

SALEM MEDIA GROUP, INC. /DE/  
Form 10-K  
March 10, 2017

**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, 2016

OR

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

COMMISSION FILE NUMBER 000-26497

**SALEM MEDIA GROUP, INC.**  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

**DELAWARE**

**77-0121400**

(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

**4880 SANTA ROSA ROAD**

**CAMARILLO, CALIFORNIA                      93012**

(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  Smaller Reporting Company

(Do not check if 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, 2016, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was \$76,710,413 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.

Class A	Outstanding at February 24, 2017
Common Stock, \$0.01 par value per share	20,455,572 shares
Class B	Outstanding at February 24, 2017
Common Stock, \$0.01 par value per share	5,553,696 shares

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders	Part III, Items 10, 11, 12, 13 and 14

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b><u>PART I</u></b>	
Item 1. <u>Business</u>	3
Item 1A. <u>Risk Factors</u>	22
Item 1B. <u>Unresolved Staff Comments</u>	40
Item 2. <u>Properties</u>	40
Item 3. <u>Legal Proceedings</u>	41
Item 4. <u>Mine Safety Disclosures</u>	41
<b><u>PART II</u></b>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	41
Item 6. <u>Selected Financial Data</u>	43
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	49
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	84
Item 8. <u>Financial Statements and Supplementary Data</u>	86
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	141
Item 9A. <u>Controls and Procedures</u>	141
Item 9B. <u>Other Information</u>	144
<b><u>PART III</u></b>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	144
Item 11. <u>Executive Compensation</u>	144
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	144
Item 13. <u>Certain Relationships and Related Transactions and Director Independence</u>	144
Item 14. <u>Principal Accounting Fees and Services</u>	144
<b><u>PART IV</u></b>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	144
Item 16. <u>Form 10-K Summary</u>	145
<u>Signatures</u>	153
<u>Exhibit Index</u>	155

## **CERTAIN DEFINITIONS**

Unless the context requires otherwise, all references in this report to “Salem” or the “company,” including references to Salem by “we” “us” “our” and “its” refer to Salem Media Group, Inc. and our subsidiaries.

All metropolitan statistical area (“MSA”) rank information used in this report, excluding information concerning The Commonwealth of Puerto Rico, is from the Fall 2016 Radio Market Survey Schedule & Population Rankings published by Nielsen Audio (“Nielsen”). According to the Radio Market Survey, the population estimates are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2017 by Nielsen.

## **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Salem Media Group, Inc. (“Salem” or the “company,” including references to Salem by “we,” “us” and “our”) makes “forward-looking statements” from time to time in both written reports (including this report) and oral 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,” “intends,” “could,” “would,” “should” “seeks” “predicts,” or “plans” and similar are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995.

You should not place undue reliance on these forward-looking statements, which reflect our expectations based upon data available to the company as of the date of this report. 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. 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 and other 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”).

## PART I

### ITEM 1. BUSINESS.

#### **CORPORATE INFORMATION**

Salem Media Group, Inc. (“Salem”) is a domestic multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Effective February 19, 2015, we changed our name from Salem Communications Corporation to Salem Media Group, Inc. Salem was formed in 1986 as a California corporation and was reincorporated in Delaware in 1999. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk. Our filings with the Securities and Exchange Commission (“SEC”) are available under the Investor Relations section of our website at [www.salemmedia.com](http://www.salemmedia.com). Any information found our website is not a part of, or incorporated by reference into, this or any report of Salem filed with, or furnished to the SEC.

#### **SEGMENT INFORMATION**

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury, which are reported as unallocated corporate expenses in our consolidated statements of operations included in this annual report on Form 10-K. We also exclude costs such as amortization, depreciation, taxes and interest expense.

