

BEASLEY BROADCAST GROUP INC  
Form 10-K  
March 18, 2015  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2014

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-29253

**BEASLEY BROADCAST GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**65-0960915**  
(I.R.S. Employer  
Identification No.)

**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)

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

**None**

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

**Class A Common Stock, \$.001 par value**

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See 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 Act). Yes  No

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

As of June 30, 2014, the aggregate market value of the Class A Common Stock held by non-affiliates of the registrant was \$29,103,003 based on the number of shares outstanding as of such date and the closing price of \$6.35 on NASDAQ's National Market System on such date, the last business day of our most recently completed second fiscal quarter.

Class A Common Stock, \$.001 par value 6,440,092 Shares Outstanding as of March 9, 2015

Class B Common Stock, \$.001 par value 16,662,743 Shares Outstanding as of March 9, 2015

### **Documents Incorporated by Reference**

Certain information in the registrant's Definitive Proxy Statement for its 2015 Annual Meeting of Stockholders pursuant to Regulation 14A, is incorporated by reference in Part III of this report.

**Table of Contents**

**BEASLEY BROADCAST GROUP, INC.**

**FORM 10-K ANNUAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>Part I Financial Information</u></b>	
Item 1. <u>Business.</u>	3
Item 1A. <u>Risk Factors.</u>	8
Item 1B. <u>Unresolved Staff Comments.</u>	14
Item 2. <u>Properties.</u>	14
Item 3. <u>Legal Proceedings.</u>	15
Item 4. <u>Mine Safety Disclosures.</u>	15
<b><u>Part II Other Information</u></b>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	16
Item 6. <u>Selected Financial Data.</u>	17
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	17
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	25
Item 8. <u>Financial Statements and Supplementary Data.</u>	26
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.</u>	46
Item 9A. <u>Controls and Procedures.</u>	46
Item 9B. <u>Other Information.</u>	47
<b><u>Part III</u></b>	
Item 10. <u>Directors, Executive Officers and Corporate Governance.</u>	48
Item 11. <u>Executive Compensation.</u>	48
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	48
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence.</u>	48
Item 14. <u>Principal Accounting Fees and Services.</u>	48
<b><u>Part IV</u></b>	
Item 15. <u>Exhibits, Financial Statement Schedules.</u>	49
<u>Signatures</u>	51

**CERTAIN DEFINITIONS**

Unless the context requires otherwise, all references in this report to the Company, we, us, our, and similar terms refer to Beasley Broadcast Group, Inc. and its consolidated subsidiaries.

---

**Table of Contents**

**PART I**

**ITEM 1. BUSINESS**

**Overview**

We are a radio broadcasting company whose primary business is operating radio stations throughout the United States. We own and operate 53 radio stations in the following radio markets: Atlanta, GA, Augusta, GA, Boston, MA, Charlotte, NC, Fayetteville, NC, Fort Myers-Naples, FL, Greenville-New Bern-Jacksonville, NC, Las Vegas, NV, Philadelphia, PA, Tampa-Saint Petersburg, FL, West Palm Beach-Boca Raton, FL, and Wilmington, DE. We refer to each group of radio stations in each radio market as a market cluster. Beasley Broadcast Group, Inc., a Delaware corporation, was formed in 1999.

**Recent Developments**

On December 1, 2014, we completed an asset exchange with CBS Radio under which we agreed to exchange all of the assets used or useful in the operations of WRDW-FM and WXTU-FM in Philadelphia, PA and WKIS-FM, WPOW-FM and WQAM-AM in Miami, FL previously owned and operated by the Company for all of the assets used or useful in the operations of WIP-AM in Philadelphia, PA, WHFS-AM, WHFS-FM, WLLD-FM, WQYK-FM, WRBQ-FM and WYUU-FM in Tampa, FL and WBAV-FM, WBCN-AM, WFNZ-AM, WKQC-FM, WNKS-FM, WPEG-FM and WSOC-FM in Charlotte, NC previously owned and operated by CBS Radio. The asset exchange substantially broadened and diversified our local radio broadcasting platform and revenue base with fourteen new stations that are geographically complementary to our ongoing operations, while also presenting financial and operating synergies with our ongoing station portfolio and digital operations. The asset exchange was accounted for as a business combination. The fair value of the assets received in the asset exchange was \$140.0 million. We recorded a gain on exchange of radio stations of \$54.3 million and incurred transaction costs of \$1.3 million. The operations of the acquired radio station have been included in our results of operations since the acquisition date.

**Strategy**

We seek to secure and maintain a leadership position in the markets we serve by developing market-leading clusters of radio stations in each of our markets. We operate our radio stations in clusters to capture a variety of demographic listener groups, which we believe enhances our radio stations' appeal to a wide range of advertisers. In addition, we have been able to achieve operating efficiencies by consolidating office and studio space where possible to minimize duplicative management positions and reduce overhead expenses. Finally, we will consider opportunities to swap existing radio stations with other radio station owners in new or existing markets. Current FCC rules and regulations do not permit us to add any more radio stations to our existing cluster in the Augusta, GA radio market.

**Competition**

The radio broadcasting industry is highly competitive. Our radio stations compete for listeners and advertising revenue with other radio stations within their respective markets. In addition, our radio stations compete with other media such as broadcast and cable television, newspapers and magazines, outdoor advertising, direct mail, internet radio, satellite radio, smart phones, tablets, and other wireless media, the internet, social media such as Facebook and Twitter, and other forms of advertising.

The following are some of the factors that we believe are important to a radio station's competitive position: (i) audience ratings; (ii) program content; (iii) management experience; (iv) sales experience; (v) audience characteristics; and (vi) the number and characteristics of other radio stations and other advertising media in the market area. We attempt to improve our competitive position with promotional campaigns aimed at the demographic groups targeted by our radio stations and by sales efforts designed to attract advertisers. We conduct extensive market research in an effort to enhance our audience ratings and, in certain circumstances, to identify opportunities to reformat radio stations to reach underserved demographic groups and increase advertising revenue.

**Federal Regulation of Radio Broadcasting**

The radio broadcasting industry is subject to extensive and changing federal regulations administered by the Federal Communications Commission, or FCC. Among other things, the FCC:

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

assigns frequency bands for broadcasting;

determines the particular frequencies, locations, operating powers and other technical parameters of radio stations;

issues, renews, revokes, conditions and modifies radio station licenses;

determines whether to approve changes in ownership or control of radio station licenses;

regulates equipment used by radio stations; and

adopts and implements regulations and policies that directly or indirectly affect the ownership, operation, program content and employment practices of radio stations.

---

## **Table of Contents**

The FCC has the power to impose penalties for violations of its rules that are implemented pursuant to the Communications Act of 1934 ( Communications Act ), as amended, including the imposition of monetary forfeitures, the issuance of short-term licenses, the imposition of a condition on the renewal of a license, and, in egregious cases, non-renewal of licenses and the revocation of licenses.

The following is a brief summary of some provisions of the Communications Act and of certain specific FCC rules and policies. The summary is not a comprehensive listing of all of the regulations and policies affecting radio stations. For further information concerning the nature and extent of federal regulation of radio stations, you should refer to the Communications Act, FCC rules and FCC public notices and rulings.

**FCC Licenses.** Radio stations operate pursuant to broadcasting licenses that are ordinarily granted by the FCC for renewable terms of eight years. A radio station may continue to operate beyond the expiration date of its license if a timely filed license renewal application is pending. During the period following the filing of renewal applications, petitions to deny license renewals can be filed by interested parties, including members of the public. Generally, the FCC renews a broadcast license upon a finding that (i) the broadcast station has served the public interest, convenience and necessity; (ii) there have been no serious violations by the licensee of the Communications Act or the FCC's rules; and (iii) there have been no other violations by the licensee of the Communications Act or other FCC rules which, taken together, indicate a pattern of abuse. Historically, FCC licenses have generally been renewed. The most recent renewal cycle started in June 2011, and concluded in April 2014. Our timely-filed renewal application for WSFL-FM in the Greenville-New Bern-Jacksonville, NC market has not been granted by the FCC. Pursuant to FCC rules, our broadcast license for this station remains in effect pending processing by the FCC of its timely-filed renewal application. We have no reason to believe that the license will not be renewed, although there can be no assurance to that effect. The non-renewal of one or more of our licenses could have a material adverse effect on our business.

The FCC classifies each AM and FM radio station. An AM radio station operates on either a clear channel, regional channel or local channel. A clear channel is one on which AM radio stations are assigned to serve wide areas, particularly at night. The minimum and maximum facilities requirements for an FM radio station are determined by its class. Possible FM class designations depend upon the geographic zone in which the transmitter of the FM radio station is located. In general, commercial FM radio stations are classified as follows, in order of increasing power and antenna height: Class A, B1, C3, B, C2, C1, C0, or C.

