

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT, dated as of June ___, 2004 (this "Agreement"), by and between CITICASTERS LICENSES, L.P., a Nevada limited partnership ("Licensee"), and CITICASTERS CO., an Ohio corporation, ("CC") (together "Seller"), and SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation, or its assignee ("Buyer").

WITNESSETH:

WHEREAS, Seller is the owner of an AM broadcast license, Facility ID #7749, Frequency 850, licensed by the Federal Communications Commission (the "FCC") to Thousand Oaks, California (the "License"); and

WHEREAS, on the terms and conditions described herein, Seller desires to sell, and Buyer desires to purchase, the License; and

WHEREAS, Seller is not currently broadcasting under the License, and has not done so since approximately February 17, 2004; and

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Sale of License.**

(a) On the Closing Date (as hereinafter defined), Seller shall sell, assign and transfer to Buyer, and Buyer shall purchase, assume and receive from Seller, all of Seller's right, title, and interest in and to all of the licenses, construction permits, applications and other authorizations (collectively, the "Licenses") (but specifically excluding the call sign KIIS or any iteration of same), issued by or filed with the FCC, set forth on Schedule 1 hereto;

2. **Purchase Price and Deposit.**

(a) Upon the terms and subject to the conditions contained in this Agreement, and in consideration of the sale of the License, on the Closing Date Buyer shall pay to Seller the sum of Eight Hundred Thousand Dollars (\$800,000) (the "Purchase Price") on the Closing Date (as hereafter defined).

(b) On the date of this Agreement, Buyer shall deposit an amount equal to Forty Thousand Dollars (\$40,000) (the "Deposit") with Bank of America (the "Escrow Agent") pursuant to the Escrow Agreement (the "Escrow Agreement") of even date herewith among Buyer, Seller and the Escrow Agent. At Closing, the Deposit shall be disbursed to Seller and applied to the Purchase Price and any interest accrued thereon shall be disbursed to Buyer. If this Agreement is terminated by Seller as a result of the following, the Deposit and any interest accrued thereon shall be disbursed to Seller: if, on or prior to the Closing Date, Buyer breaches any of its material obligations contained in

this Agreement, and such breach is not cured by the earlier of the Closing Date or thirty (30) days after receipt of the notice of breach from Seller. If this Agreement is terminated for any other reason, the Deposit and any interest accrued thereon shall be disbursed to Buyer. The parties shall each instruct the Escrow Agent to disburse the Deposit and all interest thereon to the party entitled thereto pursuant to the terms of this Agreement and shall not, by any act or omission, delay or prevent any such disbursement. Any failure by Buyer to make the Deposit on the date hereof constitutes a material default as to which no cure period shall apply entitling Seller to immediately terminate this Agreement.

(c) The parties agree to prorate all expenses arising out of the operation of the License which are incurred, accrued or payable, as of 11:59 p.m. local time of the day preceding the Closing. The items to be prorated may include, but are not limited to, FCC regulatory fees, and similar prepaid and deferred items. On the Closing Date, the prorations shall, insofar as feasible, be determined and paid on the Closing Date, with final settlement and payment to be made within forty-five (45) days after the Closing Date.

3. **FCC Consent; Assignment Application.** At the earliest mutually agreeable date, but not later than five (5) business days after the date of this Agreement, Buyer and Seller shall execute, file and vigorously prosecute an application with the FCC (the "Assignment Application") requesting its consent to the assignment, from Seller to Buyer, of the License's FCC Licenses ("FCC Consent"). Buyer and Seller shall take all reasonable steps to cooperate with each other and with the FCC to secure such FCC Consent without delay, and to promptly consummate this Agreement in full. If the FCC Consent imposes any condition on either Seller or Buyer, such party shall use its best efforts to comply with such condition; provided, however, that no party shall be required to comply with any condition that would have a material adverse effect upon it or any affiliated entity. Each party shall bear one-half of the costs of the Assignment Application fee payable to the FCC, but shall otherwise be responsible for all of its own costs with respect thereto.

