

SALEM COMMUNICATIONS CORP /DE/

Form 10-K

March 01, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

COMMISSION FILE NUMBER 000-26497

SALEM COMMUNICATIONS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

77-0121400

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(STATE OR OTHER JURISDICTION OF

(I.R.S. EMPLOYER

INCORPORATION OR ORGANIZATION)

IDENTIFICATION NUMBER)

4880 SANTA ROSA ROAD

93012

CAMARILLO, CALIFORNIA
(ADDRESS OF PRINCIPAL

(ZIP CODE)

EXECUTIVE OFFICES)

REGISTRANT S TELEPHONE NUMBER, INCLUDING AREA CODE: (805) 987-0400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of the Exchange on which registered
Class A Common Stock, \$0.01 par value per share	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if Smaller Reporting Company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2012, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was \$26,005,840 based on the closing sale price as reported on the NASDAQ Global Market.

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

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Class A Common Stock, \$0.01 par value per share	Outstanding at February 20, 2013 19,004,901 shares
Class B Common Stock, \$0.01 par value per share	Outstanding at February 20, 2013 5,553,696 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2013	Part III, Items 10, 11, 12, 13 and 14

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FORWARD-LOOKING STATEMENTS

From time to time, in both written reports (such as this report) and oral statements, Salem Communications Corporation (Salem or the company, including references to Salem by we, us and our) makes forward-looking statements within the meaning of federal and state securities laws. Disclosures that use words such as the company believes, anticipates, estimates, 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 Salem's reports on Forms 10-K, 10-Q and 8-K filed with or furnished to the Securities and Exchange Commission. Forward-looking statements made in this report speak as of the date hereof. Except as required by law, the company undertakes no obligation to update or revise any forward-looking statements made in this report. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections or forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act).

All metropolitan statistical area (MSA) rank information used in this report, excluding information concerning The Commonwealth of Puerto Rico, is from the Fall 2012 Radio Market Survey Schedule & Population Rankings published by The Arbitron Company (Arbitron). According to the Radio Market Survey, the population estimates used are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2013 by Nielsen Claritas, Inc.

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PART I

**ITEM 1. BUSINESS.
CORPORATE INFORMATION**

Salem Communications Corporation (Salem) was formed in 1986 as a California corporation and reincorporated in Delaware in 1999. Salem is a domestic multi-media company with integrated business operations covering radio broadcasting, publishing and the Internet. Our programming is intended for audiences interested in Christian and conservative opinion content. We maintain a website at www.salem.cc. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports are available free of charge through our website as soon as reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission (SEC).

BUSINESS STRATEGY

Our principal business strategy is to expand our abilities to produce and deliver compelling content as the interactive marketplace evolves so that we are positioned to be the market leader for audiences interested in Christian and family-themed programming and conservative news talk. We offer traditional radio and emerging media, including web-based offerings, magazine, and book publishing throughout the United States. We continually evaluate opportunities to improve our radio platform, invest in and build our Internet sites, and support our publishing operations. Our national presence in each of these mediums provides advertisers and programmers with a powerful integrated platform to reach our audiences.

We are fundamentally committed to programming and content emphasizing Christian values, conservative family themes and news. Our commitment to these values means that we may choose not to switch to other formats or pursue potentially more profitable business opportunities in response to changes in audience preferences.

Broadcast Programming Strategy

Our foundational business is the ownership and operation of radio stations in large metropolitan markets. We believe that we are the largest commercial U.S. radio broadcasting company delivering Christian and conservative opinion content as measured by our number of radio stations and audience coverage. Upon the close of all announced transactions, we will own and/or operate a national portfolio of 99 radio stations in 38 markets, including 61 stations in 22 of the top 25 markets, which consists of 29 FM stations and 70 AM stations. We are one of only three commercial radio broadcasters with radio stations in all of the top 10 markets. We are the sixth largest operator measured by number of stations overall and the third largest operator measured by number of stations in the top 25 markets. We also program the Family Talk Christian-themed talk format station on SiriusXM Channel 131.

Our broadcast business also includes Salem Radio Network® (SRN), a wholly owned national radio network syndicating music, news and talk programs to over approximately 2,400 affiliated radio stations, in addition to those stations that we own and operate. We also own and operate Salem Media Representatives® (SMR), a national advertising sales firm with offices in 11 U.S. cities, and SRN News Network (SNN), Salem Music Network (SMN), Solid Gospel Network (SGN), and Vista Media Representatives (VMR). Like SRN, SNN, SMN and SGN are radio networks that produce and distribute talk, news and music programming to numerous radio stations in the U.S., including some of our own stations. SMR and VMR sell commercial airtime to national advertisers on our radio stations and our networks, as well as for independent radio station affiliates.