The FCC has authorized an additional 100 kHz of bandwidth for the AM band and has allotted frequencies in this new band to certain existing AM radio station licensees that applied for migration to the expanded AM band, including one of our radio stations, subject to the requirement that at the end of a transition period, those licensees return to the FCC the license for one of the AM band radio stations. Upon the completion of the migration process, it is expected that some AM radio stations will have improved coverage because of reduced interference. We have not completed our evaluation of the impact of the migration process on our operations but believe that such impact will not be significant. Current FCC requirements call for surrender of either the expanded band license or the existing band license. This surrender obligation is currently suspended while the FCC evaluates third party proposals to allow for the sale rather than surrender of one of the two licenses, including a proposal to allow such a sale to a qualifying small business. The surrender of either license will have no material impact on our results of operations or financial condition.

The FCC also permits FM radio stations to operate FM translator and FM booster stations. These are low power secondary stations that retransmit the programming of a radio station to portions of the station's service area that the primary signal does not reach because of distance or terrain barriers. Boosters operate on the same frequency as the station being retransmitted and translators operate on a different frequency. The FCC recently authorized the use of FM translators to retransmit the signals of AM stations.

The FCC recently issued a rulemaking proposing certain technical changes intended to improve AM service. The rulemaking also proposed to open a filing window for applications for new FM translators that would be restricted only to licensees of AM stations. The rulemaking remains pending.

The FCC has adopted rules establishing a low power radio service. Low power FM stations operate in the existing FM radio band with a maximum operating power of 100 watts. FCC regulations regarding eligibility for and licensing of low power FM radio stations have expanded licensing opportunities for low power FM radio stations. Implementation of a low power radio service provides an additional audio programming service that could compete with our radio stations for listeners.

**Indecency Regulation.** The FCC's rules prohibit the broadcast of obscene material at any time and indecent material between the hours of 6 am and 10 pm. Broadcasters' risk of violating the prohibition on the broadcast of indecent material is increased by the vagueness of the FCC's definition of indecent material, coupled with the spontaneity of live programming. The FCC has expanded the breadth of indecency regulation to include material that could be considered blasphemy, personally reviling epithets, profanity and vulgar or coarse words, amounting to a nuisance. The maximum permitted fine for an indecency violation is \$325,000 per incident and \$3,000,000 for any continuing violation arising from a single act or failure to act. Because the FCC may investigate





---

**Table of Contents**

indecent complaints prior to notifying a licensee of the existence of a complaint, a licensee may not have knowledge of a complaint unless and until the complaint results in the issuance of a formal FCC letter of inquiry or notice of apparent liability for forfeiture. In July 2010, the U.S. Court of Appeals for the Second Circuit issued a decision finding that the FCC's indecency standard was too vague for broadcasters to interpret and therefore inconsistent with the First Amendment. In June 2012, the Supreme Court issued a decision which held that the FCC could not fine ABC and FOX for the specific broadcasts at issue in the case because the FCC had not provided them with sufficient notice of its intent to issue fines for the use of fleeting expletives. However, the Court did not make any substantive ruling regarding the FCC's indecency standards. In April 2013, the FCC requested comments on its indecency policy, including whether it should ban the use of fleeting expletives or whether it should only impose fines for broadcasts that involve repeated and deliberate use of expletives. The FCC has not issued any decisions regarding indecency enforcement since the Supreme Court's decision was issued, although it has advised that it will continue to pursue enforcement actions in egregious cases while it conducts its review of its indecency policies generally. We cannot predict whether Congress will consider or adopt further legislation in this area.

***Transfers or Assignment of License.*** The Communications Act prohibits the assignment of broadcast licenses or the transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to grant such approval, the FCC considers, among other things:

compliance with the various rules limiting common ownership of media properties in a given market;

the character of the proposed licensee and those persons holding attributable interests in the licensee; and

compliance with the Communications Act's limitations on alien ownership as well as compliance with other FCC regulations and policies.

To obtain FCC consent to assign or transfer control of a broadcast license, appropriate applications must be filed with the FCC. Interested parties, including members of the public, have the opportunity to file objections against assignment and transfer of control applications.

***Multiple and Cross-Ownership Rules.*** The Communications Act and FCC rules impose specific limits on the number of commercial radio stations an entity can own, directly or by attribution, in a single market and the combination of radio stations, television stations and newspapers that any entity can own, directly or by attribution, in a single market. Digital radio channels authorized for AM and FM stations do not count as separate stations for purposes of the ownership limits. The radio multiple-ownership rules may preclude us from acquiring certain radio stations we might otherwise seek to acquire. The ownership rules also effectively prevent us from selling radio stations in a market to a buyer that has reached its ownership limit in the market unless that buyer divests other radio stations. The FCC's ownership rules that are currently in effect are briefly summarized below.

***Local Radio Ownership Rule.*** The local radio ownership rule establishes the following limits:

in markets with 45 or more radio stations, ownership is limited to eight commercial radio stations, no more than five of which can be either AM or FM;

in markets with 30 to 44 radio stations, ownership is limited to seven commercial radio stations, no more than four of which can be either AM or FM;

in markets with 15 to 29 radio stations, ownership is limited to six commercial radio stations, no more than four of which can be either AM or FM; and

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

in markets with 14 or fewer radio stations, ownership is limited to five commercial radio stations or no more than 50% of the market's total, whichever is lower, and no more than three of which can be either AM or FM.

For stations located in a market in which the Nielsen Audio ratings service provides ratings, the definition of radio market is based on the radio market to which BIA Kelsey reports assign the affected radio stations. For stations that are not in a Nielsen Audio market, the market definition is based on technical service areas, pending a further FCC rulemaking. The FCC's rules also provide that parties which own groups of radio stations that comply with the previous multiple ownership rules, but do not comply with the new limits, will be allowed to retain those groups on a grandfathered basis, but will not be allowed to transfer or assign those groups intact. Under these rules, our ability to transfer or assign our radio stations as a group to a single buyer in one of our current markets may be limited.

**Radio-Television Cross-Ownership Rule.** The radio-television cross-ownership rule generally allows common ownership of one or two television stations and up to six radio stations, or, in certain circumstances, one television station and up to seven radio stations, in any market where at least 20 independent voices would remain after the combination; two television stations and up to four radio stations in a market where at least 10 independent voices would remain after the combination; and one television and one radio station notwithstanding the number of independent voices in the market. A voice generally includes independently owned, same-market commercial and noncommercial broadcast television and radio stations, newspapers of certain minimum circulation, and one cable system per market.

## Table of Contents

**Newspaper-Broadcast Cross-Ownership Rule.** Under the currently effective newspaper-broadcast cross-ownership rule, unless grandfathered or subject to waiver, no party can have an attributable interest in both a daily English-language newspaper and either a television or radio station in the same market.

**Ownership Attribution.** The FCC generally applies its ownership limits to attributable interests held by an individual, corporation, partnership or other entity. An attributable interest for purposes of the FCC's broadcast ownership rules generally includes: (i) equity and debt interests which combined exceed 33% of a licensee's total assets, if the interest holder supplies more than 15% of the licensee's total weekly programming, or has an attributable same-market media interest, whether television, radio, cable or newspaper; (ii) a 5% or greater direct or indirect voting stock interest, including certain interests held in trust, unless the holder is a qualified passive investor in which case the threshold is a 20% or greater voting stock interest; (iii) any equity interest in a limited liability company or a partnership, including a limited partnership, unless properly insulated from management activities; and (iv) any position as an officer or director of a licensee or its direct or indirect parent. In addition, the interests of minority shareholders in a corporation generally are not attributable if a single entity or individual controls 50% or more of that corporation's voting stock.

**Foreign Ownership Rules.** The Communications Act prohibits the issuance or holding of broadcast licenses by persons who are not U.S. citizens, whom the FCC rules refer to as aliens, including any corporation organized under the laws of a foreign country or of which more than 20% of its capital stock is owned or voted by aliens. In addition, the FCC may prohibit any corporation from holding a broadcast license if the corporation is controlled by any other corporation of which more than 25% of the capital stock is owned of record or voted by aliens. In the past, the FCC has interpreted the 25% foreign ownership limit for holding companies as an absolute prohibition. In November 2013, however, the FCC issued a Declaratory Ruling clarifying that it would review situations in which foreigners own more than 25% of a holding company of an entity that holds a broadcast license on a case by case basis. In acting upon such requests, the FCC will coordinate with Executive Branch agencies on national security, law enforcement, foreign policy, and trade policy issues. Our certificate of incorporation prohibits the ownership, voting and transfer of our capital stock in violation of the FCC restrictions, and prohibits the issuance of capital stock or the voting rights such capital stock represents to or for the account of aliens or corporations otherwise subject to domination or control by aliens in excess of the FCC limits. The certificate of incorporation authorizes our board of directors to enforce these prohibitions. For example, the certificate of incorporation provides for the redemption of shares of our capital stock by action of the board of directors to the extent necessary to comply with these alien ownership restrictions.

