460
- Denver-Boulder KRKS FM 94.7
- Denver-Boulder KRKS AM 990
- Denver-Boulder KNUUS AM 710
- Denver-Boulder KBJD AM 1650

## Florida

- ▲ Jacksonville WBGB FM 106.5
- Jacksonville WJGR AM 1320
- ◆ Jacksonville WZNZ AM 1460
- ◆ Jacksonville WZAZ AM 1400
- Miami WKAT AM 1360
- Orlando WORL AM 660
- Orlando WTLN AM 950
- Orlando WHIM AM 1520
- Sarasota-Bradenton WLSS AM 930
- Tampa WTBN AM 570
- Tampa WTWD AM 910
- Tampa WGUL AM 860

## Georgia

- ▲ Atlanta WFSH FM 104.7
- Atlanta WNIV AM 970
- Atlanta WLTA AM 1400
- ◆ Atlanta WAFS AM 1190
- Atlanta WGKA AM 920

## Hawaii

- Honolulu KGU AM 760
- Honolulu KHNR AM 870
- Honolulu KHNR FM 97.5
- ▲ Honolulu KAIM FM 95.5
- ◆ Honolulu KHUI FM 99.5
- ◆ Honolulu KGMZ FM 107.9
- ◆ Honolulu KHCM AM 1170

## Illinois

- Chicago WYLL AM 1160
- Chicago WIND AM 560

## Kentucky

- Louisville WFIA FM 94.7
- Louisville WFIA AM 900
- Louisville WGTK AM 970
- ▲ Louisville WRVI FM 105.9

## Maryland

- Baltimore WITH AM 1230

## Massachusetts

- Boston WEZE AM 590
- Boston WRQL AM 950
- Boston WTTT AM 1150

## Michigan

- Detroit WDTK AM 1400
- Detroit WLQV AM 1500

## Minnesota

- Minneapolis-St. Paul KKMS AM 980
- Minneapolis-St. Paul KYCR AM 1570
- Minneapolis-St. Paul WWTC AM 1280

## Nebraska

- ▲ Omaha KGBI FM 100.7
- Omaha KCRO AM 660
- Omaha KOTK AM 1420

## New York

- New York WMCA AM 570
- New York WWDJ AM 970

## Ohio

- ▲ Cleveland WFHM FM 95.5
- Cleveland WHKW AM 1220
- Cleveland WHK AM 1420
- ◆ Cleveland WKNR AM 850
- Columbus WRFD AM 880
- Youngstown-Warren WHKZ AM 1440

## Oregon

- Portland KPQG AM 800
- Portland KPQG FM 93.9
- ▲ Portland KFIS FM 104.1
- Portland KTRO FM 93.1

## Pennsylvania

- Philadelphia WFIL AM 560
- Philadelphia WNTP AM 990
- Pittsburgh WORD FM 101.5
- Pittsburgh WPIT AM 730

## Tennessee

- ◆ Nashville WBOZ FM 104.9
- ◆ Nashville WVRY FM 105.1
- ▲ Nashville WFFH FM 94.1
- ▲ Nashville WFFI FM 93.7

## Texas

- ▲ Dallas-Fort Worth KLTY FM 94.9
- Dallas-Fort Worth KWRD FM 100.7
- Dallas-Fort Worth KSKY AM 660
- Houston KNTH AM 1070
- Houston KKHT FM 100.7
- Houston KTEK AM 1110
- San Antonio KSLR AM 630
- San Antonio KLLUP AM 930
- Tyler-Longview KPXI FM 100.7

## Washington DC

- Washington DC WAVA FM 105.1
- Washington DC WAVA AM 780

## Washington

- Seattle-Tacoma KGNW AM 820
- Seattle-Tacoma KLFE AM 1590
- Seattle-Tacoma KKOL AM 1300
- ◆ Seattle-Tacoma KKMO AM 1360
- ◆ Seattle-Tacoma KTFH AM 1680
- Seattle-Tacoma KIKN AM 1290

## Wisconsin

- Milwaukee-Racine WRRD AM 540
- ▲ Milwaukee-Racine WFZH FM 105.3

as of 3/7/06  
upon completion of all  
announced transactions

## **BOARD OF DIRECTORS**

**Stuart W. Epperson**  
Chairman of the Board

**Edward G. Atsinger III**  
President and Chief Executive Officer

**David Davenport**  
Distinguished Professor  
of Public Policy and Law  
Pepperdine University

**Eric H. Halvorson**  
Executive in Residence  
Pepperdine University

**Roland S. Hinz**  
Publisher / Editor-in-Chief  
Hi-Torque Publishing

**Judge Paul Pressler**  
Partner  
Woodfill & Pressler, LLP

**Richard A. Riddle**  
Consultant / Independent Businessman

**Dennis M. Weinberg**  
Chief Executive Officer  
ARCUS Enterprises, Inc.  
A Wellpoint Company

## **CORPORATE EXECUTIVE OFFICERS**

**Stuart W. Epperson**  
Chairman of the Board

**Edward G. Atsinger III**  
President and Chief Executive Officer

**Joe D. Davis**  
Executive Vice President  
and Chief Operating Officer

**David A.R. Evans**  
Executive Vice President  
Business Development  
and Chief Financial Officer

**Greg R. Anderson**  
President  
Salem Radio Network

**James R. Cumbee**  
President  
Non-Broadcast Media

**Jonathan L. Block**  
Vice President  
General Counsel and Secretary

**Evan D. Masyr**  
Vice President  
Accounting and Finance

## **CORPORATE OFFICES**

Salem Communications Corporation  
4880 Santa Rosa Road  
Camarillo, CA 93012  
(805) 987-0400

## **CORPORATE COUNSEL**

Gibson, Dunn & Crutcher LLP  
Jamboree Center  
4 Park Plaza  
Irvine, CA 92614-8557

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young, LLP  
725 S. Figueroa Street  
Los Angeles, CA 90017

## **TRANSFER AGENT AND REGISTRAR**

Information concerning the transfer or exchange of stock, lost certificates, change of address and other share transfer matters should be directed to Salem Communications' transfer agent at:

THE BANK OF NEW YORK  
Shareholder Relations Department  
P.O. Box 11002  
Church Street Station  
New York, NY 10286  
(800) 524-4458

Email: [shareowners@bankofny.com](mailto:shareowners@bankofny.com)  
<http://www.stockbny.com>

## **SHAREHOLDER CONTACT AND FINANCIAL INFORMATION**

A copy of Salem Communications' Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available without charge upon written request to:

Investor Relations  
Salem Communications Corporation  
4880 Santa Rosa Road  
Camarillo, CA 93012  
(805) 987-0400

## **ANNUAL MEETING**

Salem Communications' Annual Meeting of Shareholders will be held May 24, 2006 at 9:30 am at the:

Westlake Village Inn  
31943 Agoura Road  
Westlake Village, CA 91361

## **ADDITIONAL INFORMATION**

This Annual Report and other company information can be viewed electronically on our web site at:

**[www.salem.cc](http://www.salem.cc)**

## **RADIO | INTERNET | PRINT**

Salem Communications is a leading radio broadcaster, Internet content provider and magazine publisher serving the growing audience interested in Christian and family themed content on air, online and in print.

