

**AGREEMENT**

This Agreement is made and entered into as of this 16<sup>th</sup> day of October, 2006, by and among Mitchell Media, Inc. ("Mitchell"), New Inspiration Broadcasting Company, Inc. ("New Inspiration"), and Salem Communications Corporation, the ultimate corporate parent of New Inspiration ("Salem") (with each of the foregoing individually a "Party" and collectively, the "Parties").

**WITNESSETH**

WHEREAS, Mitchell holds licenses and other authorizations from the Federal Communications Commission ("FCC") for station KMRJ(FM), Rancho Mirage, California (Fac. Id. No. 15475), a grandfathered Class A FM station ("KMRJ"), and New Inspiration holds licenses and other authorizations from the FCC for station KKLA-FM, Los Angeles, California (Fac. Id. No. 48453) ("KKLA," and, with KMRJ, sometimes referred to hereinafter individually as a "Station" or collectively as the "Stations");

WHEREAS, KMRJ and KKLA are co-channel, short-spaced FM stations;

WHEREAS, Section 73.213(c)(2) of the FCC's rules provides that a grandfathered Class A FM station may seek to upgrade its facilities to the maximum level permitted for Class A stations with the consent of each co- and adjacent-channel station with respect to which it is short-spaced;

WHEREAS, Mitchell desires to upgrade the signal strength of KMRJ to the maximum allowable Class A effective radiated power ("ERP") of 6.0 kW pursuant to Section 73.213(c)(2) of the FCC's rules, and New Inspiration desires to replace the existing, authorized directional antenna for KKLA with an antenna which is consistent with the terms of this Agreement;

WHEREAS, the Parties are cognizant that approval by the FCC of the mutual Station improvements contemplated by this Agreement may necessitate waiver by the FCC of one or more rules; and

WHEREAS, the Parties intend to file contingent applications with the FCC pursuant to Section 73.3517(e) of the FCC's rules, seeking authorization to complete the aforementioned modifications, in mutual benefit to one another.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants hereinafter contained, the Parties, intending to be legally bound, hereby agree as follows:

1) Definitions.

a) Contingent Application or Contingent Applications shall mean, individually or, as the case may be collectively, the contingent FCC Form 301 applications for modification filed, and as they may be amended consistent with the terms of this Agreement, by each of the Parties seeking, for KKLA, the FCC's consent to replace the licensed directional antenna with an antenna which is consistent with the terms of this Agreement at the current tower site and, for KMRJ, the FCC's consent to upgrade KMRJ's ERP to 6.0 kW at its current tower site.

b) FCC Grant or FCC Grants shall mean the action taken by the FCC or its Media Bureau granting one or, as the case may be, both of the Contingent Applications.

c) Final Order shall mean action by the FCC that has not been reversed, stayed, enjoined, set aside, annulled or suspended, that is not subject to any timely request for stay, application for review, petition for rehearing or reconsideration, appeal or request for writ of certiorari, or *sua sponte* action of the FCC, and as to which the time for filing any such request, application, petition, appeal or request for writ of certiorari, or for taking any *sua sponte* action by the FCC or its staff shall have expired or otherwise terminated.

2) Preparation and Submission of Contingent Applications.

a) Each of the Parties shall prepare and file, on the same day (the "Filing Date"), its respective Contingent Application. The Filing Date shall be determined by New Inspiration, and shall not be less than thirty (30) days after the date on which New Inspiration gives Mitchell notice, in the manner specified herein, of the Filing Date. Each of the Contingent Applications shall be consistent with the pertinent specifications (the "Improvement Specifications") contained in Section 2(b) hereof, and each application shall advise the FCC that such application is mutually contingent upon grant by the FCC of the other Contingent Application. Each such mutual contingency shall at all times remain the posture of the Contingent Applications for the duration of their respective pendency before the FCC. Each of the Contingent Applications shall request that the FCC grant the Contingent Applications together at the same time in accordance with Section 73.3517(e) of the FCC's rules. A copy of this Agreement shall be filed as an exhibit to each of the Contingent Applications, with the dollar value of the consideration specified in Section 4 hereof redacted.

