

BEASLEY BROADCAST GROUP INC

Form 10-Q

August 03, 2012

[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 June 30, 2012

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, 6,147,878 Shares Outstanding as of July 27, 2012

Class B Common Stock, \$.001 par value, 16,662,743 Shares Outstanding as of July 27, 2012

**Table of Contents**

**INDEX**

	<b>Page 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>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	10
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	15
Item 4. <u>Controls and Procedures.</u>	15
<b>PART II</b>	
<b>OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings.</u>	16
Item 1A. <u>Risk Factors.</u>	16
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	16
Item 3. <u>Defaults Upon Senior Securities.</u>	16
Item 4. <u>Mine Safety Disclosures.</u>	16
Item 5. <u>Other Information.</u>	17
Item 6. <u>Exhibits.</u>	17
<u>SIGNATURES</u>	18

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

	December 31, 2011	June 30, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 13,610,069	\$ 15,397,228
Accounts receivable, less allowance for doubtful accounts of \$454,632 in 2011 and \$608,887 in 2012	17,759,610	16,829,062
Prepaid expenses	1,311,741	2,805,766
Deferred tax assets	146,816	
Other current assets	2,010,349	2,394,789
<b>Total current assets</b>	<b>34,838,585</b>	<b>37,426,845</b>
Notes receivable from related parties	2,939,655	2,799,981
Property and equipment, net	19,761,117	18,452,483
FCC broadcasting licenses	178,913,816	178,958,816
Goodwill	13,629,364	13,629,364
Other assets	4,906,370	6,334,835
<b>Total assets</b>	<b>\$ 254,988,907</b>	<b>\$ 257,602,324</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 6,848,276	\$ 6,942,545
Accounts payable	906,780	781,384
Deferred tax liabilities		214,922
Other current liabilities	7,294,186	7,794,005
<b>Total current liabilities</b>	<b>15,049,242</b>	<b>15,732,856</b>
Long-term debt, net of current portion	119,885,343	113,225,766
Deferred tax liabilities	45,303,518	47,644,210
Other long-term liabilities	1,103,582	1,045,862
<b>Total liabilities</b>	<b>181,341,685</b>	<b>177,648,694</b>
Commitments and contingencies		
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; 8,819,290 issued and 6,099,632 outstanding in 2011; 8,899,290 issued and 6,147,878 outstanding in 2012	8,819	8,899
Class B common stock, \$.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2011 and 2012	16,662	16,662
Additional paid-in capital	116,483,223	116,640,995
Treasury stock, Class A common stock; 2,719,658 in 2011; 2,751,412 shares in 2012	(14,427,679)	(14,535,617)
Accumulated deficit	(28,451,072)	(22,182,006)
Accumulated other comprehensive income	17,269	4,697
<b>Stockholders' equity</b>	<b>73,647,222</b>	<b>79,953,630</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 254,988,907</b>	<b>\$ 257,602,324</b>



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

	<b>Three Months Ended June 30,</b>	
	<b>2011</b>	<b>2012</b>
Net revenue	\$ 25,514,187	\$ 24,790,965
Operating expenses:		
Station operating expenses (including stock-based compensation of \$9,420 in 2011 and \$4,741 in 2012 and excluding depreciation and amortization shown separately below)	16,417,577	14,634,886
Corporate general and administrative expenses (including stock-based compensation of \$162,561 in 2011 and \$103,322 in 2012)	2,042,147	1,940,349
Depreciation and amortization	616,061	516,452
Total operating expenses	19,075,785	17,091,687
Operating income	6,438,402	7,699,278
Non-operating income (expense):		
Interest expense (including interest expense reclassified from other comprehensive income of \$405,437 in 2011)	(1,847,733)	(1,265,985)
Other income (expense), net	113,798	(89,374)
Income before income taxes	4,704,467	6,343,919
Income tax expense	1,891,648	2,482,849
Net income	2,812,819	3,861,070
Other comprehensive income:		
Unrealized gain on securities (net of income tax benefit of \$54,635 in 2011 and \$8,329 in 2012)	(86,832)	(13,237)
Change in fair value of derivative financial instruments (net of income tax benefit of \$7,055 in 2011)	(11,212)	
Unrealized loss on derivative financial instruments reclassified to interest expense (net of income tax expense of \$156,580 in 2011)	248,857	
Other comprehensive income (loss)	150,813	(13,237)
Comprehensive income	\$ 2,963,632	\$ 3,847,833
Net income per share:		
Basic and diluted	\$ 0.12	\$ 0.17
Weighted average shares outstanding:		
Basic	22,601,496	22,674,258
Diluted	22,651,201	22,733,063