4. **Closing Date; Closing Place.** The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at a location and on a date set by the parties, provided that unless the parties agree to an earlier date, such date shall be within ten (10) days after the initial grant by the FCC or its staff of the Assignment Application. If the Closing occurs prior to a Final Order (as defined below), and prior to becoming a Final Order, the FCC Consent is reversed or otherwise set aside, and there is a Final Order of the FCC (or court of competent jurisdiction) requiring the re-assignment of the Licenses to Seller, then the purchase and sale of the License shall be rescinded. Any such rescission shall be consummated on a mutually agreeable date within thirty (30) days of such Final Order (or, if earlier, within the time required by such order). In connection therewith, Buyer and Seller shall each execute such documents and make such payments (including repayment by Seller to Buyer of the Purchase Price) as are necessary to give effect to such rescission, shall use their respective best efforts to restore Seller and Buyer to the status quo existing prior to the Closing, and shall each cooperate with the other to bring about the fair and equitable restoration of each party to its position prior to Closing under this Agreement. For purposes of this Agreement, a "Final Order" means an action by the FCC as to which (a) no request for stay by the FCC is pending, no such stay is in effect, and the deadline for filing a request for any such stay has passed; (b) no appeal, petition for rehearing or reconsideration, or application for review is pending before the FCC and the deadline for filing any such appeal, petition or application has passed; (c) the FCC has not initiated reconsideration or review on its own motion and the time in which such reconsideration or

review is permitted has passed; and (d) no appeal to a court, or request for stay by a court, of the FCC's action is pending or in effect, and the deadline for filing any such appeal or request has passed.

5. **Representations and Warranties of Seller.** Seller hereby makes the following representations and warranties to Buyer which shall be true as of the date hereof and on the Closing Date:

(a) Licensee is a corporation, duly organized, validly existing and in good standing under the laws of the State of Nevada. CC is a corporation, duly organized, validly existing and in good standing under the laws of the State of Nevada. Each Seller has all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by each Seller and no other proceedings on the part of Seller are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each Seller and constitutes the legal, valid and binding obligation of such Seller enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting generally the enforcement of creditors' rights or the application of principles of equity.

(b) The execution, delivery and performance of this Agreement by Seller will not (i) conflict with or result in any breach of the articles of incorporation or by-laws of Seller, (ii) result in a default under or conflict with any of the terms, conditions or provisions of any agreement or other instrument or obligation binding upon Seller, except as to which requisite waivers or consents have been obtained and delivered to Buyer, (iii) violate any law, statute, rule, regulation, order, writ, injunction or decree of any federal, state or local governmental authority or agency and which is applicable to Seller, or (iv) require the consent or approval of any governmental authority, lending institution or other third party other than the FCC Consent.

(c) There is no broker or finder or other person who would have any valid claim against Buyer for a commission or brokerage in connection with this Agreement or the transaction contemplated hereby as a result of any agreement, understanding or action by Seller.

(d) Seller is the holder of the licenses, permits and authorizations listed on Schedule 1, and except as set forth on such Schedule, (i) the Licenses are valid, in good standing and in full force and effect, unimpaired by any act or omission of Seller; (ii) there is no condition imposed by the FCC as part of any of the Licenses which is neither set forth on the face thereof as issued by the FCC nor contained in the Rules and Regulations applicable generally to licenses of the type, nature, class or location of the Licenses; (iii) no application, action or proceeding is pending, or, to Seller's actual knowledge is threatened, which may result in the revocation, modification, non-renewal or suspension of any of the Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC with respect to the Licenses, other than proceedings affecting the radio broadcasting industry in general; (iv) there is not before the FCC any material investigation, proceeding, notice of violation or order of forfeiture relating to the Licenses; (v) Seller has complied in all material respects with all requirements to file reports, applications and other documents with the FCC with respect to the Licenses, and all such reports, applications and documents are complete and correct in

all material respects; (vi) there are no matters (A) which could reasonably be expected to result in the suspension, revocation, cancellation, modification of or the refusal to renew any of the Licenses or the imposition of any fines or forfeitures by the FCC, or (B) against Seller which could reasonably be expected to result in the FCC's refusal to grant approval of the assignment to Buyer of the Licenses or the imposition of any material adverse condition in connection with approval of such assignment; and (vii) there are not any unsatisfied or otherwise outstanding citations issued by the FCC with respect to the Licenses.