Our broadcast business strategy is to assemble radio station clusters, defined as a group of radio stations operating within the same geographic market. We program our radio stations in formats that we believe target various demographic segments of the audience interested in Christian and family-themed programming and conservative news talk content. Several benefits are achievable when operating multiple radio stations in the same market. First, this clustering and programming strategy allows us to achieve greater access into each segment of our target market, and collectively our stations afford our clients a larger percentage of advertising time in that market. We offer advertisers multiple audiences and can bundle each radio station for advertising sales purposes when advantageous. Second, we realize several cost and operating efficiencies by consolidating sales, technical and administrative support and promotional functions where possible. Finally, the addition of radio stations in our existing markets allows us to leverage our hands-on knowledge of that market to appeal to our listeners and advertisers.

We program our radio stations in five main formats. Through the strength of our Christian Teaching and Talk format, the influence of our News Talk format, the continued popularity of our Contemporary Christian Music format, and the roll-out of our Spanish Language Christian

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Teaching and Talk and Business formats, we believe that we are well-positioned to continually improve our leadership role in Christian and family-themed and conservative news talk radio.

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Christian Teaching and Talk. Christian Teaching and Talk is our foundational format. We currently program 39 of our radio stations in our Christian Teaching and Talk format, which is talk programming emphasizing Christian and family themes. Through this format, a listener can hear Bible teachings and sermons, as well as gain insight to questions related to daily life, such as raising children to religious legal rights in education and the workplace. This format serves as a learning resource and as a source of personal support for listeners nationwide. In response to our daily block programming, listeners often contact our programmers to ask questions, obtain materials on a subject matter or receive study guides based on what they have learned on the radio.

Block Programming. Our national station platform and focused programming strategy provides us with the ability to sell blocks of airtime to a variety of religious and charitable organizations that create compelling radio programs. Historically, more than 95% of our block programming partners renew their annual relationships with us. Based on these renewal rates, we believe that block programming provides a steady and consistent source of revenue and cash flows. Our top ten programmers have remained relatively constant and average nearly 25 years on-air. Over the last five years, block programming revenue has comprised from 38% to 41% of our total net broadcast revenue.

News Talk. We currently program 27 of our radio stations in a News Talk format. Our research shows that our News Talk format is highly complementary to our core Christian Teaching and Talk format. As programmed by Salem, both of these formats express conservative views and family values. Our News Talk format also provides for the opportunity to leverage syndicated talk programming produced by our network, SRN. SRN's nationally syndicated programs are distributed nationally through approximately 2,400 affiliated radio stations. The syndication of our programs through SRN allows us to reach listeners in markets where we do not own or operate stations.

Contemporary Christian Music- The FISH®. We currently program 11 radio stations in a Contemporary Christian Music (CCM) format, branded The FISH® in most markets. Through the CCM format, we are able to bring listeners the words of inspirational recording artists, set to upbeat contemporary music. Our music format, branded Safe for the Whole Family®, features sounds that listeners of all ages can enjoy and lyrics that can be appreciated. The CCM genre continues to be popular. We believe that this listener base is underserved in terms of radio coverage, particularly in larger markets, and that our stations fill an otherwise void area in listener choices.

Spanish Language Christian Teaching and Talk. We currently program seven of our radio stations in a Spanish Language Christian Teaching and Talk format. This format is similar to our core Christian Teaching and Talk format in that it broadcasts biblical and family-themed programming for our Spanish-speaking audiences. However, block programming on our Spanish Language Christian Teaching and Talk stations is primarily local rather than national.

Business. We currently program 10 of our radio stations in a business format. We introduced the business format during 2009, with additional markets introduced in 2010 and 2011. Our business format features financial experts, business talk, and nationally recognized Bloomberg programming. The business format operates similar to our Christian Teaching and Talk format in that it features long-form block programming.

SiriusXM Satellite Radio. Our satellite radio station, SiriusXM Channel 131, is the exclusive Christian Teaching and Talk channel on SiriusXM, reaching the entire nation 24 hours a day, seven days a week.

