

FIRST AMENDMENT TO AGREEMENT

This First Amendment to Agreement ("Amendment") is made and entered into as of this 24th day of August, 2009, 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, New Inspiration, and Salem entered into that certain Agreement dated October 16, 2006 (the "Modification Agreement"), concerning the filing and prosecution of contingent applications (the Contingent Applications") with the Federal Communications Commission ("FCC") for station KMRJ(FM), Rancho Mirage, California (Fac. Id. No. 15475) ("KMRJ"), and 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, concurrently with the Modification Agreement, Salem executed a Guaranty in favor of Mitchell (the "Guaranty") guaranteeing payment of the obligations of New Inspiration under the Modification Agreement;

WHEREAS, concurrently with the Modification Agreement, Mitchell, New Inspiration and Commerce Bank, National Association, ("Commerce") entered into an Escrow Agreement (the "Escrow Agreement") pursuant to which Commerce is acting as escrow agent for an escrow account funded by New Inspiration to pay for certain costs incurred by Mitchell as specified in the Modification Agreement and Escrow Agreement;

WHEREAS, the Contingent Applications are currently pending at the FCC, after the grant of such applications were set aside by the FCC pursuant to an Order adopted February 24, 2009; and

WHEREAS, the Parties desire to amend the Modification Agreement and terminate the Escrow Agreement;

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

1. Mitchell, New Inspiration, and Salem each warrant and represent that they have not assigned, conveyed, or transferred, or attempted or purported to assign, convey, or transfer, in any manner or degree whatsoever, to any person or entity, any rights, claims or remedies under the Modification Agreement, Guaranty, or Escrow Agreement; provided, that Mitchell has entered into an agreement to sell the assets used or useful in the operation of KMRJ, including its FCC licenses, to RM Broadcasting, LLC, but that agreement has not yet been consummated.
2. Section 2c of the Modification Agreement is deleted, and replaced with the following Section 2c:

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 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;

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); and

vi) promptly prepare, and file on the same day (which shall be designated by New Inspiration), any amendments to their respective Contingent Applications that have been mutually agreed to by Mitchell and New Inspiration.

3. Section 3 of the Modification Agreement is hereby amended to add the following Section 3d):

d) Mitchell's obligations under this Section 3 are contingent upon New Inspiration's agreement to pay all of Mitchell's expenses to perform its obligations under this section, 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.

4. Section 4 of the Modification Agreement is hereby deleted in its entirety and replaced with the following:

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 Six Hundred Thousand Dollars (\$600,000.00) (the "Consideration") by wire transfer of immediately available funds pursuant to wire instructions provided by Mitchell. 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 Twenty-Five Thousand Dollars (\$25,000.00) 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 (\$25,000.00) of the Consideration, which shall also be non-refundable under any circumstance, shall be made to Mitchell on the first and the second anniversary of the execution of this Agreement if, at the time such 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 Twenty-Five Thousand Dollars on the first anniversary of this Agreement, the payment then due to Mitchell shall be Twenty-Seven Thousand Five Hundred Dollars (\$27,500), which shall accrue interest at the annual rate of 10% until paid; and (ii) if Mitchell has been paid the amounts due at signing and on the first and second 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 Six Hundred Thousand Dollars (\$600,000), 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. The notice address for New Inspiration and Salem in Section 6a of the Agreement is hereby amended to be:

a) If to New Inspiration or Salem:

Christopher J. Henderson
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. 17th Street, 11th Floor
Arlington, VA 22209

6. Section 7 of the Modification Agreement is hereby deleted and replaced with the following Section 7:

7. Expenses.

a) Simultaneous with the execution of that certain Amendment to this Agreement dated as of August 24, 2009, New Inspiration shall pay Mitchell, by wire transfer of immediately available funds, the sum of Fourteen Thousand Four and 42/100 Dollars (\$14,004.42), which represents all of Mitchell's expenses incurred on or before the date of the Amendment in connection with the preparation, execution, and prosecution of its Contingent Application and performance of its obligations under this Agreement, including fees and expenses of counsel and engineering consultants and all necessary filing fees payable to the FCC, that have not previously been reimbursed or paid by New Inspiration. In the event the FCC Grants of the Contingent Applications have each become Final Orders, New Inspiration also shall pay Mitchell's cost of equipment and installation to construct the Modified Facilities for KMRJ incurred after the FCC Grants, and all necessary filing fees payable to the FCC in connection therewith, up to a maximum of Fifty Thousand Dollars (\$50,000). All such fees and expenses shall be paid within ten (10) business days after receipt of an invoice from Mitchell, with supporting documentation, sent to New Inspiration pursuant to Section 6 hereof. If New Inspiration believes that such expenses were incurred in bad faith or far exceed what should have been reasonably expended under the circumstances, New Inspiration shall provide a written notice to Mitchell, setting forth New Inspiration's reasons for such objections, and shall reimburse that portion of Mitchell's expenses to which there is no objection. The Parties shall use their best efforts to resolve any such objections. 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 ("Arbiter") to resolve the matter, and the Arbiter's decision shall be final and binding on the Parties. The fees and expenses of the Arbiter shall be paid by New Inspiration.

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

7. The Escrow Agreement is hereby terminated effective August 24, 2009. Except as specified in this Amendment, no Party owes any further obligation to any other Party under or resulting from the Escrow Agreement. On or before August 28, 2009, New Inspiration and Mitchell shall send joint escrow instructions to Commerce directing Commerce to pay the balance in the escrow account to New Inspiration.

8. Section 10b of this Agreement is deleted and replaced with the following:

b) Mitchell may, upon five (5) days prior notice to New Inspiration, terminate this Agreement without liability if New Inspiration fails to make the reimbursement of

expenses required by Sections 3(d) and 7(a) of this Agreement. Additionally, Mitchell may, for reasons within, and at a time determined by, its sole judgment, terminate the prosecution of its Contingent Application and require that New Inspiration likewise terminate the prosecution of its Contingent Application by giving notice to New Inspiration, 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.

9. Entirety of Agreement. This Amendment and the Modification Agreement set forth the entire understanding of the Parties hereto with respect to the subject matter hereof. All other prior and contemporaneous agreements and understandings between the Parties with respect to the subject matter hereof shall be of no further force or effect.

10. 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 and electronically-delivered signatures shall be sufficient to make this Agreement effective.

[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: Christopher J. Henderson
Title: Vice President

**NEW INSPIRATION BROADCASTING COMPANY,
INC.**

By: _____

Name: Christopher J. Henderson
Title: Vice President

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:

Title: Vice President

NEW INSPIRATION BROADCASTING COMPANY,
INC.

By: _____

Name:

Title: Vice President

MITCHELL MEDIA, INC.

By: _____

Name: Dan Mitchell

Title: President