

BEASLEY BROADCAST GROUP INC

Form 10-Q

November 09, 2009

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended September 30, 2009**

**OR**

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

**Commission File No. 0-29253**

**BEASLEY BROADCAST GROUP, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

**Delaware**  
(State of Incorporation)

**65-0960915**  
(I.R.S. Employer Identification Number)

**3033 Riviera Drive, Suite 200**

**Naples, Florida 34103**

(Address of Principal Executive Offices and Zip Code)

**(239) 263-5000**

(Registrant's Telephone Number, Including Area Code)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions 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 a 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

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

Class A Common Stock, \$.001 par value, 6,007,213 Shares Outstanding as of November 5, 2009

Class B Common Stock, \$.001 par value, 16,662,743 Shares Outstanding as of November 5, 2009

**Table of Contents**

**INDEX**

|   | <b>Page<br/>No.</b> |
|---|---------------------|
| <b>PART I</b>   |                     |
| <b>FINANCIAL INFORMATION</b>  |                     |
| Item 1. <u>Condensed Consolidated Financial Statements.</u>   | 3                   |
| <u>Notes to Condensed Consolidated Financial Statements.</u>  | 9                   |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u> | 14                  |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>                            | 20                  |
| Item 4. <u>Controls and Procedures.</u>   | 20                  |
| <b>PART II</b>  |                     |
| <b>OTHER INFORMATION</b>  |                     |
| Item 1. <u>Legal Proceedings.</u>   | 21                  |
| Item 1A. <u>Risk Factors.</u>   | 21                  |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>                           | 21                  |
| Item 3. <u>Defaults Upon Senior Securities.</u>   | 21                  |
| Item 4. <u>Submission of Matters to a Vote of Security Holders.</u>                                   | 21                  |
| Item 5. <u>Other Information.</u>   | 22                  |
| Item 6. <u>Exhibits.</u>  | 22                  |
| <u>SIGNATURES</u>   | 23                  |

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

|  | December 31,<br>2008  | September 30,<br>2009 |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |
| Current assets:  |                       |                       |
| Cash and cash equivalents  | \$ 3,453,505          | \$ 5,286,039          |
| Accounts receivable, less allowance for doubtful accounts of \$824,783 in 2008 and \$699,305 in 2009                         | 20,209,745            | 17,061,140            |
| Trade sales receivable   | 906,588               | 985,261               |
| Other receivables  | 460,940               | 682,753               |
| Prepaid expenses   | 1,433,781             | 2,795,534             |
| Deferred tax assets  | 365,176               | 341,458               |
| <b>Total current assets</b>  | <b>26,829,735</b>     | <b>27,152,185</b>     |
| Notes receivable from related parties  | 3,695,344             | 3,518,947             |
| Property and equipment, net  | 25,808,861            | 23,538,534            |
| FCC broadcasting licenses  | 191,748,998           | 178,913,816           |
| Goodwill   | 13,629,364            | 13,629,364            |
| Other assets   | 2,923,814             | 2,978,882             |
| <b>Total assets</b>  | <b>\$ 264,636,116</b> | <b>\$ 249,731,728</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                       |                       |
| Current liabilities:   |                       |                       |
| Current installments of long-term debt   | \$ 4,462,500          | \$ 5,025,640          |
| Accounts payable   | 2,346,691             | 3,610,523             |
| Accrued expenses   | 5,528,546             | 4,567,204             |
| Trade sales payable  | 1,016,540             | 807,189               |
| <b>Total current liabilities</b>   | <b>13,354,277</b>     | <b>14,010,556</b>     |
| Long-term debt   | 170,037,500           | 148,801,076           |
| Deferred tax liabilities   | 28,002,018            | 31,146,132            |
| Derivative financial instruments   | 4,565,684             | 4,029,657             |
| Other long-term liabilities  | 1,150,751             | 1,150,751             |
| <b>Total liabilities</b>   | <b>217,110,230</b>    | <b>199,138,172</b>    |
| Stockholders' equity:  |                       |                       |
| Preferred stock, \$.001 par value, 10,000,000 shares authorized, none issued   |                       |                       |
| Class A common stock, \$.001 par value, 150,000,000 shares authorized, 8,539,508 issued in 2008 and 8,627,008 issued in 2009 | 8,539                 | 8,627                 |
| Class B common stock, \$.001 par value, 75,000,000 shares authorized, 16,662,743 issued in 2008 and 2009                     | 16,662                | 16,662                |
| Additional paid-in capital   | 114,043,872           | 114,815,581           |
| Treasury stock, Class A common stock, 2,550,152 in 2008 and 2,618,961 shares in 2009   | (13,755,634)          | (13,918,886)          |
| Accumulated deficit  | (49,985,137)          | (47,889,153)          |
| Accumulated other comprehensive loss   | (2,802,416)           | (2,439,275)           |
| <b>Stockholders' equity</b>  | <b>47,525,886</b>     | <b>50,593,556</b>     |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 264,636,116</b> | <b>\$ 249,731,728</b> |



**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

|   | <b>Three months ended September 30,</b> |               |
|---|---|---------------|
|   | <b>2008</b>                             | <b>2009</b>   |
| Net revenue   | \$ 30,571,244                           | \$ 24,415,988 |
| Operating (income) expense:   |   |               |
| Cost of services (including stock-based compensation of \$1,082 in 2008 and excluding depreciation and amortization shown separately below) | 10,418,913                              | 8,472,663     |
| Selling, general and administrative (including stock-based compensation of \$23,064 in 2008 and \$12,313 in 2009)                           | 11,104,606                              | 9,074,292     |
| Corporate general and administrative (including stock-based compensation of \$349,871 in 2008 and \$222,864 in 2009)                        | 2,214,838                               | 1,855,882     |
| Depreciation and amortization   | 790,154                                 | 671,678       |
| Net gain on sale or disposal of assets  |   | (1,496,336)   |
| Total operating expenses  | 24,528,511                              | 18,578,179    |
| Operating income  | 6,042,733                               | 5,837,809     |
| Other income (expense):   |   |               |
| Interest expense  | (2,045,164)                             | (2,733,022)   |
| Other non-operating expenses  | (4,434)                                 | (2,997)       |
| Interest income   | 85,357                                  | 84,150        |
| Other non-operating income  | (3,477)                                 | 8,720         |
| Income before income taxes  | 4,075,015                               | 3,194,660     |
| Income tax expense  | 1,756,332                               | 1,815,482     |
| Net income  | \$ 2,318,683                            | \$ 1,379,178  |
| Basic and diluted net income per share  | \$ 0.10                                 | \$ 0.06       |
| Dividends declared per common share   | \$ 0.05                                 | \$            |
| Basic common shares outstanding   | 23,321,964                              | 22,394,474    |
| Diluted common shares outstanding   | 23,357,867                              | 22,472,127    |