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

	<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2012</b>
Net revenue	\$ 48,566,289	\$ 48,089,573
Operating expenses:		
Station operating expenses (including stock-based compensation of \$22,650 in 2011 and \$7,512 in 2012 and excluding depreciation and amortization shown separately below)	31,849,558	30,140,190
Corporate general and administrative expenses (including stock-based compensation of \$302,910 in 2011 and \$230,444 in 2012)	4,099,003	3,980,694
Depreciation and amortization	1,235,253	1,030,501
Total operating expenses	37,183,814	35,151,385
Operating income	11,382,475	12,938,188
Non-operating income (expense):		
Interest expense (including interest expense reclassified from other comprehensive income of \$1,187,409 in 2011)	(4,214,572)	(2,612,156)
Other income (expense), net	114,593	(15,068)
Income before income taxes	7,282,496	10,310,964
Income tax expense	2,920,281	4,041,898
Net income	4,362,215	6,269,066
Other comprehensive income:		
Unrealized gain on securities (net of income tax benefit of \$41,401 in 2011 and \$7,911 in 2012)	(65,799)	(12,572)
Change in fair value of derivative financial instruments (net of income tax benefit of \$14,159 in 2011)	(22,503)	
Unrealized loss on derivative financial instruments reclassified to interest expense (net of income tax expense of \$458,578 in 2011)	728,831	
Other comprehensive income (loss)	640,529	(12,572)
Comprehensive income	\$ 5,002,744	\$ 6,256,494
Net income per share:		
Basic and diluted	\$ 0.19	\$ 0.28
Weighted average shares outstanding:		
Basic	22,582,884	22,657,742
Diluted	22,637,976	22,707,464

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

	<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 4,362,215	\$ 6,269,066
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Stock-based compensation	325,560	237,956
Provision for bad debts	576,754	529,330
BMI music license fee settlement		(770,654)
Depreciation and amortization	1,235,253	1,030,501
Amortization of loan fees	182,877	186,309
Deferred income taxes	2,724,529	2,689,858
<b>Change in operating assets and liabilities:</b>		
Accounts receivable	275,730	401,218
Prepaid expenses	(509,012)	(723,371)
Other assets	(659,453)	(479,066)
Accounts payable	205,638	(125,396)
Other liabilities	360,617	361,866
Other operating activities	(185,306)	(443,475)
<b>Net cash provided by operating activities</b>	<b>8,895,402</b>	<b>9,164,142</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(566,365)	(700,807)
Payments for investments	(850,000)	(62,500)
Repayment of notes receivable from related parties	131,557	139,674
<b>Net cash used in investing activities</b>	<b>(1,284,808)</b>	<b>(623,633)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on indebtedness	(6,241,018)	(6,565,308)
Tax benefit (shortfall) from vesting of restricted stock	88,551	(80,104)
Payments for treasury stock	(210,912)	(107,938)
<b>Net cash used in financing activities</b>	<b>(6,363,379)</b>	<b>(6,753,350)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,247,215</b>	<b>1,787,159</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>10,659,663</b>	<b>13,610,069</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 11,906,878</b>	<b>\$ 15,397,228</b>
<b>Cash paid for interest</b>	<b>\$ 4,044,513</b>	<b>\$ 2,443,066</b>
<b>Cash paid for income taxes</b>	<b>\$ 700,000</b>	<b>\$ 1,677,500</b>
<b>Supplement disclosure of non-cash investing and financing activities:</b>		
Property and equipment acquired through placement of advertising airtime	\$ 63,290	\$ 55,804





**Table of Contents****BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****(1) Interim Financial Statements**

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Beasley Broadcast Group, Inc. (the Company) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the financial statements reflect all adjustments necessary for a fair statement of the financial position and results of operations for the interim periods presented and all such adjustments are of a normal and recurring nature. The Company's results are subject to seasonal fluctuations therefore the results shown on an interim basis are not necessarily indicative of results for the full year.

**(2) Recent Accounting Pronouncement**

In July 2012, the FASB issued guidance to simplify how entities test indefinite-lived intangible assets, other than goodwill, for impairment. The guidance permits an entity the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. The new guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. Adoption of the guidance is not expected to have a material impact on the Company's financial statements.