(e) To Seller's knowledge there are no actions, suits, claims, investigations or administrative, arbitration or other proceedings pending or threatened against Seller which would, individually or in the aggregate if adversely determined, have a material adverse affect on the Licenses, or which would give any third party the right to enjoin the transactions contemplated by this Agreement. There is no basis for any such claim, investigation, action, suit or proceeding which would, individually or in the aggregate if adversely determined, have a material adverse affect on the Licenses. To Seller's knowledge, there are no existing or pending orders, judgments or decrees of any court or governmental agency affecting Seller, or the Licenses which would materially adversely affect the transactions contemplated by this Agreement. Notwithstanding the disclosure of any matter herein, Buyer shall not assume any liability for any such matter.

(f) To Seller's knowledge, as of the Closing Date, Seller has no liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that relates to the Licenses.

(g) None of the representations or warranties made by Seller, nor any statement made in any document or certificate furnished by Seller pursuant to this Agreement contains or will contain at the Closing, any untrue statement of a material fact, or omits or will omit at the Closing, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

6. **Representations and Warranties of Buyer.** Buyer hereby makes the following representations and warranties to Seller which shall be true as of the date hereof and on the Closing Date:

(a) Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

(b) Buyer has the power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by Buyer and no other proceedings on the part of Buyer are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the legal, valid and binding agreement of Buyer enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting generally the enforcement of creditors' rights or the application of principles of equity.

(c) The execution, delivery and performance of this Agreement by Buyer will not (i) conflict with or result in any breach of the articles of incorporation or by-laws of Buyer, (ii) result in a default under or conflict with any of the terms, conditions or provisions of any agreement or other instrument or obligation binding upon Buyer, except as to which requisite waivers or consents have been obtained and delivered to Seller, (iii) violate any law, statute, rule, regulation, order, writ, injunction or decree of any federal, state or local governmental authority or agency and which is applicable to Buyer, or (iv) require the consent or approval of any governmental authority, lending institution or other third party other than the FCC Consent.

(d) Other than Gary Stevens of Gary Stevens and Co., Inc. ("Broker"), there is no broker or finder or other person who would have any valid claim against Buyer for a commission or brokerage in connection with this Agreement or the transaction contemplated hereby as a result of any agreement, understanding or action by Buyer. Buyer acknowledges and agrees that any and all brokerage fees and commissions due and owing to Broker as a result of this Agreement or the transaction contemplated hereby shall be borne solely by Buyer.

(e) Buyer is legally, financially and otherwise qualified to be the licensee of, acquire, own and operate the License under the Communications Act of 1934, as amended (the "Communications Act") and the rules, regulations and policies of the FCC. There are no facts, to Buyer's knowledge, that would, under existing law and the existing rules, regulations, policies and procedures of the FCC, disqualify Buyer as an assignee of the FCC Licenses or as the owner and operator of the License. No waiver of any FCC rule or policy with respect to Buyer, its business or operations, is necessary for the FCC Consent to be obtained. Buyer has and will have available on the Closing Date sufficient funds to enable it to consummate the transactions contemplated hereby.

(f) There is no litigation, proceeding or governmental investigation pending or to the knowledge of Buyer, threatened, in any court, arbitration board, administrative agency, or tribunal against or relating to Buyer that would prevent or materially impede the consummation by Buyer of the transactions contemplated by this Agreement.

7. **Omitted.**

8. **Conditions Precedent to Obligation to Close.**

(a) The performance of the obligations of Seller hereunder is subject to the satisfaction of each of the following express conditions precedent:

(i) Buyer shall have performed and complied in all material respects with all of the agreements, obligations and covenants required by this Agreement to be performed or complied with by Buyer prior to or as of the Closing Date;

(ii) The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as if made on and as of the Closing Date;

(iii) The FCC Consent contemplated by this Agreement shall have been granted; and

(iv) No suit, action, claim or governmental proceeding shall be pending, and no order, decree or judgment of any court, agency or other governmental authority shall have been rendered, against any party hereto which: (x) would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms; (y) questions the validity or legality of any transaction contemplated hereby; or (z) seeks to enjoin any transaction contemplated hereby.

