SALEM MEDIA GROUP, INC

3 Name of contact for additional information

David Lee

6 Number and street (or P.O. box if mail is not delivered to street address) of contact

4880 Santa Rosa Road #300

7 City, town, or post office, state, and ZIP code of contact

Camarillo, CA 93012

8 Date of action

See below

9 Classification and description

Cash distribution to common stock shareholders of Salem Media Group, Inc.

10 CUSIP number

794093104

11 Serial number(s)

12 Ticker symbol

NASDAQ: SALM

13 Account number(s)

Part II Organizational Action

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► In 2019, Salem Media Group, Inc. declared the following cash distributions per share for the common shareholders of record on specified dates below:

<table>
<thead>
<tr>
<th>Date of Record</th>
<th>Amount Per Share</th>
<th>Date Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 19, 2019</td>
<td>$0.0650</td>
<td>March 29, 2019</td>
</tr>
<tr>
<td>June 14, 2019</td>
<td>$0.0650</td>
<td>June 28, 2019</td>
</tr>
<tr>
<td>September 23, 2019</td>
<td>$0.0650</td>
<td>September 30, 2019</td>
</tr>
<tr>
<td>December 23, 2019</td>
<td>$0.0250</td>
<td>December 30, 2019</td>
</tr>
</tbody>
</table>

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► Based upon reasonable assumptions at this time, 100% of the distributions made by Salem Media Group, Inc. to its shareholders in 2019 are expected to be non-dividend distributions, and should be treated as return of capital. A return of capital will reduce shareholders' basis under Internal Revenue Code Section 301(c)(2) in Salem Media Group, Inc. shares, and to the extent in excess of shareholders' basis in Salem Media Group, Inc. shares, will be taxed as capital gains pursuant to Internal Revenue Code Section 301(c)(3).

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► Based on Salem Media Group, Inc.'s current and accumulated earnings and profits in 2019, using reasonable assumptions, 100% of the distributions paid each quarter are expected to be non-dividend distribution and be treated as return of capital. A return of capital will reduce shareholders' basis under Internal Revenue Code Section 301(c)(2) in Salem Media Group, Inc. shares, and to the extent in excess of shareholders' basis in Salem Media Group, Inc share, will be taxed as capital gain pursuant to Internal Revenue Code Section 301(c)(3).
Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ➤
Internal Revenue Code Section 301(c) and 316(a).

18 Can any resulting loss be recognized? ➤ N/A

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ➤ Reportable tax year 2019

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ➤ [Signature]

Date ➤ 9/9/2020

Paid Preparer Use Only
Print/Type preparer’s name ➤ [Name]
Preparer’s signature ➤ [Signature]
Date ➤ [Date]
Check if self-employed
PTIN ➤ [PTIN]

Firm’s name ➤ [Firm’s name]
Firm’s address ➤ [Firm’s address]
Firm’s EIN ➤ [Firm’s EIN]
Phone no. ➤ [Phone number]

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054