During the third quarter of 2016, we reclassified Salem Consumer Products, our e-commerce business that sells books, DVD’s and editorial content developed by our on-air personalities, from our Digital Media segment to our Broadcast segment. This reclassification was to consolidate all revenue and expenses generated by on-air hosts, which includes broadcast programs and e-commerce product sales, to better assess the financial performance of each network

program. This reclassification did not impact the reporting units used to test non-amortizable assets for impairment. All prior periods presented are updated to reflect this new composition of our operating segments. Refer to Note 20 – Segment Data in the notes to our consolidated financial statements contained in Item 8 of this annual report on Form 10-K for additional information.

## **Business Strategy**

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.

Our goal is to produce and deliver compelling content to audiences interested in Christian and family-themed programming and conservative news talk to be considered the market leader for all audiences, programmers and advertisers. Our integrated multimedia platform includes traditional forms of media, such as radio broadcasting, print magazines and book publishing as well as emerging forms of media, such as websites and digital publications. We continually pursue expansion of our media platform as the marketplace evolves while aggressively managing operating costs and cash flows. Expansion opportunities for our media platform include increasing the strength and reach of our broadcast signals, investing in and building Internet websites, promoting our authors and on-air talent, and increasing the distribution and page views for our print and digital content. Our national presence in each of these mediums provides advertisers and programmers with a powerful and integrated platform to reach audiences throughout the United States without compromising the sense of community involvement and branding that we generate locally with sponsored events and promotions.

## **Broadcasting**

Our foundational business is the ownership and operation of radio stations in large metropolitan markets. Our radio stations carry national and local programming content as well as advertising from national and local customers. We produce and sponsor a number of community events that we believe are important in building our brand identity. We also believe that our active community involvement, including remote broadcasts, client events, concerts and tie-ins to major events, builds station awareness and listener loyalty. We promote our station websites on-air and at community events to direct participants to our websites specifically designed for each of our radio stations. Our audiences can access our entire library of digital content and online publications from any of our station websites.

To operate our broadcast entities efficiently, we assemble market clusters, or multiple radio stations operating within the same geographic market. Several benefits are achievable when operating market clusters. First, we are able to offer advertisers and programmers access to multiple audiences by providing airtime on each radio station in that market when advantageous. Second, we realize cost and operating efficiencies by consolidating sales, technical and administrative support, promotional functions and other shared overhead costs such as rent, when possible. Third, the addition of new radio stations into existing markets allows us to leverage our hands-on knowledge of that market to

increase our appeal to new audiences and advertisers.



## **Salem Radio Network® and Salem Media Representatives™**

Our broadcasting operation includes our national network of affiliated radio stations. Salem Radio Network® (“SRN”), based in Dallas, Texas, develops, produces and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN delivers programming via satellite to approximately 2,900 affiliated radio stations throughout the United States, including several of our Salem-owned stations. We also own and operate SRN News Network (“SNN”), Today’s Christian Music (“TCM”) and Singing News Network (formerly Solid Gospel Network), which are radio networks that produce and distribute talk, news and music programming to radio stations throughout the United States, including several of our Salem-owned stations.

Salem Media Representatives™ (“SMR”) is our national advertising sales firm with offices in nine U.S. cities. SMR specializes in placing national advertising on religious and other format commercial radio stations. SMR sells commercial airtime to national advertisers on our radio stations and through our networks, as well as for independent radio station affiliates.

National companies often prefer to advertise across the United States as an efficient and cost effective way to reach their target audiences. Advertisers can benefit from our national platform under which we offer radio airtime, digital advertisements, and print magazine advertisements that reach audiences throughout the United States. SRN and our radio stations each have relationships with SMR for the sale of available SRN spot advertising. SMR also contracts with individual radio stations to sell airtime to national advertisers desiring to include selected Salem stations in national buys covering multiple markets.

## **Digital Media**

Our digital strategy is to continue to build a robust web-based platform designed for audiences interested in Christian and family-themed content and conservative news. 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 a specific consumer. Our editorial staff, including our on-air personalities, provides web-based commentaries, programs, text, audio and video content that we believe to be knowledge-based, credible and reliable. Our highly specific web-based content provides advertisers a unique and powerful way to reach their targeted audiences.