Salem Web Network Online Media Strategy

Salem Web Network (SWN), our Internet business, includes our websites providing Christian and conservative themed content, audio and video streaming, and other resources on the web. SWN's Internet web portals include OnePlace.com, Christianity.com, Crosswalk.com, BibleStudyTools.com, GodTube.com, Townhall.com®, HotAir.com, WorshipHouseMedia.com, SermonSpice.com, GodVine.com and Jesus.org. SWN's content is also accessible through our radio station websites that feature content of interest to local listeners throughout the United States. SWN operates our radio station websites and Salem Consumer Products (SCP), a website offering books, DVD's and editorial content developed by many of our on-air radio personalities that are available for purchase. The revenues generated from this segment are reported as Internet revenue on our Consolidated Statements of Operations.

Our online business strategy is to build a robust web-based platform designed for audiences interested in Christian and family-themed content and conservative news talk. The Internet continues to change the way in which media is delivered to audiences. Continual advancements with online search engines and social media sites provide consumers with numerous methods to locate specific information and content online. These advancements have also enabled a large number of individuals to create and publish content that may or may not be tailored to that specific consumer. Our talent, including our on-air personalities, provides web-based commentaries, programs, text, audio and video content that we believe to be knowledge-based, credible and

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reliable. This highly specific web-based content provides our advertisers a unique and powerful way to reach their targeted audiences. We believe that our content is decidedly relevant and valuable with long-term advantages in providing advertisers a useful tool to match their advertisements with our audiences.

During 2012, we acquired SermonSpice.com, an online provider of church media for local churches and ministries and GodVine.com, an online site with primarily video content shared by users in an interactive environment.

Salem Publishing Printing Strategy

Our production and distribution of Christian and conservative content extends to print media through Salem Publishing . Salem Publishing produces and distributes the following Christian and conservative opinion print magazines: *Homecoming® The Magazine*, *YouthWorker Journal* , *Singing News* , *FaithTalk Magazine* , *Preaching Magazine* and *Townhall Magazine* . Salem Publishing also includes Xulon Press , a print-on-demand self-publishing service for Christian authors. The revenues generated from this segment are reported as publishing revenue on our Consolidated Statements of Operations.

Our publishing strategy mirrors that of our other segments, to build and maintain a distribution network targeting audiences interested in Christian and family-themed content as well as conservative news talk. Content from our print magazines is also available on branded websites for each publication.

Audience Growth

The continued success of our business is dependent upon our ability to reach a growing audience. We continually seek opportunities for growth by increasing the strength and number of our broadcast signals, increasing the number of page-views on our Internet platform and increasing the subscriber base of our magazines. To accomplish this, we produce content that we believe is both compelling and of high commercial value based on our market testing and fine-tuning. We rely on a combination of research, marketing, targeted promotions and live events to create visibility and brand awareness in each of our markets. By maximizing our audience share, we achieve higher ratings and page turns that can be converted into advertising revenues. To maximize results, we cross-promote our content on each of our media platforms to enhance our brand names and reach our targeted audiences. We believe that the growth of our media platform provides advertisers with effective methods to reach an expanding audience.

Technical Improvements

We rely on continued technical improvements to expand our broadcasting, Internet and publication footprint. We focus on identifying ways to improve our radio station broadcast signals so that they can reach as many listeners as possible, both during the day and at night. We have completed numerous enhancements to increase the coverage of our signals. In 2012, we began an upgrade to our radio station traffic and billing system, which is expected to be fully implemented in all markets by the end of 2013 and we continued upgrades and enhancements to our data center storage sites. During 2011, our satellite distribution platform was expanded to include the WEGENER® 6240 store-forward DVB Receiver. We launched numerous iPhone® applications including one for our BibleStudyTools. All of our radio stations, in addition to some of our web portals, have iPhone and android applications.

Advertising Sales Professionals

We have assembled an effective, highly trained sales staff responsible for converting audience share into revenue. We operate with a focused, sales-oriented culture that rewards selling efforts through a commission and bonus compensation structure. We hire sales professionals for each of our markets, as well as for our Internet and publishing divisions that are capable of selling integrated or stand-alone advertisements. We provide our sales professionals with the resources necessary to compete effectively in the marketplace. We utilize various sales strategies to sell and market our platforms as stand-alone products or in combination with other offerings. We tailor our platform to meet each advertiser's needs, including the geographic coverage area, event sponsorships and special features, Internet promotions, e-mail sponsorships, and/or print advertisements.

