

### **OWNERSHIP**

Section 310(b)(4) generally limits a parent corporation, as Salem Media Group, Inc. ("SMG") is to Pennsylvania Media Associates, Inc., to no more than one-fourth of the capital stock being owned of record or voted by aliens, their representatives, by a foreign government or representative thereof, or by any corporation organized under the laws of foreign country. The Commission has said that in evaluating compliance with Section 310(b) there are two prongs to the evaluation, voting and ownership.

SMG's CEO, Edward G. Atsinger III, or his family members, who are United States citizens, as trustees of trusts hold 42.53% of SMG's capital stock votes. SMG's Chairman of the Board, Stuart W. Epperson, or his family members, who are United States citizens, either individually or as trustees of trusts hold 41.65% of SMG's capital stock votes. Thus, in excess of eighty-four percent (84%) of SMG's capital stock votes are held by United States citizens, well in excess of the statutory limit, and SMG certifies affirmatively to Item 8 of Section III as to voting based on the foregoing.

SMG certifies affirmatively to Item 8 of Section III as to ownership based on the following considerations. In excess of fifty-three percent (53%) of the SMG capital stock equity is held by Atsinger, Epperson, or their trusts or families. If other SMG stock equity holdings of officers, directors, or their families that are United States citizens are included, this total rises to more than fifty-four percent (54%) of SMG capital stock equity. The ten largest institutional owners of record of SMG equity own about thirty-three percent (33%) of the capital stock of

SMG. These institutions are U.S. corporations and U.S. organized entities (mutual fund managers, hedge funds, and investment advisors). The remaining approximately thirteen percent (13%) of SMG's capital stock is held by other institutional investors or in street names (brokerage houses) for individual investors.

The Congressional Research Service (CRS) in a report for Congress on foreign ownership of U.S. Financial Assets by James K. Jackson of CRS, dated January 14, 2008, found that "foreign investors now hold . . . about twelve percent (12%) of U.S. corporate stocks." In a CRS report dated October 14, 2011, Mr. Jackson found that 12.9% of U.S. corporate stocks are foreign owned. SMG has no reason to believe that foreign investors have a greater interest in acquiring SMG's capital stock than stock of the typical U.S. publicly held company. For twenty-five percent (25%) of SMG's capital stock to be held by holders proscribed by Section 310, more than fifty-five percent (55%) of the approximately forty-six percent (46%) not owned by the officers and directors named in Exhibit 14 or their families would have to be owned by aliens and other proscribed holders. This would be a proportion of alien ownership more than four times as great as that determined by CRS.

Moreover, alien ownership of SMG's capital stock is explicitly discouraged by Article Sixth of SMG's Amended and Restated Certificate of Incorporation. That article states, in part, that:

(a) The Corporation shall not issue to (i) a person who is a citizen of a country other than the United States; (ii) any entity organized under the laws of a government other than the government of the United States or any state, territory, or possession of the United States; (iii) a government other than the government of the United States or of any state, territory or possession of the United States; or (iv) a representative of, or an individual or entity controlled by, any of the foregoing (individually, an "Alien"; collectively, "Aliens") any shares of capital stock of the Corporation if such issuance would result in the total number of shares of such capital stock held or voted by Aliens (or for or by the account of Aliens) to exceed 25% of (A) the total number of shares of such capital

stock outstanding at any time and from time to time or (B) the total voting power of all shares of such capital stock outstanding and entitled to vote at any time and from time to time and shall not permit the transfer on the books of the Corporation of any capital stock to any Alien that would result in the total number of shares of such capital stock held or voted by Aliens (or for or by the account of Aliens) exceeding such 25% limits.

(b) No Alien or Aliens, individually or collectively, shall be entitled to vote or direct or control the vote of more than 25% of (i) the total number of all shares of capital stock of the Corporation outstanding any time and from time to time or (ii) the total voting power of all shares of capital stock of the Corporation outstanding and entitled to vote at any time and from time to time, and issuances and transfers of capital stock of the Corporation in violation of this subsection (b) shall be prohibited.

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(d) Without limiting the generality of the foregoing and notwithstanding any other provision of this Amended and Restated Certificate of Incorporation to the contrary, any shares of capital stock of the Corporation determined by the Board of Directors to be owned beneficially by an Alien or Aliens shall always be subject to redemption by the Corporation by action of the Board of Directors, pursuant to Section 151 of the General Corporation Law of the State of Delaware, or any other applicable provision of law, to the extent necessary in the judgment of the Board of Directors to comply with Alien Ownership Restrictions. The terms and conditions of such redemption shall be as follows:

(i) the redemption price of the shares to be redeemed pursuant to this Article SIXTH shall be equal to the lower of (A) the fair market value of the shares to be redeemed, as determined by the Board of Directors in good faith, and (B) such Alien's purchase price of such shares;

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Thus, Article SIXTH prohibits ownership or control of SMG capital stock in an amount violative of Section 310(b) and, importantly, authorizes redemption of any violative stock at a price which could not produce a profit for the alien stockholder and is most likely to produce a loss. SMG has never had to exercise the power it holds through Article SIXTH.