**(3) FCC Broadcasting Licenses**

The change in the carrying amount of FCC broadcasting licenses for the six months ended June 30, 2012 is as follows:

Balance as of December 31, 2011	\$ 178,913,816
Acquisition of translator license	45,000
Balance as of June 30, 2012	\$ 178,958,816

On January 17, 2012, the Company began using a translator to rebroadcast the programming of one of its radio stations in Augusta, GA. The Company acquired the translator license from Edgewater Broadcasting, Inc. for \$45,000. Translator licenses are generally granted for renewable terms of eight years. The licenses are not amortized but are tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired.

**(4) Long-Term Debt**

Long-term debt is comprised of the following:

<b>December 31,</b>	<b>June 30,</b>
<b>2011</b>	<b>2012</b>

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

Credit facility:		
Revolving credit loan	\$ 54,826,716	\$ 54,826,716
Term loan	71,906,903	65,341,595
	126,733,619	120,168,311
Less current installments	(6,848,276)	(6,942,545)
	\$ 119,885,343	\$ 113,225,766

As of June 30, 2012, 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 \$65.3 million. As of June 30, 2012, the Company had \$10.2 million in remaining commitments available under the revolving credit loan of its credit facility. The revolving credit loan includes a \$5.0 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 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 3.8125% and 3.8021% as of December 31, 2011 and June 30, 2012, 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.

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

As of June 30, 2012, the scheduled repayments of the credit facility for the remainder of 2012 and the next three years are as follows:

	<b>Revolving credit loan</b>	<b>Term loan</b>	<b>Total credit facility</b>
2012	\$	\$ 3,267,080	\$ 3,267,080
2013	5,146,508	7,759,315	12,905,823
2014	20,426,389	8,167,700	28,594,089
2015	29,253,819	46,147,500	75,401,319
<b>Total</b>	<b>\$ 54,826,716</b>	<b>\$ 65,341,595</b>	<b>\$ 120,168,311</b>

The credit agreement requires the Company to comply with certain financial covenants which are defined in the credit agreement. As of June 30, 2012, these financial covenants included:

*Consolidated Total Debt Ratio.* The Company's consolidated total debt for the four quarters ending on the last day of each fiscal quarter through maturity must not exceed 4.75 times its consolidated operating cash flow for the four quarters then ended.

*Consolidated Interest Coverage Ratio.* The Company's consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through maturity must not be less than 2.0 times its consolidated cash interest expense for the four quarters then ended.

*Consolidated Fixed Charge Coverage Ratio.* The Company's consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through maturity must not be less than 1.1 times its consolidated fixed charges for the four quarters then ended. Consolidated fixed charges include cash paid for interest, income taxes, capital expenditures, scheduled principal repayments, and agency and commitment fees.

Failure to comply with these financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of its credit agreement 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 June 30, 2012, the Company was in compliance with all applicable financial covenants under its credit agreement.

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 defaults under the terms of the credit agreement, the subsidiaries may be required to perform under their guarantees. As of June 30, 2012, the maximum amount of undiscounted payments the subsidiaries would have had to make in the event of default was \$120.2 million. The guarantees for the revolving credit loan and term loan expire on June 30, 2015.

**(5) Derivative Financial Instruments**

The Company's interest rate swap agreements expired in 2011 therefore it is no longer a party to any derivative financial instruments. Prior to these expirations, the Company used interest rate swap agreements as part of its interest rate risk management strategy to fix its cost of variable

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

rate debt and designated those swap agreements as cash flow hedges of its variable rate debt. The fair values of the expired interest rate swap agreements were determined using observable inputs. The inputs were quotes from the counterparties to the interest rate swap agreements.

A summary of activity relating to the expired interest rate swap agreements designated as cash flow hedges is as follows:

	<b>Three months ended June 30,</b>	
	<b>2011</b>	<b>2012</b>
Loss recognized in other comprehensive income	\$ (18,267)	\$
Loss reclassified from other comprehensive income to interest expense	405,437	

	<b>Six months ended June 30,</b>	
	<b>2011</b>	<b>2012</b>
Loss recognized in other comprehensive income	\$ (36,662)	\$
Loss reclassified from other comprehensive income to interest expense	1,187,409	

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****(6) 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 one to five years of service.