## **Publishing**

Our publishing strategy mirrors that of our other operating segments — to build and maintain a distribution network targeting audiences interested in Christian and family-themed content as well as conservative news. Our publishing operating segment is comprised of three businesses: (1) Regnery Publishing is a traditional book publisher that has published dozens of bestselling books by leading conservative authors and personalities, including Ann Coulter, Newt Gingrich, David Limbaugh, Ed Klein, Mark Steyn and Dinesh D'Souza; (2) Salem Author Services, our self-publishing services for authors through Xulon Press and Hillcrest Media; and (3) Salem Publishing™ which produces and distributes five print magazines and one digital magazine.

## **Audience Growth**

The continued success of our business is dependent upon our ability to reach a growing audience. We seek growth opportunities through increases in the strength and number of our broadcast signals, increases in the number of page-views on our digital platform, increases in book sales and increases in our subscriber base for digital content and print magazines. To accomplish this, we produce content that we believe is both compelling and of high commercial value based on our market testing and understanding of our audience. 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 can achieve growth in ratings and page turns that we convert 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 and audience provides advertisers with effective methods to reach a growing audience.

## **Technical Improvements**

We continually seek ways to expand our media reach from a technological perspective. For broadcasting, we seek growth opportunities by increasing the strength and number of our broadcast signals that allows us to reach listeners from our day and night signals. During the year ended December 31, 2016, we acquired or entered into agreements to acquire several FM translators and FM translator construction permits. Construction permits provide authority to construct new FM translators or make changes in our existing facilities. We believe that securing these FM translators and construction permits allows us to increase our audience by providing enhanced coverage and reach in existing AM broadcast markets. FM translators allow our AM stations to be heard on FM and expand the listenership of our FM HD channels with the potential to create new stations using the HD-2, HD-3 and HD-4 channel capacity. We continue to build or purchase websites that allow our audiences to view our content online or through digital streaming. Our digital content is available on numerous iPhone® and Android applications. Each of our radio stations, as well as several of our websites, have iPhone® and Android applications that can be used to view our content or digital streaming on mobile devices.

## **Sales Professionals**

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

## **Significant Community Involvement**

We expect our public image to reflect the lifestyle and viewpoints of the target demographic groups that we serve. We regularly collaborate with organizations that serve Christian and family-themed audiences as well as sponsor and support events that are important to this group. We believe that our ongoing active involvement and our strong relationships within the Christian community provide us with a unique competitive advantage that significantly improves the marketability of our media platform to advertisers and programmers targeting such communities. Our sponsored events include listener rallies, speaking tours, pastor appreciation events and concerts such as our *Celebrate Freedom®* Music Festivals and *Fishfest®*. Local events such as these connect us with our audience and enable us to create an enhanced awareness and name recognition in each of our markets. With this involvement, we can increase the effectiveness of developing and improving our programming, which can contribute to a greater audience share and higher ratings over time.

## **Corporate Structure**

Management of our operations is largely decentralized with operational vice presidents and general managers located throughout the United States. We believe that this decentralization encourages each general manager and vice president to apply innovative techniques for improving and growing their operations locally in ways that may be transferable to benefit other markets and operations.

Our broadcast operations vice presidents, some of whom are also station general managers, are experienced radio broadcasters with expertise in sales, programming, marketing and production. Each of our broadcast operations vice presidents oversees several markets on a regional basis. Our digital and publishing operations vice presidents and general managers are also located throughout the United States in locations in which each of our entities operates.

All of our operations receive executive leadership and oversight from our corporate staff. Corporate staff members have experience and expertise in, among other things, accounting and finance, treasury, 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 also oversee the placement and rate negotiations for national block programming on our stations. Centralized oversight of national programming is necessary because several of our key programming partners purchase times in multiple radio markets.