**Time Brokerage and Joint Sales Agreements.** It is not uncommon for radio stations to enter into agreements under which separately owned and licensed radio stations agree to enter into cooperative arrangements of varying sorts, subject to compliance with the requirements of antitrust laws and with FCC's rules and policies. Under these arrangements, separately-owned radio stations could agree to function cooperatively in programming, advertising sales and similar matters, subject to the requirement that the licensee of each radio station maintain independent control over the programming and operations of its own radio station.

The FCC's rules provide that a radio station that brokers more than 15% of the weekly broadcast time on another radio station serving the same market or sells more than 15% of the other station's advertising time per week will be considered to have an attributable ownership interest in the other radio station for purposes of the FCC's local radio ownership limits.

FCC rules also prohibit a broadcast station from duplicating more than 25% of its programming on another radio station in the same broadcast service, that is AM-AM or FM-FM, either through common ownership of the two radio stations or through a time brokerage agreement, where the brokered and brokering radio stations which it owns or programs serve substantially the same area.

**Quadrennial Review of Ownership Rules.** The FCC is required to review quadrennially the media ownership rules to modify, repeal, or retain any rules as it determines to be in the public interest. In December 2011, the FCC issued a Notice of Proposed Rulemaking with respect to its 2010 quadrennial review. In April 2014, the FCC issued an order concluding that Joint Sales Agreements between separately owned television stations in the same market would be attributable to a station selling more than 15% of the other station's advertising time, but did not address any other changes in the multiple ownership rules that had been proposed. The FCC issued a Further Notice of Proposed Rulemaking to initiate its 2014 quadrennial review of the multiple ownership rules, and directed that the record from the 2010 quadrennial review which proposed changes to the newspaper-broadcast cross-ownership rule and the elimination of the radio-television cross-ownership rule be incorporated as part of the 2014 review.

**Programming and Operations.** The Communications Act requires broadcasters to serve the public interest. The FCC gradually has relaxed or eliminated many of the more formalized procedures it had developed in the past to promote the broadcast of certain types of programming responsive to the needs of a radio station's community of license, although there are pending rulemaking proceedings that propose to implement various requirements aimed at increasing local programming content and diversity. If adopted, these new requirements would impose new record-keeping and other burdens on our radio stations. Under the currently effective rules, a licensee is required to present programming that is responsive to issues of the radio station's community of license and to maintain records demonstrating this responsiveness. Complaints from

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

listeners concerning a radio station's programming often will be considered by the FCC when it evaluates renewal applications of a licensee, although listener complaints may be filed and considered

## Table of Contents

by the FCC at any time. Such complaints are required to be maintained in the radio station's public file which is generally located at a station's main studio. In December 2014, the FCC issued a rulemaking proposing to require radio stations' public inspection files to be hosted on an FCC-maintained website, as is required for television station public files. If this change is adopted, the materials in our stations' public files would become more widely accessible. Radio stations also must pay regulatory and application fees and follow various rules promulgated under the Communications Act. Those rules regulate, among other things, political advertising, sponsorship identifications, the advertisement of contests and lotteries, employment practices, broadcast of obscene and indecent content, and technical operations, including limits on human exposure to radio frequency radiation.

The FCC's rules on equal employment opportunities prohibit employment discrimination by radio stations on the basis of race, religion, color, national origin, and gender; and require broadcasters to implement programs to promote equal employment opportunities at their radio stations. The rules generally require broadcasters to widely disseminate information about full-time job openings to all segments of the community to ensure that all qualified applicants have sufficient opportunity to apply for the job, to send job vacancy announcements to recruitment organizations and others in the community indicating an interest in all or some vacancies at the radio station, and to implement a number of specific longer-term recruitment outreach efforts, such as job fairs, internship programs, and interaction with educational and community groups from among a menu of approaches itemized by the FCC.

**Proposed and Recent Changes.** Congress and the FCC are considering or may in the future consider and adopt new laws, regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation, ownership and profitability of our radio stations, including the loss of audience share and advertising revenues for our radio stations, and an inability to acquire additional radio stations or to finance those acquisitions. Such matters may include:

changes in the FCC's multiple-ownership, cross-ownership and attribution policies;

regulatory fees, spectrum use fees or other fees on FCC licenses;

increases in the royalties paid by radio stations with respect to internet streaming;

changes in laws with respect to foreign ownership of broadcast licenses;

revisions to the FCC's rules relating to political broadcasting, including free airtime to candidates;

technical and frequency allocation matters;

proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages on radio;

proposals to require radio broadcasters to pay royalties to musicians and record labels for the performance of music played on the stations;

proposals to limit the tax deductibility of or impose sales tax on advertising expenses by advertisers;

proposals to regulate or prohibit payments to stations by independent record promoters, record labels and others for the inclusion of specific content in broadcast programming;

proposals to require broadcast stations to operate studios in the communities to which they are licensed, which would require construction of new studios, and to provide staffing on a 24 hour per day basis; and

proposals in legislation to strengthen protections against online infringement of intellectual property that would impose criminal penalties on content providers, including broadcasters, that fail to comply with legal requirements to file reports regarding internet streaming in a timely manner.

In 2011, the FCC launched an inquiry which proposes that television stations use a standardized issues/programming form, and has indicated that if the proposal is adopted it would consider requiring the use of the same or a similar form by radio stations. This form requests detailed information concerning what steps a station undertook to determine the issues of concern within its local market, and the amount and nature of news and public service programming which was presented to address those issues.

The FCC has also adopted procedures for the auction of broadcast spectrum in circumstances where two or more parties have filed for new or major change applications that are mutually exclusive. Such procedures may limit our efforts to modify or expand the broadcast signals of our radio stations.

In February 2012, Congress passed and the President signed legislation that, among other things, grants the FCC authority to conduct incentive auctions to recapture certain spectrum currently used by television broadcasters and repurpose it for other uses. In May 2014, the FCC released an order establishing general rules for the auctions. Several petitions for reconsideration of these rules were filed and remain pending. The FCC has also released several rulemaking proposals regarding specific rules and procedures that will be followed during the incentive auction process, and the incentive auction rulemaking process remains ongoing. Certain aspects of the FCC's proposed incentive auction process have been challenged by the National Association of Broadcasters and one broadcast company in a lawsuit that is pending in the Court of Appeals for the D.C. Circuit. The parties have requested that the court's consideration of the appeal be handled on an expedited basis. The FCC must complete the incentive auctions by September 30, 2022, and has announced that as of now it intends to conduct the auctions in early 2016.

## **Table of Contents**

We cannot predict what other matters might be considered in the future by the FCC or Congress, nor can we judge in advance what impact, if any, the implementation of any of these proposals or changes might have on our business.

**Federal Antitrust Laws.** The agencies responsible for enforcing the federal antitrust laws, the Federal Trade Commission or the Department of Justice, may investigate certain acquisitions. We cannot predict the outcome of any specific FTC or Department of Justice investigation. Any decision by the FTC or the Department of Justice to challenge a proposed acquisition could affect our ability to consummate the acquisition or to consummate it on the proposed terms.

For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Antitrust Improvements Act of 1976 requires the parties to file Notification and Report Forms concerning antitrust issues with the FTC and the Department of Justice and to observe specified waiting period requirements before consummating the acquisition.

## **HD Radio**

The FCC selected In-Band On-Channel technology as the exclusive technology for introduction of terrestrial digital operations by AM and FM radio stations. The technology, developed by iBiquity Digital Corporation ( iBiquity ), is also known as HD Radio. The advantages of digital audio broadcasting over traditional analog broadcasting technology include improved sound quality, the ability to broadcast additional channels, and the ability to offer a greater variety of auxiliary services. We currently utilize HD Radio digital technology on most of our stations.

## **Seasonality**

Seasonal revenue fluctuations are common in the radio broadcasting industry and are due primarily to fluctuations in advertising expenditures. Our net revenues are typically lowest in the first calendar quarter of the year.

## **Employees**

As of March 9, 2015, we had a staff of 490 full-time employees and 317 part-time employees. We consider our relations with our employees to be good and none of our employees are covered by collective bargaining agreements.

## **Environmental**

As the owner, lessee or operator of various real properties and facilities, we are subject to federal, state and local environmental laws and regulations. Historically, compliance with these laws and regulations has not had a material adverse effect on our business. There can be no assurance, however, that compliance with existing or new environmental laws and regulations will not require us to make significant expenditures in the future.

## **Available Information**

Our internet address is [www.bbgi.com](http://www.bbgi.com). You may obtain through our internet website, free of charge, copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports will be available as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission.

You may also read and copy any materials we file with the Commission at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, on official business days during the hours of 10am to 3pm. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission, [www.sec.gov](http://www.sec.gov).