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

|   | <b>Nine months ended September 30,</b> |               |
|---|--|---------------|
|   | <b>2008</b>                            | <b>2009</b>   |
| Net revenue   | \$ 90,977,719                          | \$ 70,584,484 |
| Operating (income) expense:   |  |               |
| Cost of services (including stock-based compensation of \$3,246 in 2008 and \$504 in 2009 and excluding depreciation and amortization shown separately below) | 29,647,257                             | 24,563,186    |
| Selling, general and administrative (including stock-based compensation of \$121,586 in 2008 and \$49,374 in 2009)  | 34,908,556                             | 27,066,066    |
| Corporate general and administrative (including stock-based compensation of \$1,135,531 in 2008 and \$721,919 in 2009)  | 7,109,008                              | 6,015,163     |
| Depreciation and amortization   | 2,228,020                              | 2,127,455     |
| Net gain on sale or disposal of assets  |  | (1,496,336)   |
| Total operating expenses  | 73,892,841                             | 58,275,534    |
| Operating income  | 17,084,878                             | 12,308,950    |
| Other income (expense):   |  |               |
| Interest expense  | (6,839,564)                            | (7,528,446)   |
| Loss on extinguishment of long-term debt  |  | (513,642)     |
| Other non-operating expenses  | (182,084)                              | (38,072)      |
| Interest income   | 283,261                                | 247,270       |
| Other non-operating income  | 47,617                                 | 31,432        |
| Income before income taxes  | 10,394,108                             | 4,507,492     |
| Income tax expense  | 4,479,861                              | 2,411,508     |
| Net income  | \$ 5,914,247                           | \$ 2,095,984  |
| Basic and diluted net income per share  | \$ 0.25                                | \$ 0.09       |
| Dividends declared per common share   | \$ 0.18                                | \$            |
| Basic common shares outstanding   | 23,278,141                             | 22,342,409    |
| Diluted common shares outstanding   | 23,330,994                             | 22,414,579    |

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

|   | <b>Three months ended September 30,</b> |              |
|---|---|--------------|
|   | <b>2008</b>                             | <b>2009</b>  |
| Net income  | \$ 2,318,683                            | \$ 1,379,178 |
| Other comprehensive loss:   |   |              |
| Unrealized income (loss) on available-for-sale investments (net of income tax benefit of \$33,985 in 2008 and income tax expense of \$18,023 in 2009) | (54,015)                                | 28,644       |
| Unrealized loss on derivative financial instruments (net of income tax benefit of \$50,499 in 2008 and \$91,002 in 2009)                              | (80,259)                                | (144,630)    |
| Other comprehensive loss  | (134,274)                               | (115,986)    |
| Comprehensive income  | \$ 2,184,409                            | \$ 1,263,192 |

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

|  | <b>Nine months ended September 30,</b> |              |
|--|--|--------------|
|  | <b>2008</b>                            | <b>2009</b>  |
| Net income   | \$ 5,914,247                           | \$ 2,095,984 |
| Other comprehensive income:  |  |              |
| Unrealized income (loss) on available-for-sale investments (net of income tax benefit of \$118,177 in 2008 and income tax expense of \$21,474 in 2009)     | (187,823)                              | 34,127       |
| Reclassification of unrealized loss on available-for-sale investment from other comprehensive income to net income (net of income tax expense of \$68,589) | 109,011                                |              |
| Unrealized income on derivative financial instruments (net of income tax expense of \$433,084 in 2008 and \$207,013 in 2009)                               | 688,316                                | 329,014      |
| Other comprehensive income   | 609,504                                | 363,141      |
| Comprehensive income   | \$ 6,523,751                           | \$ 2,459,125 |

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

|  | <b>Nine months ended September 30,</b> |                     |
|--|--|---------------------|
|  | <b>2008</b>                            | <b>2009</b>         |
| <b>Cash flows from operating activities:</b>   |  |                     |
| Net income   | \$ 5,914,247                           | \$ 2,095,984        |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |  |                     |
| Income from trade sales  | (41,940)                               | (488,692)           |
| Stock-based compensation   | 1,260,363                              | 771,797             |
| Provision for bad debts  | 1,544,307                              | 1,423,859           |
| Depreciation and amortization  | 2,228,020                              | 2,127,455           |
| Net gain on sale or disposal of assets   |  | (1,496,336)         |
| Amortization of loan fees  | 201,707                                | 254,826             |
| Loss on extinguishment of long-term debt   |  | 513,642             |
| Unrealized loss on investment  | 177,600                                |                     |
| Deferred income taxes  | 5,982,048                              | 2,994,946           |
| <b>Change in operating assets and liabilities:</b>                                       |  |                     |
| Decrease in receivables  | 546,106                                | 1,605,679           |
| Increase in prepaid expenses   | (1,216,019)                            | (1,361,753)         |
| Decrease in other assets   | 110,721                                | 19,770              |
| Increase in payables and accrued expenses  | 43,146                                 | 124,195             |
| <b>Net cash provided by operating activities</b>   | <b>16,750,306</b>                      | <b>8,585,372</b>    |
| <b>Cash flows from investing activities:</b>   |  |                     |
| Capital expenditures   | (1,349,353)                            | (499,393)           |
| Proceeds from sale of assets   |  | 15,250,000          |
| Payment for investment   | (2,762)                                |                     |
| Repayment of notes receivable from related parties                                       | 151,217                                | 176,397             |
| <b>Net cash provided by (used in) investing activities</b>                               | <b>(1,200,898)</b>                     | <b>14,927,004</b>   |
| <b>Cash flows from financing activities:</b>   |  |                     |
| Principal payments on indebtedness   | (12,000,000)                           | (20,673,284)        |
| Payments of loan fees  |  | (843,306)           |
| Cash dividends paid  | (4,364,468)                            |                     |
| Payments for treasury stock  | (751,779)                              | (163,252)           |
| <b>Net cash used in financing activities</b>   | <b>(17,116,247)</b>                    | <b>(21,679,842)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>                              | <b>(1,566,839)</b>                     | <b>1,832,534</b>    |
| Cash and cash equivalents at beginning of period   | 6,550,620                              | 3,453,505           |
| <b>Cash and cash equivalents at end of period</b>  | <b>\$ 4,983,781</b>                    | <b>\$ 5,286,039</b> |
| Cash paid for interest   | \$ 6,795,655                           | \$ 7,305,203        |
| Cash refunded for income taxes   | \$ (1,546,782)                         | \$ (543,988)        |
| <b>Supplement disclosure of non-cash investing activities:</b>                           |  |                     |
| Property and equipment acquired through placement of advertising airtime                 | \$ 38,852                              | \$ 97,922           |



---

**Table of Contents**

**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(1) Interim Financial Statements**

The accompanying unaudited financial statements have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission ( SEC ). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) have been omitted pursuant to the SEC rules and regulations. The accompanying unaudited financial statements reflect, in the opinion of management, all adjustments necessary to present fairly the financial position and results of operations for the periods indicated.

The accompanying unaudited financial statements have been prepared in accordance with GAAP and include the consolidated accounts of Beasley Broadcast Group, Inc. (the Company ) and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

The balance sheet as of December 31, 2008 has been derived from the Company s audited financial statements for the fiscal year ended December 31, 2008. The financial statements and related notes included in this report should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Certain amounts previously reported in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Results of the third quarter of 2009 are not necessarily indicative of results for the full year.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of September 30, 2009, for items that should potentially be recognized in these financial statements. The evaluation was conducted through November 9, 2009, the date these financial statements were issued.