## **Recent Events**

During the year ended December 31, 2016, we completed or entered into the following transactions:

## **Debt**

On December 30, 2016, we paid \$5.0 million in principal on our term loan of \$300.0 million (“Term Loan B”), and paid interest due as of that date. We recorded a \$12,000 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$33,000 in bank loan fees associated with this principal prepayment.

On November 30, 2016, we paid \$1.0 million in principal on our Term Loan B, and paid interest due as of that date. We recorded a \$2,500 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$6,900 in bank loan fees associated with this principal prepayment.

On September 30, 2016, we paid \$2.3 million in principal on our Term Loan B, of which \$1.5 million was an early prepayment of principal, and paid interest due as of that date. We recorded a \$3,900 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$14,000 in bank loan fees associated with this principal prepayment.

On June 30, 2016, we paid \$1.2 million in principal on our Term Loan B, of which \$0.4 million was an early prepayment of principal, and paid interest due as of that date. We recorded a \$1,300 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$3,400 in bank loan fees associated with this principal prepayment.

On March 31, 2016, we paid the quarterly installment due of \$0.8 million in principal on our Term Loan B and paid interest due as of that date.

On March 17, 2016, we paid \$0.8 million in principal on our Term Loan B and paid interest due as of that date. We recorded a \$2,500 pre-tax loss on the early retirement of long-term debt related to the unamortized discount and \$6,700 in bank loan fees associated with this principal repayment.

## Equity

During the year ended December 31, 2016, our Board of Directors declared quarterly equity distributions to all stockholders of record of our Class A and Class B common stock as follows:

Announcement Date	Record Date	Payment Date	Amount Per Share	Total Cash Distributed (in thousands)
December 7, 2016	December 19, 2016	December 31, 2016	\$ 0.0650	\$ 1,678
September 9, 2016	September 19, 2016	September 30, 2016	\$ 0.0650	\$ 1,679
June 2, 2016	June 16, 2016	June 30, 2016	\$ 0.0650	\$ 1,664
March 10, 2016	March 22, 2016	April 5, 2016	\$ 0.0650	\$ 1,657

The actual declaration of any future equity distributions and the establishment of the per share amount, record dates, and payment dates are subject to final determination by our Board of Directors and dependent upon future earnings, cash flows, financial and legal requirements, and other factors. The current policy of our Board of Directors is to review all relevant factors on a quarterly basis to determine the appropriate amount, if any, to allocate toward a cash distribution with the general principle of using approximately 20% of Adjusted EBITDA less cash paid for capital expenditures, less cash paid for income taxes, and less cash paid for interest. Adjusted EBITDA is a non-GAAP financial measure defined in Item 6, Selected Financial Data included in this annual report on Form 10-K.

## Broadcast Acquisitions

We acquired or entered agreements to acquire several FM Translators or FM Translator construction permits during the year. The FCC permits AM and FM radio stations to operate FM Translators. The FCC began an AM Revitalization program, or “AMR,” that included several initiatives intended to benefit AM broadcasters. One of these benefits, intended to promote the use of FM Translators by AM broadcasters, allows an AM station to relocate one FM translator up to 250 miles from its authorized site and operate the translator on any non-reserved band FM channel in the AM station’s market, subject to coverage and interference rules (“250 Mile Window”). On February 23, 2017, the FCC amended its rules to allow an AM station using a rebroadcasting FM translator to locate the FM translator anywhere within the AM station’s daytime service contour or anywhere within a 25-mile radius of the transmitter, even if the contour extends farther than 25 miles from the transmitter. This rule change, when it becomes effective, will be particularly useful for finding a location for these translators.