## **ITEM 1A. RISK FACTORS**

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

*Our Form 10-K disclosure and analysis concerning our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements within the meaning of Section 27A of the Securities*

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

*Act and Section 21E of the Exchange Act. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates and similar expressions are forward-looking statements. Although these statements are based upon assumptions we consider reasonable, they are subject to risks and uncertainties that are described more fully below. Accordingly, we can give no assurance that we will achieve the results anticipated or implied by our forward-looking statements.*



## **Table of Contents**

**The radio broadcasting industry faces many unpredictable business risks and is sensitive to external economic forces that could have a material adverse effect on our advertising revenues and results of operations.**

Our future operations are subject to many business risks, including those risks that specifically influence the radio broadcasting industry, which could have a material adverse effect on our business. These risks include, but are not limited to:

shifts in population, demographics or audience preferences;

increased competition for advertising revenues with other radio stations, broadcast and cable television, newspapers and magazines, outdoor advertising, direct mail, internet radio, satellite radio, smart phones, tablets, and other wireless media, the internet, social media such as Facebook and Twitter, and other forms of advertising; and

changes in government regulations and policies and actions of federal regulatory bodies, including the Federal Communications Commission, Internal Revenue Service, United States Department of Justice, and the Federal Trade Commission.

In addition, we believe that for most businesses advertising is a discretionary business expense, meaning that spending on advertising tends to decline disproportionately during an economic recession or downturn as compared to other types of business spending.

Unfavorable changes in economic conditions as well as declining consumer confidence, recession and other factors could lead to decreased demand for advertising and negatively impact our advertising revenues and our results of operations. We cannot predict with accuracy the timing or duration of any economic downturn generally, or in the markets in which our advertisers operate. If the economic environment does worsen, there can be no assurance that we will not experience a decline in revenues, which may negatively impact our financial condition and results of operations.

**Our radio stations may not be able to compete effectively in their respective markets for advertising revenues, which could adversely affect our revenue and cash flow.**

We operate in a highly competitive business. A decline in our audience share or advertising rates in a particular market may cause a decline in the revenue and cash flow of our stations located in that market. Our radio stations compete for audiences and advertising revenues within their respective markets directly with other radio stations, as well as with other media outlets. These other media outlets include broadcast and cable television, newspapers and magazines, outdoor advertising, direct mail, internet radio, satellite radio, smart phones, tablets, and other wireless media, the internet, social media such as Facebook and Twitter, and other forms of advertising.

Our radio stations could suffer a reduction in audience ratings or advertising revenue and could incur increased promotional and other expenses if:

another radio station in a market was to convert its programming to a format similar to, and thereby compete more directly with, one of our radio stations; or

a new radio station was to adopt a comparable format or if an existing competitor were to improve its audience share.

a current or new advertising alternative increased its share of local and national advertising revenue.

Other radio broadcasting companies may enter into markets in which we operate or may operate in the future. These companies may be larger and have more financial resources than we have. Our radio stations may not be able to maintain or increase their current audience ratings and advertising revenues.

**We may not remain competitive if we do not respond to changes in technology, standards and services that affect our industry.**

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

The radio broadcasting industry is subject to technological change, evolving industry standards and the emergence of other media technologies and services. We may not have the resources to acquire and deploy other technologies or to introduce new services that could compete with these other technologies. Competition arising from other technologies or regulatory change may have an adverse effect on the radio broadcasting industry or on our Company. Various other audio technologies and services that have been developed and introduced include:

personal digital audio devices (e.g. smart phones, tablets);

satellite delivered digital audio radio services that offer numerous programming channels and the sound quality of compact discs;

**Table of Contents**

audio programming by internet content providers, internet radio stations, cable systems, direct broadcast satellite systems, personal communications services and other digital audio broadcast formats;

HD Radio, which provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services;

low power FM radio stations, which are non-commercial FM radio broadcast outlets that serve small, localized areas; and

portable digital devices and systems that permit users to listen to programming on a time-delayed basis and to fast-forward through programming and/or advertisements.

These new technologies have the potential to change the means by which advertisers can reach target audiences most effectively. We cannot predict the effect, if any, that competition arising from other technologies or regulatory change may have on the radio broadcasting industry or on our financial condition and results of operations.

**We may not be able to successfully integrate our existing station portfolio with the stations acquired in the asset exchange with CBS Radio in a timely fashion or at all, and may encounter significant unexpected difficulties in achieving expected financial and operating synergies with our existing station portfolio.**

On December 1, 2014, we completed the asset exchange with CBS Radio. Our ability to fully realize the anticipated benefits of the asset exchange will depend, to a large extent, on our ability to integrate the newly acquired stations, which could be a complex, costly and time-consuming process. The integration may result in unanticipated problems, expenses, liabilities, expenditure of resources and distraction of management and personnel. The difficulties of integrating the new radio stations could include:

We may devote significant resources to integration;

We may not be able to achieve anticipated financial and operating synergies;

We may have difficulties integrating financial accounting systems, internal controls and standards, procedures and policies;

We may have difficulties integrating employee benefit plans;

We may be unable to retain key personnel at the newly acquired stations; and

We may have difficulties integrating the corporate cultures and management philosophies of the new radio stations while assimilating employees.

Therefore, there can be no assurance that the combination of our ongoing station portfolio with the stations acquired from CBS Radio will result in the realization of the full benefits anticipated from the asset exchange.

**We have substantial debt that could have important consequences to you.**

We have debt that is substantial in relation to our stockholders' equity. As of December 31, 2014, we had long-term debt of \$97.7 million and stockholders' equity of \$130.5 million. Our long-term debt is substantial in amount and could have an impact on you. For example, it could:

require us to dedicate a substantial portion of our cash flow from operations to debt service, thereby reducing the availability of cash flow for other purposes, including ongoing capital expenditures and future acquisitions;

impair our ability to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate or other purposes;

limit our ability to compete, expand and make capital improvements;

increase our vulnerability to economic downturns, limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions; and

limit or prohibit our ability to pay dividends and make other distributions.

Our ability to reduce our total leverage ratio by increasing operating cash flow and/or decreasing long-term debt will determine how much, if any, of the remaining commitments under our credit facility will be available to us in the future. Poor financial results or

---

## **Table of Contents**

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 our credit facility. Any additional borrowings would further increase the amount of our debt and the associated risks. In addition, there can be no assurances that additional financing will be available or on terms that will be acceptable to us.

### **We are subject to restrictive debt covenants, which may restrict our operational flexibility.**

Our credit facility contains various financial and operating covenants, including, among other things, restrictions on our ability to incur additional indebtedness, subject our assets to additional liens, enter into certain investments, consolidate, merge or effect asset sales, enter into sale and lease-back transactions, sell or discount accounts receivable, enter into transactions with our affiliates or stockholders, change the nature of our business, pay dividends on and redeem or repurchase capital stock, or make other restricted payments. These restrictions could limit our ability to take actions that require funds in excess of those available to us.

Our credit facility also requires us to maintain specified financial ratios and to satisfy financial condition tests. Our ability to meet those financial ratios and tests may be affected by events beyond our control and we cannot assure you that we will meet those ratios and tests. If our revenues were to decrease significantly it may become increasingly difficult for us to meet these financial covenants. In response we will continue to control costs and expenses in non-essential areas. Our breach of any of these covenants, ratios, tests or restrictions could result in an event of default under our credit facility. If an event of default exists under our credit facility, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable. If the lenders accelerate the payment of the indebtedness, we cannot assure you that our assets would be sufficient to repay in full that indebtedness which could force us to seek protection under federal bankruptcy laws and could significantly or entirely reduce the value of our equity.

We may also incur future debt obligations in addition to, or in lieu of, our credit facility. Such future debt obligations might subject us to additional and different restrictive covenants that could further limit our operational flexibility or subject us to other events of default.

### **Our ability to pay regular dividends on our common stock is subject to the discretion of our Board of Directors and may be limited by our structure, statutory restrictions and restrictions imposed by our credit agreement as well as any future agreements.**

We intend to pay a regular quarterly cash dividend, however future payments, if any, will be at the discretion of our Board of Directors. Future quarterly dividend payments can also be changed or discontinued at any time and will be subject to limitations under the terms of any existing credit agreements. The payment and timing of any future quarterly dividends will also depend upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors deemed relevant by our Board of Directors.

### **We are dependent on federally-issued licenses to operate our radio stations and are subject to extensive federal regulation.**

The radio broadcasting industry is subject to extensive regulation by the FCC under the Communications Act. We are required to obtain licenses from the FCC to operate our radio stations. Our business depends upon maintaining our broadcast licenses, which are issued by the FCC for a term of eight years and are renewable. Our timely-filed renewal application for WSFL-FM in the Greenville-New Bern-Jacksonville, NC market has not been granted by the FCC. Pursuant to FCC rules, our broadcast license for this station remains in effect pending processing by the FCC of the timely-filed renewal application. Although the vast majority of FCC radio station licenses are routinely renewed, we cannot assure you that the FCC will approve our future renewal applications or that the renewals will be for full eight-year terms or will not include conditions or qualifications that could adversely affect our operations. The non-renewal, or renewal with substantial conditions or modifications, of one or more of our licenses could have a material adverse effect on us.