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

	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of April 1, 2012	139,901	\$ 4.00
Vested	(4,000)	4.79
Unvested as of June 30, 2012	135,901	\$ 3.98

As of June 30, 2012, there was \$0.4 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 1.1 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 remaining stock options expire ten years from the date of grant. No new awards will be granted under the 2000 Plan. As of June 30, 2012, there were 178,084 exercisable stock options outstanding with a weighted-average exercise price of \$13.92. The weighted-average remaining contractual term was 1.4 years and the aggregate intrinsic value was zero.

**(7) Income Taxes**

The Company's effective tax rate was approximately 40% for the three and six months ended June 30, 2011 and 39% for the three and six months ended June 30, 2012 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.

**(8) Non-Cash Operating and Investing Activities**

During the first quarter of 2012, the Company finalized the terms of a long-term lease agreement for a radio tower in Boston, MA. The terms of the agreement resulted in a \$1.3 million reclassification of leasehold improvements previously reported in property and equipment to long-term prepaid rent in other assets.

**(9) Related Party Transactions**

On February 14, 2012, the Company contributed an additional \$62,500 to Digital PowerRadio, LLC which maintained its ownership interest at approximately 20% of the outstanding units. Digital PowerRadio, LLC is managed by Fowler Radio Group, LLC which is partially-owned by Mark S. Fowler, an independent director of the Company.

**(10) Financial Instruments**

The carrying amount of notes receivable from related parties with a fixed rate of interest of 6.0% was \$2.8 million as of June 30, 2012, compared with a fair value of \$3.2 million based on current market interest rates. The carrying amount of notes receivable from related parties was \$2.9 million as of December 31, 2011, compared with a fair value of \$3.4 million.

The carrying amount of long-term debt, including the current installments, was \$120.2 million as of June 30, 2012 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 \$126.7 million as of December 31, 2011 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 February 24, 2012.

**General**

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

**Recent Developments**

During the second quarter of 2012, BMI and the Radio Music License Committee reached an agreement as to the principal terms of a settlement concerning fees to be paid through 2016 by U.S. commercial radio stations that publicly perform BMI's repertoire of musical works, which includes the majority of our radio stations. The agreement also provides that interim fees paid during 2010 and 2011 and estimated fees for 2012 will be reduced. These reductions resulted in \$0.8 million in credits that have been reported in our results of operations for the three and six months ended June 30, 2012. The majority of these credits will be utilized over the remainder of 2012.

**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 and digital 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.

Our net revenue is generally determined by the advertising rates that we are able to charge and the number of advertisements that we can broadcast without jeopardizing listener levels. 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;



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

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.

**Table of Contents**

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.

We also continue to invest in interactive support services to develop and promote our radio station websites. We derive revenue from our websites through the sale of advertiser promotions and advertising on our websites and the sale of advertising airtime during audio streaming of our radio stations over the internet.

*Operating Expenses.* Our operating expenses consist primarily of (1) programming, engineering, sales, advertising and promotion, and 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.

**Critical Accounting Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, 2011. There have been no material changes to our critical accounting estimates during the second quarter of 2012.

**Recent Accounting Pronouncements**

Recent accounting pronouncements are described in Note 2 to the accompanying financial statements.

**Three Months Ended June 30, 2012 Compared to the Three Months Ended June 30, 2011**

The following summary table presents a comparison of our results of operations for the three months ended June 30, 2011 and 2012 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.

	<b>Three months ended June 30,</b>		<b>Change</b>	
	<b>2011</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
Net revenue	\$ 25,514,187	\$ 24,790,965	\$ (723,222)	(2.8)%
Station operating expenses	16,417,577	14,634,886	(1,782,691)	(10.9)
Corporate general and administrative expenses	2,042,147	1,940,349	(101,798)	(5.0)
Interest expense	1,847,733	1,265,985	(581,748)	(31.5)
Income tax expense	1,891,648	2,482,849	591,201	31.3
Net income	2,812,819	3,861,070	1,048,251	37.3

*Net Revenue.* The \$0.7 million decrease in net revenue during the three months ended June 30, 2012 was primarily due to a decrease in advertising revenue at eight of our eleven market clusters, including a \$0.3 million decrease at our Fayetteville market cluster.



**Table of Contents**

*Station Operating Expenses.* The \$1.8 million decrease in station operating expenses during the three months ended June 30, 2012 was primarily due to a \$0.6 million decrease at our Miami-Fort Lauderdale market cluster as a result of continuing cost containment measures. In addition, station operating expenses decreased an aggregate amount of \$0.8 million across ten of our eleven market clusters as a result of the BMI fee settlement (see Recent Developments elsewhere in this Item).