**(2) Recent Accounting Pronouncements**

On January 1, 2009, the Company adopted the provisions of Statement of Financial Accounting Standards ( SFAS ) 141 (revised 2007), *Business Combinations* which replaces SFAS 141, *Business Combinations*. SFAS 141(R) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. SFAS 141(R) also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. SFAS 141(R) applies to all transactions or other events in which an entity obtains control of one or more businesses. The adoption of SFAS 141(R) did not have an impact on the Company s results of operations or financial position but may have an impact on accounting for future business combinations.

On January 1, 2009, the Company adopted the provisions of FASB Staff Position ( FSP ) SFAS 142-3, *Determination of the Useful Life of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141 (revised 2007), and other U.S. generally accepted accounting principles. The adoption of FSP 142-3 did not have an impact on the Company s results of operations or financial position but may have an impact on accounting for future acquisitions.

In April 2009, the FASB issued FSP SFAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, which amends SFAS 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP SFAS 107-1 and APB 28-1 is effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company adopted the provisions of FSP SFAS 107-1 and APB 28-1 in the first quarter of 2009 (see note 7).

In May 2009, the FASB issued SFAS 165, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. An entity should apply the requirements of SFAS 165 to interim or annual financial periods ending after June 15, 2009. Adoption of SFAS 165 did not have a material impact on the Company s results of operations or financial position.

## Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

In June 2009, the FASB issued SFAS 167, *Amendments to FASB Interpretation No. 46(R)*, improves financial reporting by enterprises involved with variable interest entities. SFAS 167 addresses (1) the effects on certain provisions of FASB Interpretation

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166 and (2) concerns about the application of certain key provisions of FIN 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS 167 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within the first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. Adoption of SFAS 167 is not expected to have a material impact on the Company's results of operations or financial position.

Effective October 1, 2009, the Company adopted the provisions of SFAS 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162*. The FASB Accounting Standards Codification™ (Codification) which became the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of SFAS 168, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification became nonauthoritative. The adoption of SFAS 168 did not have a material impact on the Company's results of operations or financial position.

In August 2009, the FASB issued Accounting Standard Update (ASU) 2009-05, *Fair Value Measurements and Disclosures – Measuring Liabilities at Fair Value*. ASU 2009-05 provides clarification for circumstances in which a quoted price in an inactive market for an identical liability is not available. ASU 2009-05 is effective for the first reporting period beginning after August 2009. The Company has not completed its evaluation of the impact of the adoption of ASU 2009-05.

**(3) Completed Dispositions**

On August 25, 2009, the Company completed the sale of substantially all of the assets used in the operation of radio station KBET-AM and certain assets used in the operation of radio stations KCYE-FM and KFRH-FM in Las Vegas, Nevada to Silver State Broadcasting LLC for \$15.3 million in cash. The Company repaid a portion of the outstanding balance under its credit facility with the sale proceeds. The Company recorded a \$1.7 million gain on sale during the third quarter of 2009.

The change in the carrying amount of FCC broadcasting licenses for the nine months ended September 30, 2009 is as follows:

|   |                       |
|---|-----------------------|
| Balance as of December 31, 2008         | \$ 191,748,998        |
| Sale of radio stations                  | (12,835,182)          |
| <b>Balance as of September 30, 2009</b> | <b>\$ 178,913,816</b> |

There is no goodwill recorded in the reporting unit containing the Las Vegas market cluster which included the sold radio stations. The Company continues to operate three radio stations in the Las Vegas radio market.

**(4) Long-Term Debt**

Long-term debt is comprised of the following:

|                  | December 31,<br>2008 | September 30,<br>2009 |
|------------------|----------------------|-----------------------|
| Credit facility: |                      |                       |

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

|                           |                |                |
|---------------------------|----------------|----------------|
| Revolving credit loan     | \$ 55,500,000  | \$ 55,826,716  |
| Term loan                 | 119,000,000    | 98,000,000     |
|                           | 174,500,000    | 153,826,716    |
| Less current installments | (4,462,500)    | (5,025,640)    |
|                           | \$ 170,037,500 | \$ 148,801,076 |

On March 13, 2009, the Company amended its credit facility. As of September 30, 2009, the credit facility consists of a revolving credit loan with a maximum commitment of \$65.0 million and a term loan with a remaining balance of \$98.0 million. The revolving credit loan includes a \$7.5 million sub-limit for letters of credit which may not be increased. At the Company's election, the revolving credit loan and term loan may bear interest at either the base rate or LIBOR plus a margin that is determined by the Company's debt to operating cash flow ratio. The base rate is equal to the higher of the prime rate, the federal funds effective rate, or the one month

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

LIBOR quoted rate plus 1.0%. Interest on base rate loans is payable quarterly through maturity. Interest on LIBOR loans is payable on the last day of the selected LIBOR period and, if the selected period is longer than three months, every three months after the beginning of the LIBOR period. The revolving credit loan and term loan carried interest, based on LIBOR, at 4.1955% and 4.2744% as of December 31, 2008 and September 30, 2009, respectively, and mature on June 30, 2015. The scheduled reductions in the amount available under the revolving credit loan may require principal repayments if the outstanding balance at that time exceeds the maximum amount available under the revolving credit loan. In connection with the amended credit facility, the Company recorded a \$0.5 million loss on extinguishment of long-term debt during the first quarter of 2009.

As of September 30, 2009, the Company had \$9.2 million in remaining commitments available under the revolving credit loan of its credit facility.

The credit facility is secured by substantially all of the Company's assets and is guaranteed jointly and severally by all of the Company's subsidiaries. The guarantees were issued to the Company's lenders for repayment of the outstanding balance of the credit facility. If the Company defaulted under the terms of the credit facility, the subsidiaries may have been required to perform under their guarantees. The maximum amount of undiscounted payments the subsidiaries would have had to make in the event of default was \$153.8 million. The guarantees for the revolving credit loan and term loan expire on June 30, 2015.

As of September 30, 2009, the scheduled repayments of the amended credit facility for the remainder of 2009, the next four years, and thereafter are as follows:

|              | <b>Revolving<br/>credit<br/>loan</b> | <b>Term<br/>loan</b> | <b>Total<br/>credit<br/>facility</b> |
|--------------|--------------------------------------|----------------------|--------------------------------------|
| 2009         | \$                                   | \$ 1,256,410         | \$ 1,256,410                         |
| 2010         |                                      | 5,025,640            | 5,025,640                            |
| 2011         |                                      | 7,287,179            | 7,287,179                            |
| 2012         |                                      | 8,041,025            | 8,041,025                            |
| 2013         | 6,146,509                            | 9,548,718            | 15,695,227                           |
| Thereafter   | 49,680,207                           | 66,841,028           | 116,521,235                          |
| <b>Total</b> | <b>\$ 55,826,716</b>                 | <b>\$ 98,000,000</b> | <b>\$ 153,826,716</b>                |

The Company must pay a quarterly unused commitment fee equal to 0.5% of the unused portion of the revolving credit loan. The Company paid unused commitment fees of approximately \$45,000 and \$12,000 for the three months ended September 30, 2008 and 2009, respectively and approximately \$124,000 and \$61,000 for the nine months ended September 30, 2008 and 2009, respectively.