On January 29, 2016, the FCC opened a one-time only 250 Mile Window during which only Class C and Class D AM broadcast stations could participate. This window closed on July 28, 2016. A second window opened on July 29, 2016, allowing Class A and Class B AM broadcast stations to participate in addition to any Class C and Class D AM broadcast station that did not participate in the first 250 Mile Window. The second 250 Mile Window closed on October 31, 2016. During these filing windows, qualifying AM stations were able to apply for one new FM translator station, in the non-reserved FM band to be used solely to re-broadcast the AM station’s AM signal to provide fill-in and/or nighttime service. The FM translator must rebroadcast the related AM station for at least four years, not counting any periods of silence.

Construction permits provide authority to construct new FM Translators or make changes in existing facilities. We believe that securing these FM Translators allows us to increase our listening audience by providing enhanced coverage and reach of our existing AM broadcasts that can be heard on FM or expand the listenership of FM HD channels with the potential to create new stations using the HD-2, HD-3 and HD-4 channel capacity.

Our broadcast acquisitions during the year ended December 31, 2016 include the following:

On December 31, 2016, we closed on the acquisition of an FM translator in Aurora, Florida for \$50,000 in cash. The FM translator will be used by our WHIM-AM radio station in Miami, Florida.

On December 31, 2016, we closed on the acquisition of an FM translator in Port St. Lucie, Florida for \$50,000 in cash. The FM translator will be used by our WLCC-AM radio station in Tampa, Florida.

On December 14, 2016, we closed on the acquisition of an FM translator in Rhinelander, Wisconsin for \$50,000 in cash. The FM translator will be used by our WWTC-AM radio station in Minneapolis, Minnesota.

On December 8, 2016, we closed on the acquisition of an FM translator in Little Fish Lake Valley, California for \$44,000 in cash. The FM translator will be used by our KFIA-AM radio station in Sacramento, California.



On December 1, 2016, we closed on the acquisition of an FM translator in Lake Placid, Florida for \$35,000 in cash. The FM translator will be used by our WTLN-AM radio station in Orlando, Florida.

On November 22, 2016, we closed on the acquisition of two FM translator construction permits in Lahaina, Hawaii and Kihei, Hawaii for \$110,000 in cash. The FM translators will be used by our KHNR-AM and KGU-AM radio stations in Honolulu, Hawaii.

On November 22, 2016, we closed on the acquisition of an FM translator in Crested Butte, Colorado for \$38,500 in cash. The FM translator will be used by our KZNT-AM radio station in Colorado Springs, Colorado.

On November 21, 2016, we closed on the acquisition of an FM translator in Dansville, New York for \$75,000 in cash. The FM translator will be used by our WMCA-AM radio station in New York, New York.

On November 21, 2016, we closed on the acquisition of an FM translator in Carbondale, Pennsylvania for \$75,000 in cash. The FM translator will be used by our WPGP-AM radio station in Pittsburgh, Pennsylvania.

On November 11, 2016, we closed on the acquisition of an FM translator construction permit in Kingsville, Texas for \$50,000 in cash. The FM translator will be used by our KNTH-AM radio station in Houston, Texas.

On November 7, 2016, we closed on the acquisition of an FM translator in Sebring, Florida for \$77,000 in cash. The FM translator will be used by our WKAT-AM radio station in Miami, Florida.

On October 20, 2016, we closed on the acquisition of radio station KXFN-AM in St. Louis, Missouri for \$190,000 in cash. The station was dark upon closing and launched in December 2016.

On October 20, 2016, we closed on the acquisition of three FM translator construction permits for \$155,000 in cash. The FM translator construction permits were based in Angola, Indiana, Cofax, Indiana and Battle Creek, Michigan and will be used by WHK-AM and WHKW-AM, our radio stations in Cleveland, Ohio and WSDZ-AM our radio station in St. Louis, Missouri.

On October 19, 2016, we closed on the acquisition of an FM translator construction permit in Palm Coast, Florida for \$65,000 in cash from a related party. The FM translator will be used by our WTWD-AM radio station in Tampa, Florida.

On October 12, 2016, we closed on the acquisition of an FM translator in Lake City, Florida for \$65,000 in cash from a related party. The FM translator will be used by our WBZW-AM radio station in Orlando, Florida.