Marketing Platform to National Advertisers

National companies often prefer to advertise across the United States as an efficient and cost effective way to reach all target audiences. Our advertisers can benefit by gaining access to our audiences through our national broadcasts, print magazines and our

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Internet portals. We operate a national platform of radio stations that reach more than 3.3 million listeners. Through SMR and VMR, we bundle and sell airtime on this national platform of radio stations, as well as Internet placements and/or print magazine space. We average approximately 120 million page views per month on our websites, produce 1 million print magazines each year and produce over 1 million books and eBooks annually.

Significant Community Involvement

We believe that our ongoing active involvement and our significant relationships within the Christian community provide us with a unique competitive advantage to reach Christian audiences. Our proactive involvement in the Christian community in each of our markets significantly improves the marketability of our advertising space and broadcast airtime to advertisers targeting such communities. We believe that our public image reflects the lifestyle and viewpoints of the target demographic group that we serve. We regularly collaborate with organizations serving the Christian and family-themed audience and we sponsor and support events important to this group. Our sponsored events include listener rallies, speaking tours, pastor appreciation events and concerts such as our *Celebrate Freedom*[®] Music Festival and our *Fishfest*[®]. Events such as these connect us with our listeners and enable us to create an enhanced awareness and name recognition in our markets. Involvement leads to increased effectiveness in developing and improving our programming formats, leading to greater audience share and higher ratings over the long-term.

Corporate Structure

The management of our operations is decentralized. Our broadcast operations vice presidents are experienced radio broadcasters with expertise in sales, programming, marketing and production. Our broadcast operations vice presidents, some of whom are also station general managers, oversee several markets on a regional basis. We anticipate relying on this strategy of decentralization and encourage broadcast operations vice presidents to apply innovative techniques for improving and growing their operations that may be beneficial in other markets.

Our SWN and publishing operations vice presidents and general managers are located throughout the United States in offices in which our Internet and publishing entities operate. Like broadcasting, these operations are decentralized with each vice president encouraged to apply innovative techniques to the operations that they oversee.

All of our business segments receive executive leadership and oversight from our corporate staff. Corporate staff members have experience and expertise in, among other things, accounting and finance, risk management, insurance, information technology, human resources, legal, engineering, real estate, strategic direction and other support functions designed to provide resources to local management. Corporate staff oversees placement and rate negotiations for our national block programs. Centralized oversight of our block programming is necessary because our key programming partners purchase time in several of our radio markets.

Recent Events

On February 25, 2013, we launched a tender offer to purchase for cash any and all of the outstanding 9⁵/₈% senior secured second lien notes ("9⁵/₈% Notes") and a related consent solicitation (collectively, the "Tender Offer"), to amend the indenture governing the 9⁵/₈% Notes (the "Indenture"). In connection with the Tender Offer, we plan to enter into a new senior secured term loan of up to \$300 million, which will be used to fund the purchase of any 9⁵/₈% Notes that are tendered in the Tender Offer. We also plan to enter into a new senior secured revolving credit facility of up to \$25 million. If the requisite consents have been obtained from holders of the 9⁵/₈% Notes in the Tender Offer, substantially all of the restrictive covenants, certain events of default and other provisions contained in the Indenture governing the 9⁵/₈% Notes will be eliminated and the liens on the assets that secure the 9⁵/₈% Notes will be released, making any 9⁵/₈% Notes that remain outstanding after the consummation of the Tender Offer effectively subordinated to the new term loan and the new revolving credit facility to the extent of the value of the collateral. The proceeds from these facilities will be used to fund the Tender Offer and retire all other outstanding corporate debt. Holders of the 9⁵/₈% Notes who tender by the consent payment deadline, which is 5:00 pm, New York City time, on March 8, 2013, will receive a consent payment as part of the Tender Offer consideration. The Tender Offer is anticipated to expire at midnight, New York City time, on March 22, 2013. Regardless of whether we obtain the requisite consents from holders of the 9⁵/₈% Notes in the Tender Offer, we intend, at our sole discretion and without any obligation to do so, to retire any 9⁵/₈% Notes that are not tendered in the Tender Offer in accordance with the terms of the Indenture governing the 9⁵/₈% Notes, which may include redeeming the 9⁵/₈% Notes. Upon entry into the new term loan and the new revolving credit facility, the current revolving credit facility ("Revolver"), First California Bank Loan, and Subordinated Debt due to Related Parties will be terminated.

On December 12, 2012, we redeemed \$4.0 million of the 9⁵/₈% Notes for \$4.1 million, or at a price equal to 103% of the face value. This transaction resulted in a \$0.2 million pre-tax loss on the early retirement of debt, including approximately \$17,000 of unamortized discount and \$0.1 million of bond issue costs associated with the 9⁵/₈% Notes.