The Company is required to satisfy financial covenants, which require it to maintain specified financial ratios and to comply with financial tests, such as ratios for maximum consolidated total debt, minimum interest coverage and minimum fixed charges. As of September 30, 2009, these financial covenants included:

*Maximum Consolidated Total Debt Ratio.* As of September 30, 2009, the Company's consolidated total debt must not have exceeded 7.5 times its consolidated operating cash flow for the four quarters then ending (as those terms are defined in the credit agreement). On the last day of each fiscal quarter for the period from October 1, 2009 to June 30, 2010, the maximum ratio will remain at 7.5, however, on the last day of each fiscal quarter for the period from July 1, 2010 through December 31, 2010, the maximum ratio will decrease to 5.25 times and on the last day of each fiscal quarter for all periods after January 1, 2011, the maximum ratio will decrease

to 4.75 times.

*Minimum Interest Coverage Ratio.* The Company's consolidated operating cash flow for the four quarters ending on the last day of each quarter must not have been less than 2.0 times the amount of its consolidated cash interest expense for such four quarter period.

*Minimum Fixed Charge Ratio.* The Company's consolidated operating cash flow for any four consecutive quarters must not be less than 1.1 times the amount of its consolidated fixed charges for such four quarter period. Fixed charges include cash paid for interest, income taxes, capital expenditures, scheduled principal repayments, dividends, and agency and commitment fees.

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

Failure to comply with these financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of its credit facility could result in the acceleration of the maturity of its outstanding debt. The Company believes that it will have sufficient liquidity and capital resources to permit it to meet its financial obligations for at least the next twelve months.

As of September 30, 2009, management of the Company believed it was in compliance with applicable financial covenants.

**(5) Stock-Based Compensation**

The Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan ) permits the Company to issue up to 4.0 million shares of Class A common stock. The 2007 Plan allows for eligible employees, directors and certain consultants of the Company to receive shares of restricted stock, stock options or other stock-based awards. The restricted stock awards that have been granted under the 2007 Plan generally vest over three to five years of service.

A summary of restricted stock activity under the 2007 Plan is presented below:

|                                   | Shares  | Weighted-Average<br>Grant-Date<br>Fair Value |
|-----------------------------------|---------|--|
| Unvested as of July 1, 2009       | 128,333 | \$ 2.17                                      |
| Granted                           |         |  |
| Vested                            | (1,667) | 7.19   |
| Forfeited                         |         |  |
| Unvested as of September 30, 2009 | 126,666 | \$ 2.10                                      |

As of September 30, 2009, there was \$0.2 million of total unrecognized compensation cost related to restricted stock granted under the 2007 Plan. That cost is expected to be recognized over a weighted-average period of 1.3 years.

The 2000 Equity Plan of Beasley Broadcast Group, Inc. (the 2000 Plan ) was terminated upon adoption of the 2007 Plan, except with respect to outstanding awards. The restricted stock and stock option awards that have been granted under the 2000 Plan generally vest over three to five years of service. However, some stock option awards contain performance-related provisions that may delay vesting beyond five years but no longer than seven years after the date of grant. Stock options expire ten years from the date of grant. No new awards will be granted under the 2000 Plan.

A summary of restricted stock activity under the 2000 Plan is presented below:

|                             | Shares  | Weighted-Average<br>Grant-Date<br>Fair Value |
|-----------------------------|---------|--|
| Unvested as of July 1, 2009 | 150,420 | \$ 5.76                                      |
| Granted                     |         |  |
| Vested                      |         |  |
| Forfeited                   | (1,667) | 1.80   |

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

|                                   |         |    |      |
|-----------------------------------|---------|----|------|
| Unvested as of September 30, 2009 | 148,753 | \$ | 5.80 |
|-----------------------------------|---------|----|------|

As of September 30, 2009, there was \$0.6 million of total unrecognized compensation cost related to restricted stock granted under the 2000 Plan. That cost is expected to be recognized over a weighted-average period of 0.9 years.

**Table of Contents**

A summary of stock option activity under the 2000 Plan is presented below:

|                                      | Shares    | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
|--------------------------------------|-----------|---------------------------------|---|---------------------------|
| Outstanding as of July 1, 2009       | 2,529,084 | \$ 15.26                        |   |                           |
| Granted                              |           |                                 |   |                           |
| Exercised                            |           |                                 |   |                           |
| Forfeited                            |           |                                 |   |                           |
| Outstanding as of September 30, 2009 | 2,529,084 | \$ 15.26                        | 0.7   |                           |
| Exercisable as of September 30, 2009 | 2,453,917 | \$ 15.25                        | 0.5   |                           |

**(6) Income Taxes**

The Company's effective tax rate was approximately 43% for the three and nine months ended September 30, 2008 and 57% and 53% for the three and nine months ended September 30, 2009, respectively, which differ from the federal statutory rate of 34% due to the effect of state income taxes and certain of the Company's expenses that are not deductible for tax purposes. The effective tax rate also includes additional tax expense in 2008 and 2009 from the vesting of restricted stock in 2008 and 2009 at stock prices lower than the grant-date stock prices of those awards. The effective tax rate for the three and nine months ended September 30, 2009 also reflects a \$0.4 million increase to the valuation allowance for unrealized losses on investments which management has determined, more likely than not, that such losses will not be utilized.

**(7) Financial Instruments**

The carrying amount of notes receivable from related parties with a fixed rate of interest of 6.0% was \$3.5 million as of September 30, 2009, compared with a fair value of \$3.9 million based on current market interest rates. The carrying amount of notes receivable from related parties was \$3.7 million as of December 31, 2008, compared with a fair value of \$4.2 million.

The carrying amount of long-term debt, including the current installments, was \$153.8 million as of September 30, 2009 and approximated fair value due to the variable interest rate, which is based on current market rates. The carrying amount of long-term debt was \$174.5 million as of December 31, 2008 and approximated fair value due to the variable interest rate.

---

## **Table of Contents**

### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion together with the financial statements and related notes included elsewhere in this report. The results discussed below are not necessarily indicative of the results to be expected in any future periods. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including any projections of earnings, revenues or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words may, will, estimate, intend, continue, believe, expect or anticipate and other similar words. Such forward-looking statements may be contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, among other places. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as unforeseen events that would cause us to broadcast commercial-free for any period of time and changes in the radio broadcasting industry generally. We do not intend, and undertake no obligation, to update any forward-looking statement. Key risks to our company are described in our annual report on Form 10-K, filed with the Securities and Exchange Commission on March 27, 2009.