On June 24, 2016, we entered into a Local Marketing Agreement (“LMA”) to operate radio station KTRB-AM in San Francisco, California beginning on July 1, 2016. On December 15, 2016, we entered into a new LMA to operate this station with East Bay Broadcasting, LLC, a related party.

On June 20, 2016, we closed on the acquisition of an FM translator in the Columbus, Ohio market for \$0.3 million in cash. The FM translator is used in our Columbus, Ohio market.

On June 10, 2016, we closed on the acquisition of an FM translator in Amherst, New York for \$60,000 in cash. The FM translator is used in our Pittsburgh, Pennsylvania market.

On June 8, 2016, we closed on the acquisition of a construction permit for an FM translator construction permit in Charlotte, Michigan for \$50,000 in cash. The FM translator will be used in our Detroit, Michigan market.

On June 3, 2016, we closed on the acquisition of a construction permit for an FM translator in Atwood, Kentucky for \$88,000 in cash. The FM translator will be used in our Columbus, Ohio market.

On May 13, 2016, we closed on the acquisition of a construction permit for an FM translator in Kerrville, Texas for \$50,000 in cash. The FM translator will be used in our Houston, Texas market.

On May 2, 2016, we closed on the acquisition of an FM translator in Lincoln, Maine for \$100,000 in cash. The FM translator is used in our Boston, Massachusetts market.

On April 29, 2016, we closed on the acquisition of a construction permit for an FM translator in Emporia, Kansas for \$25,000 in cash. The FM translator will be relocated to Omaha, Nebraska, for use by our KCRO-AM radio station.

**Acquisitions — Digital Media**

On December 1, 2016, we acquired ChristianConcertAlerts.com for \$0.2 million, of which \$0.1 million was paid in cash upon close and the remaining \$50,000 is due in two installments within the next year.

On October 17, 2016, we purchased Historyonthenet.com and Authentichistory.com for \$0.1 million in cash.

On September 13, 2016, we acquired Mike Turner's line of investment products, including TurnerTrends.com, other domain names and related assets for \$0.4 million in cash and the assumption of \$0.1 million in deferred subscription liabilities. As part of the purchase agreement, we may pay up to an additional \$0.1 million in contingent earn-out consideration over the next twelve months based on the achievement of certain revenue benchmarks.

On April 1, 2016, we acquired the Retirement Watch newsletter and websites for \$0.1 million in cash and the assumption of \$0.6 million in deferred subscription liabilities.

On March 8, 2016, we acquired King James Bible mobile applications for \$4.0 million, of which \$2.7 million was paid in cash upon close and \$1.3 million is due in deferred installments within one year from the closing date.

Throughout the year ended December 31, 2016, we acquired other domain names and assets associated within our digital media operating segment for approximately \$3,000 in cash.

### **Acquisitions — Publishing**

On August 1, 2016, we acquired the assets of Hillcrest Media Group, Inc. for \$3.5 million and the assumption of \$1.0 million in deferred revenue liabilities. We paid \$3.3 million in cash upon close with the remaining \$0.2 million due within 90 days upon the finalization of deferred revenue obligations.

Throughout the year ended December 31, 2016, we acquired other domain names and assets associated within our publishing operating segment for approximately \$3,000 in cash.

A summary of our business acquisitions and asset purchases for the year ended December 31, 2016, none of which were individually or in the aggregate, material to our consolidated financial position as of the respective date of acquisition, is as follows:

Acquisition Date	Description	Total Consideration (Dollars in thousands)
	FM translator, Aurora, Florida (asset purchase)	\$ 50