We must comply with extensive FCC regulations and policies in the ownership and operation of our radio stations. FCC regulations limit the number of radio stations that a licensee can own in a market, which could restrict our ability to consummate any future transactions and in certain circumstances could require us to divest one or more radio stations. The FCC also requires radio stations to comply with certain technical requirements to limit interference between two or more radio stations. If the FCC relaxes these technical requirements, it could impair the signals transmitted by our radio stations and could have a material adverse effect on us. Moreover, these FCC regulations and others may change over time and we cannot assure you that those changes would not have a material adverse effect on us.

## **Table of Contents**

The FCC regulates FM translator stations as a secondary service, and in the event that an FM translator station causes actual interference to the signal of a radio or television station, FCC rules require the FM translator station to eliminate the interference and to suspend operations if the interference cannot be eliminated. If the FCC requires any FM translator station that we operate to modify its facilities to eliminate interference caused to another station or to cease broadcasting, it could materially impair the operations of the station that the FM translator rebroadcasts which could have a material adverse effect on us.

### **A future impairment of our FCC broadcasting licenses and/or goodwill could adversely affect our operating results.**

As of December 31, 2014, our FCC broadcasting licenses and goodwill represented 77.0% of our total assets. We are required to test our FCC broadcasting licenses and goodwill for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that our FCC broadcasting licenses and goodwill might be impaired which may result in future impairment losses. For further discussion, see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates of this report.

### **Our corporate offices and several of our radio stations are located in Florida and other areas that could be affected by hurricanes.**

Florida is susceptible to hurricanes and we have our corporate offices and 14 radio stations located there. These radio stations contributed 36.4% of our net revenue in 2014. Although the 2014 hurricane season did not have a material impact on our operations, our corporate offices and our radio stations located in Florida and along the east coast of the United States could be materially affected by hurricanes in the future, which could have an adverse impact on our business, financial condition and results of operations. We carry property damage insurance on all of our properties and business interruption insurance on some of our properties, but there can be no assurance that such insurance would be adequate to cover all of our hurricane-related losses.

### **The failure or destruction of satellite systems and transmitter facilities that we depend upon to distribute our programming could adversely affect our operating results.**

We use studios, satellite systems, transmitter facilities and the internet to originate and/or distribute our station programs and commercials. We rely on third-party contracts and services to operate our origination and distribution facilities. These third-party contracts and services include, but are not limited to, electrical power, satellite transponders, uplinks and downlinks and telecom circuits. Distribution may be disrupted due to one or more third parties losing their ability to provide particular services to us, which could adversely affect our distribution capabilities. A disruption can be caused as a result of any number of events such as local disasters (accidental or environmental), various acts of terrorism, power outages, major telecom connectivity failures or satellite failures. Our ability to distribute programming to station audiences may be disrupted for an undetermined period of time until alternate facilities are engaged and put on-line. Furthermore, until third-party services resume, the inability to originate or distribute programming could have a material adverse effect on our business and results of operation.

### **Vigorous enforcement of the FCC's indecency rules could have a material adverse effect on our business.**

The FCC's rules prohibit the broadcast of obscene material at any time and indecent material between the hours of 6am and 10pm. Broadcasters risk of violating the prohibition on the broadcast of indecent material is increased by the vagueness of the FCC's definition of indecent material, coupled with the spontaneity of live programming. The FCC has expanded the breadth of indecency regulation to include material that could be considered blasphemy, personally reviling epithets, profanity and vulgar or coarse words amounting to a nuisance. As a result, in the event that we broadcast material falling within the expanded breadth of the FCC's regulation, we could be subject to license revocation, renewal or qualifications proceedings, which would put the licenses that we depend on for our operations in jeopardy. In 2007, the monetary penalties for broadcasting indecent programming increased substantially. Other legislative proposals have been keyed to the number of violations found by the FCC and would potentially subject broadcasters to license revocation, renewal or qualifications proceedings in the event that they broadcast indecent material. Formerly, the maximum permitted fines for adjudicated violations of the FCC's indecency rules were \$32,500 per instance and \$300,000 for each continuing violation. The current maximum permitted fines are \$325,000 per incident and \$3,000,000 for any continuing violation arising from a single act or failure to act. In a decision issued in June 2012, the Supreme Court did not find that the FCC's indecency standards were inconsistent with the First Amendment, which means the FCC may continue to enforce the standards. Because the FCC may investigate indecency complaints prior to notifying a licensee of the existence of a complaint, a licensee may not have knowledge of a complaint unless and until the complaint results in the issuance of a formal FCC letter of inquiry or notice of apparent liability for forfeiture.

We may in the future become subject to additional inquiries or proceedings related to our radio stations' broadcast of indecent or obscene material. To the extent that these pending inquiries or other proceedings result in the imposition of fines, revocation of any of our radio station licenses or denials of license renewal applications, our results of operation and business could be materially adversely affected.



## **Table of Contents**

### **Proposed legislation could require radio broadcasters to pay royalties to record labels and recording artists.**

Legislation has previously been introduced in Congress that would require radio broadcasters to pay a royalty to record labels and performing artists for use of their recorded songs. The legislation failed to pass but is expected to be reintroduced. Currently, we pay royalties to song composers and publishers through Broadcast Music, Inc. ( BMI ), the American Society of Composers, Authors and Publishers ( ASCAP ) and SESAC, Inc. ( SESAC ). The proposed legislation would add an additional layer of royalties to be paid directly to the record labels and artists. It is currently unknown what proposed legislation, if any, will become law, whether industry groups will enter into an agreement with respect to fees, and what significance this royalty would have on our results from operations, cash flows or financial position.

### **The FCC's Proposed Incentive Auctions may result in a loss of spectrum for broadcast stations and potentially adversely impact our ability to compete.**

In February 2012, Congress passed legislation authorizing the FCC to conduct a reverse incentive auction in which licensees of television stations may voluntarily relinquish their spectrum usage rights in exchange for a portion of the proceeds received from new licensees who successfully bid in a forward auction for the right to use the repurposed spectrum. The statute also authorizes the FCC to repack the spectrum now used by television broadcasters, subject to certain limitations, including the obligation to make all reasonable efforts to preserve the coverage area and population served by a television station. In May 2014, the FCC released an Order establishing general rules for the auctions. Several petitions for reconsideration of certain of the rules were filed and remain pending. In addition, the FCC has released rulemaking proposals seeking comment regarding specific rules and procedures that will apply to the incentive auctions. That rulemaking process remains ongoing. If successful, the incentive auction will make available more spectrum for use by wireless carriers, which may increase the competitive impact that wireless technologies pose to the radio broadcast industry. The FCC must complete the auction by September 30, 2022, and has announced that as of now it intends to conduct the auction during early 2016.

At this time we cannot predict the outcome of the incentive auctions and repacking of broadcast television spectrum, or the impact such items will have on our business.

### **Our business depends on the efforts of key personnel and the loss of any one of them could have a material adverse effect on our business.**

Our business depends upon the continued efforts, abilities and expertise of our executive officers and other key employees, including George G. Beasley, our Chairman of the Board and Chief Executive Officer. Mr. Beasley is 82 years old. We believe the unique combination of skills and experience possessed by Mr. Beasley would be difficult to replace and that the loss of Mr. Beasley's or other key executives' expertise could impair our ability to execute our operating and acquisition strategies.

### **Our Chairman of the Board and Chief Executive Officer controls Beasley Broadcast Group, Inc. and members of his immediate family own a substantial equity interest in Beasley Broadcast Group, Inc. Their interests may conflict with yours.**

George G. Beasley is generally able to control the vote on all matters submitted to a vote of stockholders. Without the approval of Mr. Beasley, we will be unable to consummate transactions involving an actual or potential change in control, including transactions in which you might otherwise receive a premium for your shares over then current market prices. Shares of Class B and Class A common stock that Mr. Beasley beneficially owns represent 61.5% of the total voting power of all classes of our common stock. Members of his immediate family also own significant amounts of Class B common stock. Mr. Beasley will be able to direct our management and policies, except with respect to those matters requiring a class vote under the provisions of our amended certificate of incorporation, third amended and restated bylaws or applicable law.

Historically, we have entered into certain transactions with George G. Beasley, members of his immediate family and affiliated entities that may conflict with the interests of our stockholders now or in the future. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation Related Party Transactions and Note 15 to the accompanying financial statements.