#### ***General***

We are a radio broadcasting company whose primary business is acquiring, developing, and operating radio stations throughout the United States. We own and operate 42 radio stations in the following markets: Miami-Fort Lauderdale, FL, Philadelphia, PA, Wilmington, DE, Las Vegas, NV, Fort Myers-Naples, FL, Fayetteville, NC, Greenville-New Bern-Jacksonville, NC, Augusta, GA, West Palm Beach-Boca Raton, FL, Atlanta, GA and Boston, MA. We refer to each group of radio stations that we own in each radio market as a market cluster.

#### ***Recent Developments***

On August 25, 2009, we completed the sale of substantially all of the assets used in the operation of radio station KBET-AM and certain assets used in the operation of radio stations KCYE-FM and KFRH-FM in Las Vegas, Nevada to Silver State Broadcasting LLC for \$15.3 million in cash. We repaid a portion of the outstanding balance under our credit facility with the sale proceeds. We recorded a \$1.7 million gain on sale during the third quarter of 2009.

We continue to be impacted by deteriorating general economic conditions, which have caused a downturn in the advertising industry. The automobile and retail industries have historically been important sources of advertising revenue for us however they have been disproportionately impacted by the ongoing economic downturn. As these industries have reduced their discretionary spending they have reduced their advertising budgets. We will continue to review our operating costs and expenses areas in response to the decreased demand for advertising which has negatively impacted our revenues.

#### ***Financial Statement Presentation***

The following discussion provides a brief description of certain key items that appear in our financial statements and general factors that impact these items.

***Net Revenue.*** Our net revenue is primarily derived from the sale of advertising airtime to local and national advertisers. Net revenue is gross revenue less agency commissions, generally 15% of gross revenue. Local revenue generally consists of advertising airtime sales to advertisers in a radio station's local market either directly to the advertiser or through the advertiser's agency. National revenue generally consists of advertising airtime sales to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our national representation firm, which serves as our agent in these transactions.

The advertising rates that we are able to charge and the number of advertisements that we can broadcast without jeopardizing listener levels generally determine our net revenue. Advertising rates are primarily based on the following factors:

a radio station's audience share in the demographic groups targeted by advertisers as measured principally by quarterly reports issued by the Arbitron Ratings Company;



---

**Table of Contents**

the number of radio stations, as well as other forms of media, in the market competing for the attention of the same demographic groups;

the supply of, and demand for, radio advertising time; and

the size of the market.

Our net revenue is affected by general economic conditions, competition and our ability to improve operations at our market clusters. Seasonal revenue fluctuations are also common in the radio broadcasting industry and are primarily due to variations in advertising expenditures by local and national advertisers. Our revenues are typically lowest in the first calendar quarter of the year.

We use trade sales agreements to reduce cash paid for operating costs and expenses by exchanging advertising airtime for goods or services; however, we endeavor to minimize trade revenue in order to maximize cash revenue from our available airtime.

*Operating Costs and Expenses.* Our operating costs and expenses consist primarily of (1) programming, engineering, and promotional expenses, reported as cost of services, and selling, general and administrative expenses incurred at our radio stations, (2) general and administrative expenses, including compensation and other expenses, incurred at our corporate offices, and (3) depreciation and amortization. We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain functions in each of our market clusters.

*Income Taxes.* Our effective tax rate was approximately 43% for the three and nine months ended September 30, 2008 and 57% and 53% for the three and nine months ended September 30, 2009, respectively, which differ from the federal statutory rate of 34% due to the effect of state income taxes and certain of our expenses that are not deductible for tax purposes. The effective tax rate also includes additional tax expense in 2008 and 2009 from the vesting of restricted stock in 2008 and 2009 at stock prices lower than the grant-date stock prices of those awards. The effective tax rate for the three and nine months ended September 30, 2009 also reflects a \$0.4 million increase to the valuation allowance for unrealized losses on investments which we have determined, more likely than not, that such losses will not be utilized.

***Critical Accounting Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect reported amounts and related disclosures. We consider an accounting estimate to be critical if:

it requires assumptions to be made that were uncertain at the time the estimate was made; and

changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition.

Our critical accounting estimates are described in Item 7 of our annual report on Form 10-K for the year ended December 31, 2008. There have been no material changes to our critical accounting estimates during the third quarter of 2009.

***Recent Accounting Pronouncements***

In August 2009, the FASB issued Accounting Standard Update ( ASU ) 2009-05, *Fair Value Measurements and Disclosures - Measuring Liabilities at Fair Value*. ASU 2009-05 provides clarification for circumstances in which a quoted price in an inactive market for an identical liability is not available. ASU 2009-05 is effective for the first reporting period beginning after August 2009. We have not completed our evaluation of the impact of the adoption of ASU 2009-05.

***Three Months Ended September 30, 2009 Compared to the Three Months Ended September 30, 2008***

The following summary table presents a comparison of our results of operations for the three months ended September 30, 2008 and 2009 with respect to certain of our key financial measures. These changes illustrated in the table are discussed in greater detail below. This section should

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

**Table of Contents**

|   | Three months ended September 30, |               | Change         |         |
|---|----------------------------------|---------------|----------------|---------|
|   | 2008                             | 2009          | \$             | %       |
| Net revenue                                   | \$ 30,571,244                    | \$ 24,415,988 | \$ (6,155,256) | (20.1)% |
| Cost of services                              | 10,418,913                       | 8,472,663     | (1,946,250)    | (18.7)  |
| Selling, general and administrative expenses  | 11,104,606                       | 9,074,292     | (2,030,314)    | (18.3)  |
| Corporate general and administrative expenses | 2,214,838                        | 1,855,882     | (358,956)      | (16.2)  |
| Net gain on sale or disposal of assets        |                                  | 1,496,336     | 1,496,336      | NM      |
| Interest expense                              | 2,045,164                        | 2,733,022     | 687,858        | 33.6    |
| Net income                                    | 2,318,683                        | 1,379,178     | (939,505)      | (40.5)  |

*Net Revenue.* The \$6.2 million decrease in net revenue during the three months ended September 30, 2009 was primarily due to the downturn in the advertising industry as a result of general economic conditions. Net revenue decreased at all eleven of our market clusters. Net revenue decreased \$2.1 million at our Miami-Fort Lauderdale market cluster, \$1.0 million at our Philadelphia market cluster, \$1.0 million at our Las Vegas market cluster, \$0.7 million at our Fayetteville market cluster, \$0.4 million at our Wilmington market cluster, and \$0.4 million at our Greenville-New Bern-Jacksonville market cluster.

*Cost of Services.* The \$1.9 million decrease in cost of services during the three months ended September 30, 2009 was primarily due to cost containment measures in response to the decrease in net revenue. Cost of services decreased at ten of our eleven market clusters and was comparable to 2008 at the remaining market cluster. Cost of services decreased \$0.7 million at our Miami-Fort Lauderdale market cluster, \$0.4 million at our Las Vegas market cluster, and \$0.3 million at our Philadelphia market cluster.