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December 31, 2016		
December 31, 2016	FM translator, Port St. Lucie, Florida (asset purchase)	50
December 14, 2016	FM translator, Rhinelander, Wisconsin (asset purchase)	50
December 8, 2016	FM translator, Little Fish Lake Valley, California (asset purchase)	44
December 1, 2016	FM translator, Lake Placid, Florida (asset purchase)	35
December 1, 2016	Christian Concerts Alerts, LLC (asset purchase)	150
November 22, 2016	FM translator construction permit, Kihei, Hawaii (asset purchase)	55
November 22, 2016	FM translator construction permit, Lahaina, Hawaii (asset purchase)	55
November 22, 2016	FM translator, Crested Butte, Colorado (asset purchase)	39
November 21, 2016	FM translator, Dansville, New York (asset purchase)	75
November 21, 2016	FM translator, Carbondale, Pennsylvania (asset purchase)	75
November 11, 2016	FM translator construction permit, Kingsville, Texas (asset purchase)	50
November 7, 2016	FM translator, Sebring, Florida (asset purchase)	77
October 20, 2016	KXFN-AM, St. Louis, Missouri (business acquisition)	190
October 20, 2016	FM translator construction permit, Angola, Indiana (asset purchase)	50
October 20, 2016	FM translator construction permit, Cofax, Indiana (asset purchase)	55
October 20, 2016	FM translator construction permit, Battle Creek, Michigan (asset purchase)	50
October 19, 2016	FM translator construction permit Palm Coast, Florida purchased from a related party (asset purchase)	65
October 17, 2016	Historyonthenet.com and Authentichistory.com (asset purchase)	85
October 12, 2016	FM translator Lake City, Florida purchased from a related party (asset purchase)	65
September 13, 2016	Mike Turner's investment products and domain names (business acquisition)	416
August 1, 2016	Hillcrest Media Group, Inc. (business acquisition)	3,515
June 20, 2016	FM translator, Columbus, Ohio (asset purchase)	345
June 10, 2016	FM translator, Amherst, New York (asset purchase)	60
June 8, 2016	FM translator construction permit, Charlotte, Michigan (asset purchase)	50
June 3, 2016	FM translator construction permit, Atwood, Kentucky (asset purchase)	88
May 13, 2016	FM translator construction permit, Kerrville, Texas (asset purchase)	50
May 2, 2016	FM translator, Lincoln, Maine (asset purchase)	100
April 29, 2016	FM translator construction permit, Emporia, Kansas (asset purchase)	25
April 1, 2016	Retirement Watch (business acquisition)	100
March 8, 2016	King James Bible mobile applications (business acquisition)	4,000
Various	Purchases of other domain names and assets (asset purchases)	6
		\$ 10,120

Refer to Note 4 - Acquisitions and Recent Transactions in the notes to our consolidated financial statements contained in Item 8 of this annual report on Form 10-K for additional information and details related to our acquisition activity.

### Divestitures

In November 2016, we entered an agreement with Word Broadcasting Network to transfer the operation of our Louisville radio stations (WFIA-AM; WFIA-FM; WGTK-AM) under a 24 month Time Brokerage Agreement (“TBA”) effective as of January 3, 2017. We received \$0.5 million of cash from Word Broadcasting Network associated with an option for them to purchase these stations.

On September 1, 2016, we received \$0.7 million in cash associated with a land easement granted in our South Carolina market.

On June 10, 2016, we received \$2.5 million in cash from the National Park Service in exchange for its claim under eminent domain for our tower site in Miami, Florida. We recognized a pre-tax gain of \$1.9 million from this claim and entered into a limited terms of use agreement with the National Park Service to broadcast from the tower site for the next twenty years for a nominal fee.

### Pending Transaction(s)

We are programming radio station KHTE-FM, Little Rock, Arkansas, under a 36 month TBA that began on April 1, 2015. The TBA is extendable for up to 48 months. We have the option to acquire the station for \$1.2 million in cash during the TBA period.