b) For KKLA, its Contingent Application shall be consistent with these Improvement Specifications: it shall propose an antenna location at the tower site where the licensed KKLA antenna is now located, utilizing an antenna selected by New Inspiration with an antenna height above average terrain ("AHAAT") of either 902 meters with an authorized ERP of 10.0 kW or, if an AHAAT greater than 902 meters is proposed, the authorized ERP shall be reduced to the level which provides a 1 mV/m reference contour which does not exceed that produced with the ERP of 10.0 kW at an AHAAT of 902 meters. For KMRJ, its Contingent Application shall be consistent with these Improvement Specifications: it shall propose an antenna location at the tower site where the KMRJ antenna is now located, utilizing an antenna selected by Mitchell and employing either an authorized ERP of 6.0 kW or, if an AHAAT

greater than 100 meters is proposed, the authorized ERP which is the power and AHAAT combination consistent with FCC rule Section 73.211(b)(2).

c) Each of the Parties shall take or, as the case may be, refrain from taking, the following actions:

i) it shall refrain from knowingly taking any action which would materially delay or prevent each of the FCC Grants from becoming a Final Order;

ii) it will diligently prosecute its Contingent Application and cooperate with the other Party to provide to the FCC any additional information as may reasonably be requested by the FCC;

iii) it will not file an objection to any FCC filings of the other Party or to the subsequent applications for license to cover the modifications authorized by the FCC Grant;

iv) it will timely file oppositions to any objections to its respective Contingent Application and to any petition for reconsideration, application for review, or judicial appeal seeking a reversal of the FCC Grant for its particular Station; and

v) promptly (and in any event within 5 business days of receipt or conveyance) provide the other Party with copies of any and all communications sent to or received from any third party, including the FCC, with respect to either or both Contingent Applications (but excluding communications with their respective lawyers, engineers, and other professional advisors).

3) Conduct Following Final Order.

a) After both FCC Grants become a Final Order, each Party shall promptly and diligently complete the modifications (the "Modified Facilities") authorized by the FCC Grant for such Party's Station and use commercially reasonable efforts to be in a position to initiate program test authority pursuant to the FCC Grant for the particular Station no later than one hundred twenty (120) calendar days following the date on which both FCC Grants become a Final Order.

b) Promptly upon its completion of the Modified Facilities applicable to its Station, each Party shall provide notice (each a "Notice" and collectively the "Notices") of such completion to the other Party in the manner specified herein.

c) Within five (5) business days after the last of the Notices required by Section 3(b) has been received by the other Party, each Party shall commence program tests with the Modified Facilities under the provisions of Section 73.1620 of the Commission's rules and, within ten (10) days after such program tests are commenced, file an FCC Form 302-FM license application for its particular Station demonstrating construction in accordance with the Modified Facilities authorized by the FCC Grant (the "License Application"). Each Party shall promptly

notify the other Party of the filing of its License Application and shall diligently prosecute its License Application to secure a grant at the earliest practicable time.

4) Consideration.