*Selling, General and Administrative Expenses.* The \$2.0 million decrease in selling, general and administrative expenses during the three months ended September 30, 2009 was primarily due to a decrease in sales commissions resulting from the decrease in net revenue and cost containment measures. Selling, general and administrative expenses decreased at ten of our eleven market clusters and were comparable to 2008 at the remaining market cluster. Selling, general and administrative expenses decreased \$0.6 million at our Philadelphia market cluster, \$0.5 million at our Miami-Fort Lauderdale market cluster, and \$0.3 million at our Las Vegas market cluster.

*Corporate General and Administrative Expenses.* The \$0.4 million decrease in corporate general and administrative expenses during the three months ended September 30, 2009 was primarily due to a decrease in cash and stock-based compensation expense and other cost containment measures.

*Net Gain on Sale or Disposal of Assets.* Net gain on sale or disposal of assets includes a \$1.7 million gain related to the sale of substantially all of the assets used in the operation of radio station KBET-AM and certain assets used in the operation of radio stations KCYE-FM and KFRH-FM in Las Vegas, Nevada to Silver State Broadcasting LLC on August 25, 2009.

*Interest Expense.* The \$0.7 million increase in interest expense during the three months ended September 30, 2009 was due an increase in our interest rate as a result of the amendment to our credit agreement during the first quarter of 2009 and the swap agreements we entered during the second and third quarters of 2008. These increases were partially offset with reduced borrowing costs as a result of a general decline in interest rates and scheduled and voluntary repayments of borrowings under our credit facility.

*Net Income.* As a result of the factors described above, net income for the three months ended September 30, 2009 was \$1.4 million compared to a net income of \$2.3 million for the three months ended September 30, 2008.

***Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008***

The following summary table presents a comparison of our results of operations for the nine months ended September 30, 2008 and 2009 with respect to certain of our key financial measures. These changes illustrated in the table are discussed in greater detail below. This section should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

**Table of Contents**

|   | Nine months ended September 30, |               | Change          |         |
|---|---------------------------------|---------------|-----------------|---------|
|   | 2008                            | 2009          | \$              | %       |
| Net revenue                                   | \$ 90,977,719                   | \$ 70,584,484 | \$ (20,393,235) | (22.4)% |
| Cost of services                              | 29,647,257                      | 24,563,186    | (5,084,071)     | (17.1)  |
| Selling, general and administrative expenses  | 34,908,556                      | 27,066,066    | (7,842,490)     | (22.5)  |
| Corporate general and administrative expenses | 7,109,008                       | 6,015,163     | (1,093,845)     | (15.4)  |
| Net gain on sale or disposal of assets        |                                 | 1,496,336     | 1,496,336       | NM      |
| Interest expense                              | 6,839,564                       | 7,528,446     | 688,882         | 10.1    |
| Loss on extinguishment of long-term debt      |                                 | 513,642       | 513,642         | NM      |
| Net income                                    | 5,914,247                       | 2,095,984     | (3,818,263)     | (64.6)  |

*Net Revenue.* The \$20.4 million decrease in net revenue during the nine months ended September 30, 2009 was primarily due to the downturn in the advertising industry as a result of general economic conditions. Net revenue decreased at ten of our eleven market clusters and was comparable to 2008 at the remaining market cluster. Net revenue decreased \$5.9 million at our Miami-Fort Lauderdale market cluster, \$4.3 million at our Philadelphia market cluster, \$2.9 million at our Las Vegas market cluster, \$2.0 million at our Fayetteville market cluster, \$1.7 million at our Greenville-New Bern-Jacksonville market cluster, \$1.5 million at our Fort Myers-Naples market cluster, \$0.9 million at our Wilmington market cluster, \$0.6 million at our Augusta market cluster, and \$0.6 million at our West Palm Beach-Boca Raton market cluster.

*Cost of Services.* The \$5.1 million decrease in cost of services during the nine months ended September 30, 2009 was primarily due to cost containment measures in response to the decrease in net revenue. Cost of services decreased at all of our market clusters including a decrease of \$2.1 million at our Miami-Fort Lauderdale market cluster, \$0.9 million at our Las Vegas market cluster, \$0.6 million at our Philadelphia market cluster, and \$0.5 million at our Fort Myers-Naples market cluster.

*Selling, General and Administrative Expenses.* The \$7.8 million decrease in selling, general and administrative expenses during the nine months ended September 30, 2009 was primarily due to a decrease in sales commissions resulting from the decrease in net revenue and cost containment measures. Selling, general and administrative expenses decreased at ten of our eleven market clusters and was comparable to 2008 at the remaining market cluster. Selling, general and administrative expenses decreased \$2.6 million at our Miami-Fort Lauderdale market cluster, \$1.6 million at our Philadelphia market cluster, \$0.9 million at our Las Vegas market cluster, \$0.8 million at our Fayetteville market cluster, \$0.6 million at our Fort Myers-Naples market cluster, and \$0.6 million at our Greenville-New Bern-Jacksonville market cluster.

*Corporate General and Administrative Expenses.* The \$1.1 million decrease in corporate general and administrative expenses during the nine months ended September 30, 2009 was primarily due to a decrease in cash and stock-based compensation expense and other cost containment measures.

*Net Gain on Sale or Disposal of Assets.* Net gain on sale or disposal of assets includes a \$1.7 million gain related to the sale of substantially all of the assets used in the operation of radio station KBET-AM and certain assets used in the operation of radio stations KCYE-FM and KFRH-FM in Las Vegas, Nevada to Silver State Broadcasting LLC on August 25, 2009.

*Interest Expense.* The \$0.7 million increase in interest expense during the nine months ended September 30, 2009 was due to an increase in our interest rate as a result of the amendment to our credit agreement during the first quarter of 2009 and the swap agreements we entered during the second and third quarters of 2008. These increases were offset with reduced borrowing costs as a result of a general decline in interest rates and scheduled and voluntary repayments of borrowings under our credit facility.

*Loss on Extinguishment of Long-Term Debt.* In connection with an amendment to our credit facility during the first quarter of 2009, we recorded a \$0.5 million loss on extinguishment of long-term debt during the nine months ended September 30, 2009.

*Net Income.* As a result of the factors described above, net income for the nine months ended September 30, 2009 was \$2.1 million compared to a net income of \$5.9 million for the nine months ended September 30, 2008.

**Liquidity and Capital Resources**

*Overview.* Our primary source of liquidity is internally generated cash flow. Our primary liquidity needs have been, and for the next twelve months and thereafter are expected to continue to be, for working capital, debt service, and other general corporate purposes, including capital expenditures. Historically, our capital expenditures have not been significant. In addition to property and equipment associated with radio station acquisitions, our capital expenditures have generally been, and are expected to continue to be, related to the maintenance of our studio and office space and the technological improvement, including upgrades necessary to broadcast HD Radio, and maintenance of our broadcasting towers and equipment. We have also purchased or constructed office and studio space in some of our markets to facilitate the consolidation of our operations.