*Corporate General and Administrative Expenses.* Corporate general and administrative expenses during the three months ended June 30, 2012 were comparable to the same period in 2011.

*Interest Expense.* The \$0.6 million decrease in interest expense during the three months ended June 30, 2012 was due to repayments of borrowings under our credit facility and the expiration of interest rate swap agreements during the third quarter of 2011.

*Income Tax Expense.* Our effective tax rate was approximately 40% and 39% for the three months ended June 30, 2011 and 2012, 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.

*Net Income.* Net income for the three months ended June 30, 2012 increased \$1.0 million as a result of the factors described above.

**Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011**

The following summary table presents a comparison of our results of operations for the six months ended June 30, 2011 and 2012 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.

	Six months ended June 30,		Change	
	2011	2012	\$	%
Net revenue	\$ 48,566,289	\$ 48,089,573	\$ (476,716)	(1.0)%
Station operating expenses	31,849,558	30,140,190	(1,709,368)	(5.4)
Corporate general and administrative expenses	4,099,003	3,980,694	(118,309)	(2.9)
Interest expense	4,214,572	2,612,156	(1,602,416)	(38.0)
Income tax expense	2,920,281	4,041,898	1,121,617	38.4
Net income	4,362,215	6,269,066	1,906,851	43.7

*Net Revenue.* Net revenue during the six months ended June 30, 2012 was comparable to the same period in 2011.

*Station Operating Expenses.* The \$1.7 million decrease in station operating expenses during the six months ended June 30, 2012 was primarily due to a \$0.6 million decrease at our Miami-Fort Lauderdale market cluster as a result of continuing cost containment measures. In addition, station operating expenses decreased an aggregate amount of \$0.8 million across ten of our eleven market clusters as a result of the BMI fee settlement (see Recent Developments elsewhere in this Item).

*Corporate General and Administrative Expenses.* Corporate general and administrative expenses during the six months ended June 30, 2012 were comparable to the same period in 2011.

*Interest Expense.* The \$1.6 million decrease in interest expense during the six months ended June 30, 2012 was due to repayments of borrowings under our credit facility and the expiration of interest rate swap agreements during the first and third quarters of 2011.

*Income Tax Expense.* Our effective tax rate was approximately 40% and 39% for the six months ended June 30, 2011 and 2012, 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.

*Net Income.* Net income for the six months ended June 30, 2012 increased \$1.9 million as a result of the factors described above.

**Liquidity and Capital Resources**

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

*Overview.* Our primary sources of liquidity are internally generated cash flow and our revolving credit loan. 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 and radio station acquisitions. Historically, our capital

**Table of Contents**

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.

Our credit agreement prohibits us from repurchasing additional shares of our common stock until our consolidated total debt is less than five 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. Our credit agreement does permit us to repurchase up to \$0.5 million of our common stock per year in connection with the vesting of restricted stock. We repurchased 31,754 shares of our Class A common stock for an aggregate \$0.1 million during the six months ended June 30, 2012.

Our credit agreement prohibits us from paying cash dividends on our common stock until our consolidated total debt is less than five 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 did not pay any cash dividends during the six months ended June 30, 2012.

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, 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 agreement, 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. 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 six months ended June 30, 2011 and 2012 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>Six months ended June 30,</b>	
	<b>2011</b>	<b>2012</b>
Net cash provided by operating activities	\$ 8,895,402	\$ 9,164,142
Net cash used in investing activities	(1,284,808)	(623,633)
Net cash used in financing activities	(6,363,379)	(6,753,350)
Net increase in cash and cash equivalents	\$ 1,247,215	\$ 1,787,159

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

*Net Cash Provided By Operating Activities.* Net cash provided by operating activities increased by \$0.3 million during the six months ended June 30, 2012 compared to the same period in 2011 primarily due to a \$1.6 million decrease in interest payments. These increases in net cash provided by operating activities were partially offset by a \$1.0 million increase in income tax payments and a \$0.3 million decrease in cash receipts from the sale of advertising airtime.

*Net Cash Used In Investing Activities.* Net cash used in investing activities during the six months ended June 30, 2012 was primarily due to payments of \$0.7 million for capital expenditures. Net cash used in investing activities for the same period in 2011 was primarily due to payments of \$0.8 million for investments and \$0.6 million for capital expenditures.