FM translators or FM translator construction permits purchase agreements pending as of the year-end December 31, 2016 include the following:

Date APA Entered	Permit or ID	Authorized Site - Current	Purchase Price (Dollars in thousands)	Escrow Deposits	Date Closed	Market
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7/25/2016	K283CA	Festus, Missouri *	40	8	-	St. Louis, Missouri
7/26/2016	K294CP	Roseburg, Oregon *	45	9	3/01/2017	Portland, Oregon
7/26/2016	K276FZ	Eaglemount, Washington *	40	8	-	Portland, Oregon
8/25/2016	K278BH	Astoria, Oregon	33	7	1/16/2017	Seattle, Washington
9/22/2016	K260CG	Mohave Valley, Arizona*	20	2	1/6/2017	Phoenix, Arizona
10/07/2016	K279CM	Quartz Site, Arizona *	20	2	-	To be determined

\* Indicates that the purchase is for an FM translator construction permit.

## Radio Stations

We own and/or operate 118 radio stations in 40 markets, including 73 stations in 23 of the top 25 markets, consisting of 34 FM radio stations and 84 AM radio 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 commercial radio broadcaster in the United States as measured by number of radio stations overall and the third largest operator as measured by number of stations in the top 25 markets. We also program the Family Talk<sup>TM</sup> Christian-themed talk format station on SiriusXM Channel 131.

Our five main formats are (1) Christian Teaching and Talk, (2) News Talk, (3) Contemporary Christian Music, (4) Spanish Language Christian Teaching and Talk and (5) Business.

*Christian Teaching and Talk.* We currently program 40 of our radio stations in our foundational format, Christian Teaching and Talk, 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 or religious legal rights in education and in the workplace. This format uses block programming time to offer a learning resource and a source of personal support for listeners. 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.* We sell blocks of airtime on our Christian Teaching and Talk format stations to a variety of national and local religious and charitable organizations that we believe create compelling radio programs. Historically, more than 95% of these religious and charitable organizations renew their annual programming relationships with us. Based on our historical 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 more than 30 years on-air. Over the last five years, block programming revenue has generated 40% to 43% of our total net broadcast revenue.

*Satellite Radio.* We program SiriusXM Channel 131, the exclusive Christian Teaching and Talk channel on SiriusXM, reaching the entire nation 24 hours a day, seven days a week.





*News Talk.* We currently program 32 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 SRN to radio stations throughout the United States. Syndication of our programs allows Salem to reach audiences in markets in which we do not own or operate radio stations.

*Contemporary Christian Music.* We currently program 13 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 the listener base for CCM 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 eight 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, but the programming is specifically tailored for Spanish-speaking audiences. Additionally, block programming on our Spanish Language Christian Teaching and Talk stations is primarily local while Christian Teaching and Talk stations are primarily national.

*Business.* We currently program 13 of our radio stations in a business format. Our business format features financial commentators, 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.

The following table sets forth information about each of Salem’s stations, in order of market size:

Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired	Format
New York, NY	1, 19 (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, 35 (4)	KFAX-AM	1984	Christian Teaching and Talk
		KDOW-AM	2001	Business

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		KTRB-AM	LMA	News Talk
Dallas-Fort Worth, TX	5	KLTY-FM	1996	Contemporary Christian Music
		KWRD-FM	2000	Christian Teaching and Talk
		KSKY-AM	2000	News Talk
		KTNO-AM	2012	Spanish Language Christian Teaching and Talk
		KEXB-AM	2015	Business
Houston-Galveston, TX	6	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
Atlanta, GA	8	WNIV-AM	2000	Christian Teaching and Talk
		WLTA-AM	2000	Christian Teaching and Talk
		WAFS-AM	2000	Business
		WFSH-FM	2000	Contemporary Christian Music
		WGKA-AM	2004	News Talk
		WDWD-AM	2015	Christian Teaching and Talk
Philadelphia, PA	9	WFIL-AM	1993	Christian Teaching and Talk
		WNTP-AM	1994	News Talk
Boston, MA	10	WEZE-AM	1997	Christian Teaching and Talk
		WROL-AM	2001	Christian Teaching and Talk
		WWDJ-AM		