**Table of Contents**

Prior to March 13, 2009, our credit facility permitted us to repurchase up to \$50.0 million of our common stock and on June 10, 2004, our board of directors authorized us to repurchase up to \$25.0 million of our Class A common stock over a one-year period from the date of authorization, which was extended on May 12, 2005 for one additional year. On May 24, 2006, our board of directors authorized us to increase the remaining balance under our previous authorization from \$21.3 million to \$25.0 million and to extend the repurchase period to May 23, 2007. Effective May 24, 2007, our board of directors authorized the extension of the repurchase period for one additional year. Effective May 24, 2008, our board of directors authorized the extension of the repurchase period for one additional year. Effective March 13, 2009, our credit facility prohibits us from repurchasing additional shares of our common stock until our consolidated total debt is less than 5.00 times our consolidated operating cash flow at which time we are permitted to repurchase up to an aggregate of \$10.0 million of our common stock. We are permitted to repurchase up to \$0.5 million of our common stock per year in connection with vesting of restricted stock. From June 10, 2004 to November 5, 2009, we repurchased 2.6 million shares of our Class A common stock for an aggregate \$13.9 million.

Prior to March 13, 2009, our credit facility permitted us to pay cash dividends on our common stock in an amount up to an aggregate of \$10.0 million per year. Effective March 13, 2009, our credit facility prohibits us from paying cash dividends on our common stock until our consolidated total debt is less than 5.00 times our consolidated operating cash flow at which time we are permitted to pay cash dividends in an amount up to an aggregate of \$5.0 million per year.

We expect to provide for future liquidity needs through one or a combination of the following sources of liquidity:

internally generated cash flow;

our credit facility;

additional borrowings, other than under our existing credit facility, to the extent permitted thereunder; and

additional equity offerings.

We believe that we will have sufficient liquidity and capital resources to permit us to provide for our liquidity requirements and meet our financial obligations for the next twelve months. However, continuation or worsening of the economic downturn in the United States or in the markets we serve, poor financial results, unanticipated acquisition opportunities or unanticipated expenses could give rise to defaults under our credit facility, additional debt servicing requirements or other additional financing or liquidity requirements sooner than we expect and we may not secure financing when needed or on acceptable terms.

Our ability to reduce our total debt ratio, as defined by our credit facility, by increasing operating cash flow and/or decreasing long-term debt will determine how much, if any, of the remaining commitments under the revolving portion of our credit facility will be available to us in the future. Continuation or worsening of the economic downturn in the United States or in the markets we serve, poor financial results or unanticipated expenses could result in our failure to maintain or lower our total leverage ratio and we may not be permitted to make any additional borrowings under the revolving portion of our credit facility.

The following summary table presents a comparison of our capital resources for the nine months ended September 30, 2008 and 2009 with respect to certain of our key measures affecting our liquidity. The changes set forth in the table are discussed in greater detail below. This section should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

|  | <b>Nine months ended September 30,</b> |              |
|--|--|--------------|
|  | <b>2008</b>                            | <b>2009</b>  |
| Net cash provided by operating activities            | \$ 16,750,306                          | \$ 8,585,372 |
| Net cash provided by (used in) investing activities  | (1,200,898)                            | 14,927,004   |
| Net cash used in financing activities                | (17,116,247)                           | (21,679,842) |
| Net increase (decrease) in cash and cash equivalents | \$ (1,566,839)                         | \$ 1,832,534 |

*Net Cash Provided By Operating Activities.* Net cash provided by operating activities decreased by \$8.2 million during the nine months ended September 30, 2009 compared to the same period in 2008 primarily due to a \$19.9 million decrease in cash

**Table of Contents**

receipts from the sale of advertising airtime, a \$1.0 million decrease in cash refunded for income taxes, and a \$0.5 million increase in cash paid for interest. This decrease was partially offset by a \$12.6 million decrease in cash paid for station operating expenses, and a \$0.7 million decrease in cash paid for corporate general and administrative expenses.

*Net Cash Used In Investing Activities.* Net cash provided by investing activities in the nine months ended September 30, 2009 was primarily due to cash proceeds of \$15.3 million from the sale of assets in Las Vegas, Nevada, which were partially offset by cash payments for capital expenditures of \$0.5 million. Net cash used in investing activities for the same period in 2008 was primarily due to cash payments for capital expenditures of \$1.3 million.

*Net Cash Used In Financing Activities.* Net cash used in financing activities in the nine months ended September 30, 2009 was primarily due to scheduled repayments of \$2.7 million and voluntary repayments of \$17.9 million under our credit facility, and payments of \$0.8 million of loan fees related to the amended credit facility. Net cash used in financing activities for the same period in 2008 was primarily due to voluntary repayments of \$12.0 million under our credit facility, cash dividends of \$4.4 million, and \$0.8 million for repurchases of our Class A common stock.

*Credit Facility.* As of October 31, 2009, the outstanding balance of our credit facility was \$153.8 million. As of September 30, 2009, the credit facility consists of a revolving credit loan with a maximum commitment of \$65.0 million and a term loan with a remaining balance of \$98.0 million. The revolving credit loan includes a \$7.5 million sub-limit for letters of credit which may not be increased. At our election, the revolving credit loan and term loan may bear interest at either the base rate or LIBOR plus a margin that is determined by our debt to operating cash flow ratio. The base rate is equal to the higher of the prime rate, the federal funds effective rate, or the one month LIBOR quoted rate plus 1.0%. Interest on base rate loans is payable quarterly through maturity. Interest on LIBOR loans is payable on the last day of the selected LIBOR period and, if the selected period is longer than three months, every three months after the beginning of the LIBOR period. The revolving credit loan and term loan carried interest, based on LIBOR, at 4.1955% and 4.2744% as of December 31, 2008 and September 30, 2009, respectively, and mature on June 30, 2015. The scheduled reductions in the amount available under the revolving credit loan may require principal repayments if the outstanding balance at that time exceeds the maximum amount available under the revolving credit loan. In connection with the amended credit facility, we recorded a \$0.5 million loss on extinguishment of long-term debt during the first quarter of 2009.

As of September 30, 2009, we had \$9.2 million in remaining commitments available under the revolving credit loan of our credit facility.

As of September 30, 2009, our credit facility is secured by substantially all of our assets and is guaranteed jointly and severally by the Company and all of our subsidiaries. The guarantees were issued to our lenders for repayment of the outstanding balance of the credit facility. If we default under the terms of the credit facility, our subsidiaries may have been required to perform under their guarantees. The maximum amount of undiscounted payments the subsidiaries would have to make in the event of default is \$153.8 million. The guarantees for the revolving credit loan and term loan expire on June 30, 2015.

As of September 30, 2009, the scheduled repayments of the amended credit facility for the remainder of 2009, the next four years, and thereafter are as follows:

|              | <b>Revolving<br/>credit<br/>loan</b> | <b>Term<br/>loan</b> | <b>Total<br/>credit<br/>facility</b> |
|--------------|--------------------------------------|----------------------|--------------------------------------|
| 2009         | \$                                   | \$ 1,256,410         | \$ 1,256,410                         |
| 2010         |                                      | 5,025,640            | 5,025,640                            |
| 2011         |                                      | 7,287,179            | 7,287,179                            |
| 2012         |                                      | 8,041,025            | 8,041,025                            |
| 2013         | 6,146,509                            | 9,548,718            | 15,695,227                           |
| Thereafter   | 49,680,207                           | 66,841,028           | 116,521,235                          |
| <b>Total</b> | <b>\$ 55,826,716</b>                 | <b>\$ 98,000,000</b> | <b>\$ 153,826,716</b>                |

We must pay a quarterly unused commitment fee equal to 0.5% of the unused portion of the revolving credit loan. We paid unused commitment fees of approximately \$12,000 and \$61,000 for the three and nine months ended September 30, 2009, respectively.