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On December 3, 2012, we began operating radio station WMUU-FM, Greenville, South Carolina under a local marketing agreement (LMA) with the owner. We agreed to acquire the radio station for \$6.0 million. The \$6.0 million purchase price consists of \$1.0 million due upon close of the transaction, \$2.0 million payable in April 2014, and \$3.0 million payable in advertising credits to Bob Jones University, a related party of the station owner. The acquisition of this radio station closed on February 5, 2013. Effective February 11, 2013, we changed the call letters of this station to WGTK-FM.

On November 1, 2012, we began operating radio station WJKR-FM, Columbus, Ohio under an LMA with the owner. The accompanying Consolidated Statements of Operations reflect the operating results of this entity as of the LMA date. The acquisition of this radio station closed on February 15, 2013. Effective February 15, 2013, we changed the call letters of this station to WTOH-FM.

On October 1, 2012, we completed the acquisition of Godvine.com for \$4.2 million. Godvine is a Christian video website and media platform that increases our online presence and offers significant exposure on Facebook with over 2.8 million Facebook fans. We believe that the addition of Godvine.com makes SWN the largest online destination for Christian content with an average of 5.8 million unique visits per month.

On August 31, 2012, we completed the acquisition of radio station WLCC-AM, Tampa, Florida, for \$1.2 million. We began operating the station as of the closing date. The accompanying Consolidated Balance Sheets and Consolidated Statements of Operations reflect the operating results and net assets of this entity as of the acquisition date.

On August 30, 2012, we acquired SermonSpice.com for \$3.0 million. SermonSpice.com is an online provider of church media for local churches and ministries. The acquisition resulted in goodwill of \$1.2 million representing the excess value of the business attributable to the organizational systems and procedures already in place to ensure effective operations of the business.

On June 1, 2012, we redeemed \$17.5 million of the 9⁵/₈% Notes for \$18.0 million, or at a price equal to 103% of the face value. This transaction resulted in a \$0.9 million pre-tax loss on the early retirement of debt, including approximately \$80,000 of unamortized discount and \$0.3 million of bond issue costs associated with the 9⁵/₈% Notes.

On May 29, 2012, we acquired an FM translator and related construction permits for \$0.3 million that will be used in our Detroit broadcast market.

On May 21, 2012, we entered into a new business loan agreement, promissory note and related loan documents with First California Bank (the FCB Loan). The FCB Loan is an unsecured, \$10.0 million fixed-term loan with a maturity date of June 15, 2014. At December 31, 2012, \$7.5 million was outstanding on the FCB Loan.

On May 21, 2012, we entered into an additional subordinated line of credit with Roland S. Hinz, a Salem board member. Mr. Hinz committed to provide an unsecured revolving line of credit in a principal amount of up to \$6.0 million. On September 12, 2012, we amended and restated the original subordinated line of credit with Mr. Hinz to increase the unsecured revolving line of credit by \$6.0 million for a total line of credit of up to \$12.0 million. At December 31, 2012, \$15.0 million was outstanding on all of our Subordinated Debt due to Related Parties, including amounts due Mr. Epperson.

On May 15, 2012, we purchased Churchangel.com and rchurch.com for \$0.2 million. These Internet sites are operated under SWN to enhance and build our relationships with local churches and pastors.

On April 10, 2012, we completed the acquisition of radio station WKDL-AM in Warrenton, Virginia for \$30,000. We began operating the station as of the closing date. The accompanying Consolidated Balance Sheets and Consolidated Statements of Operations reflect the operating results and net assets of this entity as of the acquisition date.

On March 16, 2012, we completed the sale of radio station WBZS-AM in Pawtucket, Rhode Island for \$0.8 million in cash. The sale resulted in a pre-tax gain of \$0.2 million. The accompanying Consolidated Statements of Operations reflect the operating results of this entity through the date of the sale.

On March 7, 2012, our Board of Directors authorized and declared a quarterly dividend in the amount of \$0.035 per share on Class A and Class B common stock. Quarterly common stock dividends of \$0.035 per share, were paid on March 30, 2012, June 29, 2012, September 28, 2012 and December 28, 2012, respectively, to all common stockholders of record. We paid \$3.4 million in common stock dividends during 2012. We anticipate paying quarterly common stock dividends in March, June, September and

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December of each year. Based on the number of shares currently outstanding, we expect to pay total annual common stock dividends of approximately \$3.4 million.