(b) The performance of the obligations of Buyer hereunder is subject to the satisfaction of each of the following express conditions precedent, unless expressly waived by Buyer:

(i) Seller shall have performed and complied in all material respects with all the agreements, obligations and covenants required by this Agreement to be performed or complied with by Seller prior to or as of the Closing Date;

(ii) The representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as if made on and as of the Closing Date;

(iii) No suit, action, claim or governmental proceeding shall be pending, and no order, decree or judgment of any court, agency or other governmental authority shall have been rendered, against any party hereto which: (x) would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms; (y) questions the validity or legality of any transaction contemplated hereby; or (z) seeks to enjoin any transaction contemplated hereby;

(iv) The FCC Consent contemplated by this Agreement shall have been granted; and,

(v) Seller shall have made or stand willing to make all the deliveries required under Section 9.

9. **Closing Deliveries.**

(a) At the Closing, Seller will execute and deliver to Buyer the following, each of which shall be in form and substance satisfactory to Buyer and its counsel:

- (i) An Assignment and Assumption of FCC Licenses;
- (ii) A joint notice to the Escrow Agent directing Escrow Agent to release the Deposit to Seller;
- (iii) A certificate, dated the Closing Date, executed by an officer of Seller, certifying the fulfillment of the conditions set forth in Section 8(b)(i) and (ii) hereof;

(iv) A certificate prepared and executed by the corporate secretary of Seller describing and certifying the existence of resolutions of Seller's Board of Directors approving the execution and delivery of agreements such as this Agreement and authorizing the consummation of the transactions contemplated hereby and thereby;

(v) A Certificate of Good Standing and a Certificate of No Tax Liability (or similar document confirming Seller has no current tax liability) issued no more than thirty (30) days prior to Closing by (i) Seller's State of incorporation and (ii) the state of California.

(vi) Such other documents, instruments and agreements necessary to consummate the transactions contemplated by this Agreement as Buyer shall reasonably request, each in form and substance satisfactory to Buyer and its counsel.

(b) Prior to or at the Closing, Buyer will execute and deliver to Seller the following, each of which shall be in form and substance satisfactory to Seller and its counsel:

(i) The Purchase Price as defined in Section 2;

(ii) An Assignment and Assumption of FCC Licenses;

(iii) The joint notice to the Escrow Agent;

(iv) A certificate, dated the Closing Date, executed by an officer of Buyer, certifying the fulfillment of the conditions set forth in Section 8(a)(i) and (ii) hereof; and

(v) Such other documents, instruments and agreements necessary to consummate the transactions contemplated by this Agreement or as Seller shall reasonably request, each in form and substance satisfactory to Seller and its counsel.

10. **Indemnification.**

(a) Following the Closing Buyer shall indemnify, defend and hold harmless Seller with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including, without limitation, interest, penalties, court costs and reasonable attorneys' fees) asserted against, resulting from, imposed upon or incurred by Seller directly or indirectly relating to or arising out of: (i) the breach by Buyer of any of its representations, warranties, or failure by Buyer to perform any of its covenants, conditions or agreements set forth in this Agreement; and (ii) any and all claims, liabilities and obligations of any nature, absolute or contingent, relating to the ownership of the License subsequent to the Closing.

(b) Following the Closing Seller shall indemnify, defend and hold harmless Buyer with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including, without limitation, interest, penalties, court costs and reasonable attorneys' fees) asserted against, resulting from, imposed upon or incurred by Buyer directly or indirectly relating to or arising out of: (i) the breach by Seller of any of its representations, warranties, or failure by Seller to perform any of its covenants, conditions or

agreements set forth in this Agreement; and (ii) any and all claims, liabilities and obligations of any nature, absolute or contingent, relating to the ownership of the License prior to the Closing.

(c) The representations and warranties of Seller and Buyer contained in or made pursuant to this Agreement shall be deemed to have been made on the date of this Agreement and on the Closing Date, shall survive the Closing Date for a period of two (2) years following the Closing Date.

11. **Control of License.** Between the date of this Agreement and the Closing Date, Buyer shall not control, manage or supervise the License, which shall remain the sole responsibility and under the control of Seller, subject to Seller's compliance with this Agreement.