---

## **Table of Contents**

We are required to satisfy financial covenants, which require us to maintain specified financial ratios and to comply with financial tests, such as ratios for maximum consolidated total debt, minimum interest coverage and minimum fixed charges. As of September 30, 2009, these financial covenants included:

*Maximum Consolidated Total Debt Ratio.* As of September 30, 2009, our consolidated total debt must not have exceeded 7.5 times our consolidated operating cash flow for the four quarters then ending (as those terms are defined in the credit agreement). On the last day of each fiscal quarter for the period from October 1, 2009 to June 30, 2010, the maximum ratio will remain at 7.5, however, on the last day of each fiscal quarter for the period from July 1, 2010 through December 31, 2010, the maximum ratio will decrease to 5.25 times and on the last day of each fiscal quarter for all periods after January 1, 2011, the maximum ratio will decrease to 4.75 times.

*Minimum Interest Coverage Ratio.* Our consolidated operating cash flow for the four quarters ending on the last day of each quarter must not have been less than 2.0 times the amount of our consolidated cash interest expense for such four quarter period.

*Minimum Fixed Charge Ratio.* Our consolidated operating cash flow for any four consecutive quarters must not be less than 1.1 times the amount of our consolidated fixed charges for such four quarter period. Fixed charges include cash paid for interest, income taxes, capital expenditures, scheduled principal repayments, dividends, and agency and commitment fees.

Failure to comply with these financial covenants, to make scheduled interest payments or scheduled principal repayments, or to comply with any other terms of our credit facility could result in the acceleration of the maturity of our debt outstanding thereunder, which could have a material adverse effect on our business or results of operations.

As of September 30, 2009, we believed we were in compliance with all applicable financial covenants under our credit facility. As of September 30, 2009, as calculated pursuant to the terms of our credit agreement, our consolidated total debt ratio was 6.99 times consolidated operating cash flow, our interest coverage ratio was 2.37 times interest expense, and our fixed charge coverage ratio was 1.62 times fixed charges.

The credit facility also contains other customary restrictive covenants. These covenants limit our ability to: incur additional indebtedness and liens; enter into certain investments or joint ventures; consolidate, merge or effect asset sales; enter sale and lease-back transactions; sell or discount accounts receivable; enter into transactions with affiliates or stockholders; or change the nature of our business.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Market risk is the risk of loss arising from adverse changes in market rates and prices such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our credit facility. As of September 30, 2009, all of our long-term debt bears interest at variable rates. Accordingly, our earnings are affected by changes in interest rates. Assuming the current level of borrowings at variable rates and assuming a one-percentage point increase in the current interest rate under these borrowings, we estimate that our annualized interest expense would increase by \$0.4 million and our net income would decrease by \$0.3 million. In the event of an adverse change in interest rates, management may take actions to mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, this interest rate analysis assumes no such actions. Further, the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

As of September 30, 2009, we are a party to three interest rate swap agreements with a \$110.0 million notional amount. The swap agreements expire from March to September 2011. As of September 30, 2009, the fair value of the swap agreements was a liability of \$4.0 million.

### **ITEM 4. CONTROLS AND PROCEDURES.**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure

## Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

controls and procedures are effective. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS.**

We currently and from time to time are involved in litigation and are the subject of threats of litigation that are incidental to the conduct of our business. These include indecency claims and related proceedings at the FCC as well as claims and threatened claims by private third parties. However, we are not a party to any lawsuit or other proceedings, or the subject of any threatened lawsuit or other proceedings, which, in the opinion of management, is likely to have a material adverse effect on our financial condition or results of operations.

**ITEM 1A. RISK FACTORS.**

The risks affecting our Company are described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008. There have been no material changes to the risks affecting our Company during the third quarter of 2009.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

The following table presents information with respect to purchases we made of our Class A common stock during the three months ended September 30, 2009.

| Period               | Total Number<br>of Shares<br>Purchased | Average Price<br>Paid per<br>Share | Total Number<br>of Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Program | Approximate<br>Dollar Value<br>That May Yet<br>Be Purchased<br>Under the<br>Program |
|----------------------|--|------------------------------------|--|---|
| July 1 31, 2009      |  | \$                                 |  | \$ 16,344,732   |
| August 1 31, 2009    |  |                                    |  | 16,344,732  |
| September 1 30, 2009 | 417                                    | 3.06                               |  | 16,344,732  |
| Total                | 417                                    |                                    |  |   |

On July 29, 2004, we announced that at a meeting on June 10, 2004, our board of directors authorized us to repurchase up to \$25.0 million of our Class A common stock over a period of one year from the date of authorization. On May 12, 2005, our board of directors authorized a one-year extension of the repurchase period to June 9, 2006. On May 24, 2006, our board of directors authorized us to increase the remaining balance under our previous authorization from \$21.3 million to \$25.0 million and to extend the repurchase period to May 23, 2007. Effective May 24, 2007, our board of directors authorized the extension of the repurchase period for one additional year. Effective May 24, 2008, our board of directors authorized the extension of the repurchase period for one additional year. Effective March 13, 2009, our amended credit facility prohibits us from repurchasing additional shares of our common stock until our consolidated total debt is less than 5.00 times our consolidated operating cash flow at which time we are permitted to repurchase up to an aggregate of \$10.0 million of our common stock. We are permitted to repurchase up to \$0.5 million of our common stock per year in connection with vesting of restricted stock. In connection with the vesting of restricted stock under our 2007 Equity Plan, 417 shares of our Class A common stock were surrendered to us in September to fund withholding taxes payable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None.

**Table of Contents**

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

**Exhibit**

| <b>Number</b> | <b>Description</b>  |
|---------------|---|
| 31.1          | Certification of Chief Executive Officer pursuant to Rule 15d-14(a) (17 CFR 240.15d-14(a)).   |
| 31.2          | Certification of Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 15d-14(a) (17 CFR 240.15d-14(a)).                            |
| 32.1          | Certification of Chief Executive Officer pursuant to Rule 15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350.  |
| 32.2          | Certification of Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350. |

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BEASLEY BROADCAST GROUP, INC.**

Dated: November 9, 2009

Name: */s/* GEORGE G. BEASLEY  
**George G. Beasley**  
Title: **Chairman of the Board and Chief Executive Officer**

Dated: November 9, 2009

Name: */s/* CAROLINE BEASLEY  
**Caroline Beasley**  
Title: **Vice President, Chief Financial Officer, Secretary, Treasurer and  
Director (principal financial and accounting officer)**