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On January 13, 2012, we completed the acquisition of radio station KTNO-AM, Dallas, Texas for \$2.2 million. We began programming the station pursuant to a time brokerage agreement (TBA) with the previous owner on November 1, 2011. The accompanying Consolidated Statements of Operations reflect the operating results of this entity as of the TBA date. The accompanying Consolidated Balance Sheets reflect the net assets of this entity as of the closing date.

DEVELOPMENT OF THE BUSINESS

During the year ended December 31, 2012, we completed the following business acquisitions and asset purchases:

Acquisition Date	Description	Total Cost
		<i>(Dollars in thousands)</i>
October 1, 2012	Godvine.com (business acquisition)	\$ 4,200
August 31, 2012	WLCC-AM, Tampa, Florida (business acquisition)	1,150
August 30, 2012	Sermonspice.com (business acquisition)	3,000
May 15, 2012	Churchangel.com and rchurch.com (asset purchase)	165
April 10, 2012	WKDL-AM, Warrenton, Virginia (business acquisition)	30
January 13, 2012	KTNO-AM, Dallas, Texas (business acquisition)	2,150
		\$ 10,695

Radio Stations

Upon the close of all announced transactions, we will own and/or operate a national portfolio of 99 radio stations in 38 markets, consisting of 29 FM stations and 70 AM stations. The following table sets forth information about each of Salem's stations, in order of market size:

Market(1)	MSA	Station	Year	Format
New York, NY	1, 18(3)	WMCA-AM	1989	Christian Teaching and Talk
		WNYM-AM	1994	News Talk
Los Angeles, CA	2	KKLA-FM	1985	Christian Teaching and Talk
		KRLA-AM	1998	News Talk
		KFSH-FM	2000	Contemporary Christian Music
Chicago, IL	3	WYLL-AM	2001	Christian Teaching and Talk
		WIND-AM	2005	News Talk
San Francisco, CA	4, 33(4)	KFAX-AM	1984	Christian Teaching and Talk
		KDOW-AM	2001	Business
Dallas-Fort Worth, TX	5	KLTY-FM	1996	Contemporary Christian Music
		KWRD-FM	2000	Christian Teaching and Talk
		KSKY-AM	2000	News Talk
		KVCE-AM	Pending	Business
Houston-Galveston, TX	6	KTNO-AM	2012	Spanish Language Christian Teaching and Talk
		KNTH-AM	1995	News Talk
		KKHT-FM	2005	Christian Teaching and Talk
		KTEK-AM	2011	Business
Washington, D.C.	7	WAVA-FM	1992	Christian Teaching and Talk
		WAVA-AM	2000	Christian Teaching and Talk
		WWRC-AM	2010	News Talk
Philadelphia, PA	8	WFIL-AM	1993	Christian Teaching and Talk
		WNTP-AM	1994	News Talk
Atlanta, GA	9	WNIV-AM	2000	Christian Teaching and Talk
		WLTA-AM	2000	Christian Teaching and Talk

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		WAFS-AM	2000	Business
		WFSH-FM	2000	Contemporary Christian Music
		WGKA-AM	2004	News Talk
Boston, MA	10	WEZE-AM	1997	Christian Teaching and Talk
		WROL-AM	2001	Christian Teaching and Talk
		WWDJ-AM	2003	Spanish Language Christian Teaching and Talk
Miami, FL	11	WKAT-AM	2005	Spanish Language Christian Teaching and Talk
		WHIM-AM	2008	Christian Teaching and Talk
		WZAB-AM	2009	Business

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Detroit, MI	12	WDTK-AM	2004	News Talk
		WLQV-AM	2006	Christian Teaching and Talk
Seattle-Tacoma, WA	13	KGW-AM	1986	Christian Teaching and Talk
		KLFE-AM (5)	1994	News Talk
		KNTS-AM(5)	1997	Spanish Language Christian Teaching and Talk
		KKOL-AM	1997	Business
Phoenix, AZ	14	KKNT-AM	1996	News Talk
		KPXQ-AM	1999	Christian Teaching and Talk
Minneapolis-St. Paul, MN	15	KKMS-AM	1996	Christian Teaching and Talk
		KYCR-AM	1998	Business
		WWTC-AM	2001	News Talk
San Diego, CA	16	KPRZ-AM	1987	Christian Teaching and Talk
		KCBQ-AM	2000	News Talk
Tampa, FL	17	WTWD-AM(7)	2000	Christian Teaching and Talk
		WTBN-AM(7)	2001	Christian Teaching and Talk
		WLCC-AM	2012	Spanish Language Christian Teac