12. **Termination.** This Agreement may be terminated by either Buyer or Seller, if the party seeking to terminate is not in default or breach of any of its material obligations under this Agreement, upon written notice to the other upon the occurrence of any of the following: (i) if, on or prior to the Closing Date, the other party breaches any of its material obligations contained in this Agreement, and such breach is not cured by the earlier of the Closing Date or thirty (30) days after receipt of the notice of breach from the non-breaching party; or (ii) if the Assignment Application is designated for hearing or denied by Final Order; or (iii) if there shall be in effect any judgment, final decree or order that would prevent or make unlawful the Closing of this Agreement; or (iv) if the Closing has not occurred within one year of the date the Assignment Application is filed with the FCC.

13. **Omitted.**

14. **Notices.** All notices, elections and other communications permitted or required under this Agreement shall be in writing and shall be deemed effectively given or delivered upon personal delivery (or refusal thereof), or twenty-four (24) hours after delivery to a courier service which guarantees overnight delivery, or facsimile machine or similar written means of communications, or five (5) days after deposit with the U.S. Post Office, by registered or certified mail, postage prepaid, and, in the case of courier or mail delivery, addressed as follows (or at such other address for a party as shall be specified by like notice):

If to Seller, to:

Citicasters Co.
200 East Basse Road
San Antonio, Texas 78209
Attention: Mark P. Mays
Telecopier No.: (210) 822-2299

with a copy (which shall not constitute notice) to:

Clear Channel Communications, Inc.
200 East Basse Road
San Antonio, Texas 78209

Attention: Legal Department
Telecopier No.: (210) 832-3428

If to Buyer, to:

Salem Communications Holding Corporation
4880 Santa Rosa Rd.
Camarillo, California 93012
Attention: Jonathan L. Block
Telecopier No.: 805.384.4505

15. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the choice of law principles thereof.

16. **Expenses.** Except as otherwise set forth in this Section, each party hereto shall be solely responsible for all costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this Agreement. The filing fees assessed by the FCC with respect to the Assignment Application (as defined herein) will be shared equally, and Buyer will pay Seller one-half of such filing fees at Closing.

17. **Omitted.**

18. **Assignment.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. No party may assign its interest or delegate its duties under this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Buyer may in its sole and absolute discretion, assign all of its right, title, interest and obligation under this Agreement to any entity controlled by, or under common control with Buyer, including any subsidiary of Salem Communications Corporation.

19. **Entire Agreement.** This Agreement, and the exhibits attached hereto, supersede all prior agreements and understandings between the parties with respect to the subject matter hereof and may not be changed or terminated orally, and no amendment or waiver of any of the provisions hereof shall be binding unless in writing and signed by both parties.

20. **Counterparts.** This Agreement may be executed in several counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

21. **Attorneys' Fees.** If any action at law or equity is brought to enforce or interpret any provision of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses from the other party, which fees and expenses shall be in addition to any other relief which may be awarded.

[SIGNATURE PAGE FOLLOWS IMMEDIATELY]

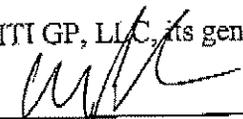
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITICASTERS CO.

By: 
Name: William P. Suppa
Title: Senior Vice President

CITICASTERS LICENSES, L.P.

By: CITI GP, LLC, its general partner

By: 
Name: William P. Suppa
Title: Senior Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION

By: _____
Name: Jonathan L. Block
Title: Vice President and Secretary

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITICASTERS CO.

By: _____
Name: _____
Title: _____

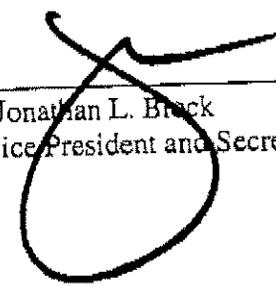
CITICASTERS LICENSES, L.P.

By: CITI GP, LLC, its general partner

By: _____
Name:
Title:

SALEM COMMUNICATIONS HOLDING CORPORATION

By: _____
Name: Jonathan L. Brack
Title: Vice President and Secretary



Schedule 1

FCC Licenses

See Attached FCC License and Special Temporary Authority.