a) As consideration for its execution of this Agreement and the performance of its obligations hereunder, New Inspiration shall pay to Mitchell the sum of [REDACTED] Dollars (\$ [REDACTED]) (the "Consideration") by wire transfer of immediately available funds pursuant to wire instructions provided by Mitchell; provided, that in the event the date of payment under this subsection is more than two (2) years after the date of this Agreement, the Consideration shall be increased by [REDACTED] Dollars (\$ [REDACTED]), so that the total Consideration at that point would be [REDACTED] Dollars (\$ [REDACTED]); and, provided further, that the Consideration shall be increased by an additional [REDACTED] Dollars (\$ [REDACTED]) at each subsequent two-year interval until the date of final payment of Consideration under this subsection. No further consideration shall be exchanged between the Parties, excepting the payment of Mitchell's expenses (these expense payments not being a portion of the Consideration), as specified in Section 7 of this Agreement. Mitchell shall not, except to the extent specified in the immediately succeeding two sentences of this subsection, be entitled to payment of any portion of the Consideration unless FCC Grants of the Contingent Applications have each become Final Orders, each Party has commenced operation of its Station's Modified Facilities under Program Test Authority, and each Party has filed its License Application. Within five (5) business days after execution of this Agreement, New Inspiration shall pay Mitchell [REDACTED] Dollars (\$ [REDACTED]) of the Consideration by wire transfer of immediately available funds pursuant to wire instructions provided by Mitchell (which shall be non-refundable under any circumstance). If this Agreement has not been terminated in accordance with its terms, a payment of like amount (\$ [REDACTED]) of the Consideration, which shall also be non-refundable under any circumstance, shall be made to Mitchell on the first anniversary of the execution of this Agreement, and on each subsequent such anniversary if, at the time such a payment would be due, the remaining Consideration has not already been paid to Mitchell. If the remaining portion of the Consideration becomes due to Mitchell under the terms of this Agreement, it shall be paid to Mitchell within five (5) business days after each Party, having previously commenced program tests with the Modified Facilities for its respective Station, has filed its License Application.

b) In the event any portion of the Consideration is not paid when due, the portion of the Consideration due shall be increased by 10% , and the increased Consideration then due shall thereafter accrue interest at the annual rate of 10%, compounded annually, until paid in full. The foregoing provision is illustrated by the following examples: (i) if Mitchell is not paid [REDACTED] Dollars on the first anniversary of this Agreement, the payment then due to Mitchell shall be [REDACTED] Dollars (\$ [REDACTED]), which shall accrue interest at the annual rate of 10% until paid; and (ii) if Mitchell has been timely paid the amounts due at signing and on the anniversary date of the Agreement but is not paid the remaining Consideration within five (5) business days after each Party has commenced program tests and filed its respective License Application, the Consideration then due shall be [REDACTED] Dollars (\$ [REDACTED]), less any Consideration previously paid to Mitchell, plus 10% of that amount, all of which shall accrue interest at the annual rate of 10% until paid.

5) Remedies. The Parties acknowledge and agree that the Stations and each Station's Modified Facilities are of a special, unique, and extraordinary character, and that any breach of its obligations under Sections 2 and 3 of this Agreement by either Party may not be fully compensated for by monetary damages. If such breach takes place, the Party who is not materially in breach of this Agreement shall have the right to seek injunctive relief and/or specific performance of such obligations. In any action to equitably enforce the provisions of this Agreement, the Parties shall waive (a) the defense that there is an adequate remedy at law and (b) any right to require the moving Party to prove actual damages, post bond or furnish other security.

6) Notices. All notices and other communications authorized or required by this Agreement shall be deemed conclusively to have been given upon receipt if the same is in writing, signed by an officer of the Party providing the notice and delivered by overnight courier service (charges prepaid) or hand delivery to the following notice address or such future modified address as may be specified by advance written notice provided in accordance with this section:

- a) If to New Inspiration or Salem:

Jonathan L. Block  
Vice President  
Salem Communications Corporation  
4880 Santa Rosa Road  
Camarillo, CA 93012

With a copy to:

James P. Riley, Esq.  
Fletcher, Heald & Hildreth, P.L.C.  
1300 N. 17<sup>th</sup> Street, 11<sup>th</sup> Floor  
Arlington, VA 22209

- b) If to Mitchell:

Dan Mitchell  
President  
Mitchell Media, Inc.  
1061 South Palm Canyon Drive  
Palm Springs, CA 92264

With a copy to:

Lewis J. Paper, Esq.  
Dickstein Shapiro LLP  
1825 Eye Street, NW  
Washington, DC 20006

7) Expenses.