### **Future sales by George G. Beasley or members of his family of our Class A common stock could adversely affect its market price.**

George G. Beasley and members of his family beneficially own the majority of all outstanding shares of Class B common stock, which is convertible to Class A common stock on a one-for-one basis. The market for our Class A common stock could change substantially if George G. Beasley and members of his family convert their shares of Class B common stock to shares of Class A common stock and then sell large amounts of shares of Class A common stock in the public market. These sales, or the possibility that these sales may occur, could make it more difficult for us to raise capital by selling equity or equity-related securities in the future.





**Table of Contents****The difficulties associated with any attempt to gain control of our Company may adversely affect the price of our Class A common stock.**

Due to his large holdings of our common stock, George G. Beasley controls the decision whether any change of control of the Company will occur. Moreover, some provisions of our certificate of incorporation, by-laws and Delaware law could make it more difficult for a third party to acquire control of us, even if a change of control could be beneficial to you. In addition, the Communications Act and FCC rules and policies limit the number of stations that one individual or entity can own, directly or by attribution, in a market. FCC approval for transfers of control of FCC licensees and assignments of FCC licenses are also required. Because of the limitations and restrictions imposed on us by these provisions and regulations, the trading price of our Class A common stock may be adversely affected.

**There may not be an active market for our Class A common stock, making it difficult for you to sell your stock.**

Our stock may not be actively traded in the future. An illiquid market for our stock may result in price volatility and poor execution of buy and sell orders for investors. Our stock price and trading volume have fluctuated widely for a number of reasons, including some reasons that may be unrelated to our business or results of operations. This market volatility could depress the price of our Class A common stock without regard to our operating performance. In addition, our operating results may be below expectations of public market analysts and investors. If this were to occur, the market price of our Class A common stock could decrease, perhaps significantly.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

As of March 9, 2015, we own or lease property for our radio stations in the following locations:

<b>Location</b>	<b>Description</b>	<b>Owned/Leased</b>
Atlanta, GA	All radio stations in our Atlanta, GA market cluster	Third party lease
Augusta, GA	All radio stations in our Augusta, GA market cluster	Owned
	Land for radio stations	Related party lease
Boca Raton, FL	All radio stations in our West Palm Beach-Boca Raton, FL market cluster	Third party lease
Boston, MA	One radio station	Third party lease
Camden, NJ	One radio station in our Philadelphia, PA market cluster	Owned
	Land for radio station	Related party lease
Charlotte, NC	All radio stations in our Charlotte, NC market cluster	Third party lease
Estero, FL	All radio stations in our Ft. Myers-Naples, FL market cluster	Related party lease
Fayetteville, NC	All radio stations in our Fayetteville, NC market cluster	Owned
Greenville, NC	Two radio stations in our Greenville-New Bern-Jacksonville, NC market cluster	Related party lease
Las Vegas, NV	All radio stations in our Las Vegas, NV market cluster	Related party lease
New Bern, NC	Four radio stations in our Greenville-New Bern-Jacksonville, NC market cluster	Owned
Philadelphia, PA	Two radio stations in our Philadelphia, PA market cluster	Third party lease
Tampa, FL	All radio stations in our Tampa-Saint Petersburg, FL market cluster	Third party lease
Wilmington, DE	One radio station	Third party lease
The land in Augusta, GA is leased from GGB Augusta, LLC, which is held by a trust for the benefit of Bruce G. Beasley, Caroline Beasley, Brian E. Beasley and other family members of George G. Beasley (our CEO).		

The land in Camden, NJ is leased from Beasley Family Towers, LLC which is owned by George G. Beasley, Bruce G. Beasley, Caroline Beasley, Brian E. Beasley and other family members of George G. Beasley.

The property in Estero, FL is leased from GGB Estero, LLC, which is held by a trust for the benefit of Bruce G. Beasley, Caroline Beasley, Brian E. Beasley and other family members of George G. Beasley.

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

The property in Greenville, NC is leased from Beasley Broadcasting of Greenville, Inc., which is owned by George G. Beasley, Bruce G. Beasley, Caroline Beasley, Brian E. Beasley and other family members.

The property in Las Vegas, NV is leased from GGB Las Vegas, LLC, which is controlled by George G. Beasley.

In addition, we lease our principal executive offices in Naples, FL from Beasley Broadcasting Management Corp., which is held by a trust for the benefit of Bruce G. Beasley, Caroline Beasley, Brian E. Beasley and other family members of George G. Beasley.

**Table of Contents**

No one property is material to us. We believe that our properties are generally in good condition and suitable for our operations. However, we continually look for opportunities to upgrade our properties and may do so in the future.

**ITEM 3. LEGAL PROCEEDINGS**

We currently and from time to time are involved in litigation incidental to the conduct of our business including indecency claims and related proceedings at the FCC, but we are not a party to any lawsuit or other proceedings that, in the opinion of management, is likely to have a material adverse effect on our financial condition or results of operations.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

We have two authorized and outstanding classes of equity securities: Class A common stock, \$.001 par value, and Class B common stock, \$.001 par value. The only difference between the Class A and Class B common stock is that Class A is entitled to one vote per share and Class B is entitled to ten votes per share. Class B is convertible into Class A shares on a one-for-one share basis under certain circumstances. Our Class A common stock trades on NASDAQ's National Market System under the symbol BBGI. There is no established public trading market for our Class B common stock. Quarterly high and low prices of our Class A common stock are shown below:

<b>Fiscal 2014</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 9.61	\$ 8.65
Second Quarter	9.20	5.31
Third Quarter	7.48	5.18
Fourth Quarter	6.00	4.50
<b>Fiscal 2013</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 6.90	\$ 3.60
Second Quarter	9.14	5.06
Third Quarter	10.00	7.00
Fourth Quarter	9.47	7.20

**Holders**

As of March 9, 2015, there were approximately 121 holders of record of our Class A common stock and 21 holders of record of our Class B common stock. The number of Class A common stock holders does not count separately the number of beneficial holders whose shares are held of record by a broker or clearing agency.

**Dividends**

Our credit agreement permits us to pay cash dividends and to repurchase additional shares of our common stock, subject to compliance with financial covenants, up to an aggregate amount of \$5.0 million for each of 2014 and 2015, and \$6.0 million for each year thereafter. We paid no cash dividends in 2013 and cash dividends of \$4.1 million in 2014. On December 5, 2014, our board of directors declared a cash dividend of \$0.045 per share on our Class A and Class B common stock. The dividend of \$1.0 million in the aggregate was paid on January 9, 2015, to stockholders of record on December 31, 2014. We intend to pay quarterly cash dividends in 2015 however the declaration and payment of any future dividends will be at the sole discretion of the board of directors.

**Repurchases of Equity Securities**

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. Our credit agreement permits us to repurchase sufficient shares of our common stock to fund withholding taxes in connection with the vesting of restricted stock, subject to compliance with financial covenants, up to an aggregate amount of \$2.0 million per year. There were no shares repurchased during the three months ended December 31, 2014. We currently have no publicly announced share purchase programs.

**Table of Contents****Equity Compensation Plan Information**

The following table sets forth certain information with respect to our equity compensation plans as of December 31, 2014.

Plan Category	Number of Securities		Number of Securities
	to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Remaining Available for Future Issuance Under Equity Compensation Plan (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved By Security Holders			2,334,952
Equity Compensation Plans Not Approved By Security Holders			
<b>Total</b>			<b>2,334,952</b>

**ITEM 6. SELECTED FINANCIAL DATA**

Not required for smaller reporting companies.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Overview**

We are a radio broadcasting company whose primary business is operating radio stations throughout the United States. We own and operate 53 radio stations in the following radio markets: Atlanta, GA, Augusta, GA, Boston, MA, Charlotte, NC, Fayetteville, NC, Fort Myers-Naples, FL, Greenville-New Bern-Jacksonville, NC, Las Vegas, NV, Philadelphia, PA, Tampa-Saint Petersburg, FL, West Palm Beach-Boca Raton, FL, and Wilmington, DE. We refer to each group of radio stations in each radio market as a market cluster.

**Recent Developments**

On December 5, 2014, our board of directors declared a cash dividend of \$0.045 per share on our Class A and Class B common stock. The dividend of \$1.0 million in the aggregate was paid on January 9, 2015, to stockholders of record on December 31, 2014. While we intend to pay quarterly cash dividends for the foreseeable future, all subsequent dividends will be reviewed quarterly and declared by the board of directors at its discretion.