**Table of Contents**

*Net Cash Used In Financing Activities.* Net cash used in financing activities in the six months ended June 30, 2012 was primarily due to repayments of \$6.6 million under our old credit facility. Net cash used in financing activities for the same period in 2011 was primarily due to repayments of \$6.2 million under our old credit facility.

*Credit Facility.* As of July 27, 2012, the outstanding balance of our credit facility was \$120.2 million. As of June 30, 2012, 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 \$65.3 million. As of June 30, 2012, we had \$10.2 million in remaining commitments available under the revolving credit loan of our credit facility. The revolving credit loan includes a \$5.0 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 3.8125% and 3.8021% as of December 31, 2011 and June 30, 2012, 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.

As of June 30, 2012, the scheduled repayments of the credit facility for the remainder of 2012 and the next three years are as follows:

	<b>Revolving credit loan</b>	<b>Term loan</b>	<b>Total credit facility</b>
2012	\$	\$ 3,267,080	\$ 3,267,080
2013	5,146,508	7,759,315	12,905,823
2014	20,426,389	8,167,700	28,594,089
2015	29,253,819	46,147,500	75,401,319
<b>Total</b>	<b>\$ 54,826,716</b>	<b>\$ 65,341,595</b>	<b>\$ 120,168,311</b>

The credit agreement requires us to comply with certain financial covenants which are defined in the credit agreement. As of June 30, 2012, these financial covenants included:

*Consolidated Total Debt Ratio.* Our consolidated total debt for the four quarters ending on the last day of each fiscal quarter through maturity must not exceed 4.75 times our consolidated operating cash flow for the four quarters then ended.

*Consolidated Interest Coverage Ratio.* Our consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through maturity must not be less than 2.0 times our consolidated cash interest expense for the four quarters then ended.

*Consolidated Fixed Charge Coverage Ratio.* Our consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through maturity must not be less than 1.1 times our consolidated fixed charges for the four quarters then ended. Consolidated fixed charges include cash paid for interest, income taxes, capital expenditures, scheduled principal repayments, and agency and commitment fees.

Failure to comply with these financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of our credit agreement could result in the acceleration of the maturity of our outstanding debt, which could have a material adverse effect on our business or results of operations. As of June 30, 2012, we were in compliance with all applicable financial covenants under our credit agreement; our consolidated total debt ratio was 4.16 times, our consolidated interest coverage ratio was 5.36 times, and our consolidated fixed charge coverage ratio was 1.80 times.



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

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

**Table of Contents**

The credit facility is secured by substantially all of our assets and is guaranteed jointly and severally by 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 agreement, our subsidiaries may be required to perform under their guarantees. As of June 30, 2012, the maximum amount of undiscounted payments our subsidiaries would have had to make in the event of default was \$120.2 million. The guarantees for the revolving credit loan and term loan expire on June 30, 2015.

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

Not required for smaller reporting companies.

**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 controls and procedures are effective. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2012 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, 2011. There have been no material changes to the risks affecting our Company during the second quarter of 2012.

**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 June 30, 2012.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value That May Yet Be Purchased Under the Program
April 1 30, 2012	1,000	\$ 4.22		\$
May 1 31, 2012				
June 1 30, 2012				
Total	1,000			

On March 27, 2007, our board of directors approved the Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan ) which was also approved by our stockholders at the Annual Meeting of Stockholders on June 7, 2007. The 2007 Plan permits us to purchase sufficient shares to fund withholding taxes in connection with the vesting of restricted stock and expires on March 27, 2017. All shares purchased during the three months ended June 30, 2012, were purchased to fund withholding taxes in connection with the vesting of restricted stock. We currently have no publicly announced share purchase programs.

Our credit agreement prohibits us from repurchasing additional shares of our common stock until our consolidated total debt is less than five 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. Our credit agreement does permit us to repurchase up to \$0.5 million of our common stock per year in connection with vesting of restricted stock.

Our credit agreement prohibits us from paying cash dividends on our common stock until our consolidated total debt is less than five 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 did not pay any cash dividends during the six months ended June 30, 2012.

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

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

---

**Table of Contents****ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

Exhibit	
Number	Description
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.
101.INS ***	XBRL Instance Document.
101.SCH ***	XBRL Taxonomy Extension Schema Document.
101.CAL ***	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF ***	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB ***	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE ***	XBRL Taxonomy Extension Presentation Linkbase Document.

**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: August 3, 2012

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

Dated: August 3, 2012

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