a) New Inspiration shall pay all of Mitchell's expenses incurred in connection with the preparation, execution, and prosecution of its respective Contingent Application and performance of its obligations under this Agreement, including fees and expenses of counsel and engineering consultants, the cost of equipment and installation to construct the Modified Facilities for KMRJ, and all necessary filing fees payable to the FCC. All such fees and expenses shall be paid within ten (10) business days after receipt of an invoice from Mitchell, with supporting documentation.

b) Notwithstanding anything to the contrary in this section, within five (5) business days after execution of this Agreement, New Inspiration shall make a payment to Mitchell of [REDACTED] Dollars and [REDACTED] Cents (\$[REDACTED]) to cover Mitchell's legal fees and expenses in the negotiation and preparation of this Agreement and the related documents.

c) To secure payment of Mitchell's additional expenses, New Inspiration shall, within five (5) business days after execution of this Agreement, deposit [REDACTED] Dollars (\$[REDACTED]) (the "Escrow Deposit") with the Escrow Agent, who will establish an account (the "Escrow Account") to hold such funds, all pursuant to the terms of the separate Escrow Agreement being executed this same day. All of Mitchell's expenses shall be reimbursed through the Escrow Account (unless the Escrow Account is depleted, in which case the reimbursement shall be made directly by New Inspiration). Within ten (10) business days after the receipt of notice from the Escrow Agent that the balance of the Escrow Deposit has fallen below Ten Thousand Dollars (without regard to accrued but unpaid interest), New Inspiration shall deposit another [REDACTED] Dollars (\$[REDACTED]) into the Escrow Account (and continue to make such additional deposits each and every time after it has received notice from the Escrow Agent that the balance of the Escrow Deposit has fallen below [REDACTED] Dollars (\$[REDACTED])).

d) Interest on the Escrow Deposit shall at all times be paid to New Inspiration.

e) Notwithstanding anything to the contrary in this Agreement, the Escrow Agreement shall provide that New Inspiration may preclude the Escrow Agent from reimbursing such portion of Mitchell's expenses if New Inspiration believes that such expenses were incurred in bad faith or far exceed what should have been reasonably expended under the circumstances. In the event of such objection, the Escrow Agent shall reimburse that portion of Mitchell's expenses to which there is no objection. If the Parties cannot resolve the dispute with respect to the unpaid expenses within thirty (30) days after New Inspiration makes its objection, the Parties shall choose a mutually-agreeable third party ("Arbitor") to resolve the matter, and the Arbitor's decision shall be final and binding on the Parties. The fees and expenses of the Arbitor shall be paid by New Inspiration.

f) Expenses which are not timely paid in accordance with this section shall accrue interest at the annual rate of 10%, compounded annually, until paid.

8) Guaranty of Payment. Salem unconditionally guarantees reimbursement of Mitchell's expenses, the payment of the Consideration, and/or the performance of the other obligations of New Inspiration arising out of this Agreement in accordance with the separate Guaranty being executed herewith.

9) No Assurances. Each Party acknowledges that it is capably represented by legal, engineering and other professional advisors with respect to the transactions contemplated by this Agreement and that it does not rely on the representations, statements or warranties of the other Party except as expressly set forth herein. Each Party acknowledges that there is no assurance that the FCC will grant either or both of the Contingent Applications, and Mitchell specifically acknowledges that New Inspiration and Salem have not made any representation to the contrary. The Parties also acknowledge that the length of time between the filing of the Contingent Applications and the date on which either or both of the FCC Grants may become Final is uncertain.