On December 1, 2014, we completed an asset exchange with CBS Radio under which we agreed to exchange all of the assets used or useful in the operations of WRDW-FM and WXTU-FM in Philadelphia, PA and WKIS-FM, WPOW-FM and WQAM-AM in Miami, FL previously owned and operated by the Company for all of the assets used or useful in the operations of WIP-AM in Philadelphia, PA, WHFS-AM, WHFS-FM, WLLD-FM, WQYK-FM, WRBQ-FM and WYUU-FM in Tampa, FL and WBAV-FM, WBCN-AM, WFNZ-AM, WKQC-FM, WNKS-FM, WPEG-FM and WSOC-FM in Charlotte, NC previously owned and operated by CBS Radio. The asset exchange substantially broadened and diversified our local radio broadcasting platform and revenue base with fourteen new stations that are geographically complementary to our ongoing operations, while also presenting financial and operating synergies with our ongoing station portfolio and digital operations. The asset exchange was accounted for as a business combination. The fair value of the assets received in the asset exchange was \$140.0 million. We recorded a gain on exchange of radio stations of \$54.3 million and incurred transaction costs of \$1.3 million. The operations of the acquired radio station have been included in our results of operations since the acquisition date.

**Financial Statement Presentation**

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

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 and digital 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;

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 digital 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 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.

*FCC Broadcasting Licenses.* As of December 31, 2014, FCC broadcasting licenses with an aggregate carrying amount of \$234.3 million represented 74.2% of our total assets. We are required to test our licenses for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that our licenses might be impaired. In 2014, we elected to perform the quantitative impairment test for our licenses in all markets except Tampa and Charlotte which were acquired on December 1, 2014. The quantitative impairment test, performed as of November 30, 2014, compares the fair value of our licenses with their carrying amounts. If the carrying amounts of the licenses exceed their fair value, an impairment loss is recognized in an amount equal to that excess. For the purpose of testing our licenses for impairment, we combine our licenses into reporting units based on our market clusters.

We estimate the fair value of our licenses using an income approach. The income approach measures the expected economic benefits the licenses provide and discounts these future benefits using discounted cash flow analyses. The discounted cash flow analyses assume that each license is held by a hypothetical start-up radio station and the value yielded by the discounted cash flow analyses represents the portion of the radio station's value attributable solely to its license. The discounted cash flow model incorporates variables such as radio market revenues; the projected growth rate for radio market revenues; projected radio market revenue share; projected radio station operating income margins; and a discount rate appropriate for the radio broadcasting industry. The variables used in the analyses reflect historical radio station and market growth trends, as well as anticipated radio station performance, industry standards, and market conditions. The discounted cash flow projection period of ten years was determined to be an appropriate time horizon for the analyses. Stable market revenue share and operating margins are expected at the end of year three (maturity).

As of November 30, 2014, the key assumptions used in the discounted cash flow analyses are as follows:

Revenue growth rates	1.1% - 2.9%
Market revenue shares at maturity	0.5% - 46.3%
Operating income margins at maturity	31.3% - 38.6%
Discount rate	9.5%



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

If we had made different assumptions or used different estimates, the fair value of our licenses could have been materially different. If actual results are different from assumptions or estimates used in the discounted cash flow analyses, we may incur impairment losses in the future and they may be material.

**Table of Contents**

Cash flows and operating income are dependent on advertising revenues. Advertising revenues are influenced by competition from other radio stations and media, demographic changes, and changes in government rules and regulations. In addition, advertising is generally considered a discretionary expense meaning advertising expenditures tend to decline disproportionately during economic downturns as compared to other types of business expenditures. If actual results are lower, we may incur impairment losses in the future and they may be material.

The carrying amount of FCC broadcasting licenses for each reporting unit and the percentage by which fair value exceeded the carrying amount are as follows:

Market cluster	FCC	
	broadcasting licenses	Excess
Atlanta, GA	\$ 4,802,000	66.6%
Augusta, GA	6,068,000	84.5
Boston, MA	2,474,000	21.7
Fayetteville, NC	8,924,679	48.8
Fort Myers-Naples, FL	9,505,002	57.4
Greenville-New Bern-Jacksonville, NC	3,998,940	192.3
Las Vegas, NV	36,621,712	20.2
Philadelphia, PA	5,544,192	132.6
West Palm Beach-Boca Raton, FL	11,682,205	22.1
Wilmington, DE	19,496,000	18.6

As a result of the quantitative impairment test performed as of November 30, 2014, we recorded no impairment losses related to our FCC broadcasting licenses for these reporting units. However, there can be no assurance that impairments of our FCC broadcasting licenses will not occur in future periods.

*Goodwill.* As of December 31, 2014, goodwill with an aggregate carrying amount of \$8.9 million represented 2.8% of our total assets. We are required to test our goodwill for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that our goodwill might be impaired. We assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we are required to perform the first step of a two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then we are required to perform the second step of the two-step goodwill impairment test to measure the amount of the impairment loss. For the purpose of testing our goodwill for impairment, we have identified our market clusters as our reporting units.

We assessed qualitative factors including macroeconomic conditions, industry and market conditions, cost factors, and overall financial performance in 2014 and determined that it was not more likely than not that the fair value of any of our reporting units was less than their respective carrying amounts. Therefore we did not perform the two-step impairment test for any of our reporting units in 2014. No impairment losses related to our goodwill were recorded in 2014, however there can be no assurance that impairments of our goodwill will not occur in future periods.

*Property and Equipment.* We are required to assess the recoverability of our property and equipment whenever an event has occurred that may result in an impairment loss. If such an event occurs, we will compare estimates of related future undiscounted cash flows to the carrying amount of the asset. If the future undiscounted cash flow estimates are less than the carrying amount of the asset, we will reduce the carrying amount to the estimated fair value. The determination of when an event has occurred and estimates of future cash flows and fair value all require management judgment. The use of different assumptions or estimates may result in alternative assessments that could be materially different. We did not identify any events that may have resulted in an impairment loss on our property and equipment in 2014. However, there can be no assurance that impairments of our property and equipment will not occur in future periods.

*Accounts Receivable.* We continually evaluate our ability to collect our accounts receivable. Our ongoing evaluation includes review of specific accounts at our radio stations, the current financial condition of our customers and our historical write-off experience. This ongoing evaluation requires management judgment and if we had made different assumptions about these factors, the allowance for doubtful accounts could have been materially different.

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

*Asset Exchange.* On December 1, 2014, we completed an asset exchange with CBS Radio under which we agreed to exchange all of the assets used or useful in the operations of WRDW-FM and WXTU-FM in Philadelphia, PA and WKIS-FM, WPOW-FM and WQAM-AM in Miami, FL for all of the assets used or useful in the operations of WIP-AM in Philadelphia, PA, WHFS-AM, WHFS-FM, WLLD-FM, WQYK-FM, WRBQ-FM and WYUU-FM in Tampa, FL and WBAV-FM, WBCN-AM, WFNZ-AM, WKQC-FM, WNKS-FM, WPEG-FM and WSOC-FM in Charlotte, NC previously owned and operated by CBS Radio. The asset exchange was accounted for as a business combination.

## Table of Contents

The fair value of the property and equipment was estimated using cost and market approaches. Property and equipment for which there are comparable current replacements available, such as radio towers, antenna systems, transmitter equipment, and studio equipment, were valued on the basis of a cost approach. The cost approach allowed for factors such as physical depreciation as well as functional and economic obsolescence. Property and equipment for which an active used market exists, including property for which there is no longer comparable current replacements available but for which there remains an active used market, such as furniture, computer equipment, and vehicles, were valued using a market approach. The market approach is based on the selling prices of similar assets on the used market. As few sales reflect identical assets, the selling prices of similar assets was utilized with adjustments made for any differences such as age, condition, and options. If different assumptions or estimates had been used in the cost and market approaches, the fair value of the property and equipment could have been materially different.

The fair value of the FCC broadcasting licenses was estimated using an income approach. The income approach measures the expected economic benefits the licenses provide and discounts these future benefits using discounted cash flow analyses. The discounted cash flow analyses assume that each license is held by a hypothetical start-up radio station and the value yielded by the discounted cash flow analyses represents the portion of the radio station's value attributable solely to its license. The discounted cash flow model incorporates variables such as radio market revenues; the projected growth rate for radio market revenues; projected radio market revenue share; projected radio station operating income margins; and a discount rate appropriate for the radio broadcasting industry. The variables used in the analyses reflect historical radio station and market growth trends, as well as anticipated radio station performance, industry standards, and market conditions. The discounted cash flow projection period of ten years was determined to be an appropriate time horizon for the analyses. Stable market revenue share and operating margins are expected at the end of year three (maturity). If different assumptions or estimates had been used in the income approach, the fair value of the FCC broadcasting licenses could have been materially different. If actual results are different from assumptions or estimates used in the discounted cash flow analyses, we may incur impairment losses in the future and they may be material.

The key assumptions used in the valuation of the FCC broadcasting licenses are as follows:

Revenue growth rates	1.0% - 2.0%
Market revenue shares at maturity	0.6% - 30.8%
Operating income margins at maturity	30.6% - 38.3%
Discount rate	9.5%

Goodwill was equal to the difference between the purchase price and the values allocated to the tangible and intangible assets. The key factor contributing to the purchase price allocation resulting in the recognition of goodwill was the established workforce.