10) Termination.

a) New Inspiration may, for reasons within, and at a time determined by, its sole judgment, terminate the prosecution of its Contingent Application and require that Mitchell likewise terminate the prosecution its Contingent Application by giving notice to Mitchell, and terminate this Agreement. Within ten (10) days after receipt of such notice, Mitchell and New Inspiration shall request, in writing, that the FCC dismiss their respective Contingent Applications.

b) Mitchell may, upon five (5) days prior notice to New Inspiration, terminate this Agreement without liability if New Inspiration fails to make the non-refundable payments required by Section 4(a) of this Agreement, the reimbursement of expenses required by Section 7(b) of this Agreement, or fails to make timely deposits of the Escrow Deposit as required by Section 7 of this Agreement.

c) This Agreement shall automatically terminate if the FCC denies either or both Contingent Applications in one or more orders that has become a Final Order or if the FCC Grants contain conditions which either Party reasonably determines is materially adverse to it.

d) Termination of this Agreement shall not affect New Inspiration's obligation under Section 7 hereof to reimburse Mitchell's expenses.

11) Entirety of Agreement. This Agreement, the Escrow Agreement and the Guaranty set forth the entire understanding of the Parties hereto with respect to the subject matter hereof and may not be amended except by written amendment signed by both Parties. All prior and contemporaneous agreements and understandings between the Parties with respect to the subject matter hereof shall be of no further force or effect. Each of the undersigned represents and warrants that it has the requisite authority to bind its respective Party to the terms and obligations of this Agreement.

12) Assignment or Transfer of Control. Neither Party may assign or transfer control of the FCC licenses for its Station unless such Party causes the assignee or transferee thereof to assume the Party's obligations under this Agreement. Each Party shall provide notice of any such assignment or transfer of control to the other Party within five (5) business days of the consummation of such assignment or transfer of control. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties hereto.

13) Confidentiality. Except to the extent required by law, neither Party shall disclose the existence of this Agreement or make known any of its terms to any person other than its attorneys, engineers, and representatives to whom disclosure is necessary to effectuate the purposes of this Agreement and who are similarly bound to hold the existence of this Agreement and its terms in confidence.

14) Severability. If any term or provision of this Agreement is determined to be void, unenforceable or contrary to law by any court or governmental entity of competent jurisdiction, the remainder of this Agreement shall continue in full force and effect unless the Party affected reasonably determines within thirty (30) days thereafter that the deleted term or provision would have a material adverse effect on it or deprive it of material benefits to which it is otherwise entitled under this Agreement.

15) Governing Law. This Agreement shall be governed by and construed according to the laws of the State of California, specifically excluding its choice-of-laws provisions.

16) Counterparts. This Agreement may be signed in counterparts with the same effect as if the signature of each counterpart were on the same instrument. Facsimile signatures shall be sufficient to make this Agreement effective.

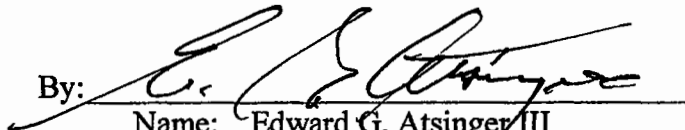
17) Litigation Expenses. Notwithstanding anything to the contrary in this Agreement, if any Party files a lawsuit to enforce its rights hereunder, the prevailing Party shall be reimbursed the other Party for all reasonable expenses incurred thereby, including reasonable attorneys' fees.

*[Remainder of Page Intentionally Left Blank]*




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

SALEM COMMUNICATIONS CORPORATION

By:   
Name: Edward G. Atsinger III  
Title: President and CEO

NEW INSPIRATION BROADCASTING COMPANY,  
INC.

By:   
Name: Edward G. Atsinger III  
Title: President and CEO

MITCHELL MEDIA, INC.

By: \_\_\_\_\_  
Name: Dan Mitchell  
Title: President

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

SALEM COMMUNICATIONS CORPORATION

By: \_\_\_\_\_  
Name: Edward G. Atsinger III  
Title: President and CEO

NEW INSPIRATION BROADCASTING COMPANY,  
INC.

By: \_\_\_\_\_  
Name: Edward G. Atsinger III  
Title: President and CEO

MITCHELL MEDIA, INC.

By:  \_\_\_\_\_  
Name: Dan Mitchell  
Title: President