## Recent Accounting Pronouncements

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

## Results of Operations

### Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

The following summary table presents a comparison of our results of continuing operations for the years ended December 31, 2013 and 2014 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 8 of this report.

	Year ended December 31,		Change	
	2013	2014	\$	%
Net revenue	\$ 56,097,960	\$ 58,705,903	\$ 2,607,943	4.6%
Station operating expenses	37,253,276	40,351,258	3,097,982	8.3
Corporate general and administrative expenses	8,624,395	8,923,117	298,722	3.5
Radio station exchange transaction costs		1,261,318	1,261,318	
Employee termination expenses		458,585	458,585	
Interest expense	7,081,801	4,375,129	(2,706,672)	(38.2)
Loss on extinguishment of long-term debt	1,260,784	30,569	(1,230,215)	(97.6)

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

Income tax expense (benefit)	(129,433)	514,275	643,708	497.3
Income from discontinued operations (net of income taxes)	11,300,613	39,033,382	27,732,769	245.4
Net income	11,546,263	39,999,367	28,453,104	246.4

## **Table of Contents**

*Net Revenue.* Net revenue from continuing operations increased \$2.6 million during the year ended December 31, 2014. Significant factors affecting net revenue included \$2.5 million in additional advertising revenue from our Charlotte market cluster and \$1.6 million in additional advertising from our Tampa-Saint Petersburg market cluster, which were acquired on December 1, 2014, a \$0.7 million increase in other revenue from a logo agreement, a \$1.2 million decrease in advertising revenue from our Wilmington market cluster, and a \$0.9 million decrease in advertising revenue from our Greenville-New Bern-Jacksonville market cluster. Net revenue for 2014 was comparable to net revenue for 2013 at our remaining market clusters, however net revenue from our Las Vegas market cluster for the year ended December 31, 2014 included \$1.2 million in additional advertising revenue from KVGS-FM, which was acquired in the third quarter of 2013.

*Station Operating Expenses.* Station operating expenses from continuing operations increased \$3.1 million during the year ended December 31, 2014. Significant factors affecting station operating expenses included \$1.5 million in additional expenses from our Charlotte market cluster and \$1.3 million in additional expenses from our Tampa-Saint Petersburg market cluster, and a \$0.9 million increase at our Las Vegas market cluster which included a \$1.2 million increase in station operating expenses from KVGS-FM. Station operating expenses for 2014 were comparable station operating expenses for 2013 at our remaining market clusters.

*Corporate General and Administrative Expenses.* The \$0.3 million increase in corporate general and administrative expenses during the year ended December 31, 2014 was primarily due to an increase in stock-based compensation expense.

*Radio Station Exchange Transaction Costs.* In connection with the asset exchange with CBS Radio, we incurred transaction costs of \$1.3 million during the fourth quarter of 2014.

*Employee Termination Expenses.* In connection with the asset exchange with CBS Radio, we recorded employee termination expenses of \$0.5 million during the fourth quarter of 2014.

*Interest Expense.* Interest expense decreased \$2.7 million during the year ended December 31, 2014. Significant factors affecting interest expense included a \$1.0 million fee paid in connection with the prepayment of the second lien facility in the second quarter of 2013 and a decrease in long-term debt outstanding.

*Loss on Extinguishment of Long-Term Debt.* In connection with the amended credit agreement, we recorded a loss on extinguishment of long-term debt of approximately \$31,000 during the year ended December 31, 2014. In connection with the amended first lien credit agreement and the prepayment of the second lien facility we recorded a loss on extinguishment of long-term debt of \$1.3 million during the year ended December 31, 2013.

*Income Tax Expense.* Our effective tax rate for continuing and discontinued operations combined was approximately 43% for the year ended December 31, 2014 which differs from the federal statutory rate of 35% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate for the year ended December 31, 2014 also reflects a \$1.1 million increase from a change to our federal tax rate based on a projected increase in taxable income for 2014 and a \$2.0 million decrease from changes to our effective state tax rate. We evaluated our taxable income projections during the first quarter of 2014 and determined, based on certain changes in facts and circumstances related to the projections, that the federal tax rate should increase from 34% to 35%. The change in the federal tax rate has been accounted for as a change in accounting estimate during the year ended December 31, 2014. Our effective tax rate for continuing and discontinued operations combined was approximately 38% for the year ended December 31, 2013 which differs from the federal statutory rate of 34% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate for the year ended December 31, 2013 also reflects a \$0.3 million decrease from a change to our effective state tax rate.

*Income from Discontinued Operations.* The results of operations for WRDW-FM and WXTU-FM in the Philadelphia radio market and WKIS-FM, WPOW-FM and WQAM-AM in the Miami-Fort Lauderdale radio market have been reported as discontinued operations for the years ended December 31, 2013 and 2014. We recorded a \$54.3 million gain on exchange of radio stations in discontinued operations during the fourth quarter of 2014.

*Net Income.* Net income during the year ended December 31, 2014 increased \$28.5 million as a result of the factors described above.

## **Liquidity and Capital Resources**

*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 expenditures have not been significant. In addition to property and equipment associated with radio station acquisitions, our capital



**Table of Contents**

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 permits us to repurchase sufficient shares of our common stock to fund withholding taxes in connection with the vesting of restricted stock, subject to compliance with financial covenants, up to an aggregate amount of \$2.0 million per year. We paid \$0.4 million to repurchase 42,296 shares in 2014.

Our credit agreement permits us to pay cash dividends and to repurchase additional shares of our common stock, subject to compliance with financial covenants, up to an aggregate amount of \$5.0 million for each of 2014 and 2015, and \$6.0 million for each year thereafter. We paid no cash dividends in 2013 and cash dividends of \$4.1 million in 2014. On December 5, 2014, our board of directors declared a cash dividend of \$0.045 per share on our Class A and Class B common stock. The dividend of \$1.0 million in the aggregate was paid on January 9, 2015, to stockholders of record on December 31, 2014.

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 facilities;

additional borrowings, other than under our existing credit facilities, 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 or unanticipated expenses could give rise to defaults under our credit facilities, 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 consolidated 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 our revolving 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 consolidated total debt ratio and we may not be permitted to make any additional borrowings under our revolving credit facility.

The following summary table presents a comparison of our capital resources for the years ended December 31, 2013 and 2014 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 8 of this report.

	<b>Year ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
Net cash provided by operating activities	\$ 19,913,684	\$ 16,913,700
Net cash used in investing activities	(6,655,233)	(2,931,179)
Net cash used in financing activities	(10,620,086)	(14,022,093)
Net increase (decrease) in cash and cash equivalents	\$ 2,638,365	\$ (39,572)

*Net Cash Provided By Operating Activities.* Net cash provided by operating activities decreased \$3.0 million during the year ended December 31, 2014. Significant factors affecting net cash provided by operating activities included a \$3.6 million decrease in cash receipts from



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

the sale of advertising airtime, a \$2.0 million increase in cash paid for station operating expenses, payments of \$1.3 million for transaction costs related to the asset exchange with CBS Radio, payments of \$0.5 million for employee termination expenses, a \$2.6 million decrease in interest payments, and a \$1.1 million decrease in income tax payments.

*Net Cash Used In Investing Activities.* Net cash used in investing activities during the year ended December 31, 2014 included payments of \$3.0 million for capital expenditures, and repayments of \$0.4 million for notes receivable from related parties. Net cash used in investing activities for the same period in 2013 included a payment of \$4.0 million for the acquisition of KVGS-FM in Las Vegas, NV, payments of \$2.8 million for capital expenditures, and repayments of \$0.4 million for notes receivable from related parties.

*Net Cash Used In Financing Activities.* Net cash used in financing activities during the year ended December 31, 2014 included repayments of \$9.2 million under our credit facility, payments of \$4.1 million for cash dividends, payments of \$0.4 million for loan fees related to the amended credit agreement, and payments of \$0.4 million for repurchases of our Class A common stock. Net cash used in financing activities for the same period in 2013 included repayments of \$9.9 million under our credit facility, and payments of \$0.6 million for loan fees related to the amended first lien credit agreement.

**Table of Contents**

*Credit Facility.* On June 17, 2014, we amended our credit agreement to revise certain terms, including financial covenants and interest rate margins and to extend the maturity date of the credit facility. The amendment also increased the amount of cash dividends we may pay per year and eliminated mandatory prepayments of excess cash flow when our consolidated total debt is less than three times our consolidated operating cash flow. In addition, we repaid the revolving credit facility with \$5.75 million of additional term loan borrowings and \$1.25 million of cash on hand. In connection with the amended credit agreement, we recorded a loss on extinguishment of long-term debt of approximately \$31,000 during the second quarter of 2014.

As of December 31, 2014, the credit facility consisted of a term loan with a remaining balance of \$97.7 million and a revolving credit facility with a maximum commitment of \$20.0 million. As of December 31, 2014, we had \$20.0 million in remaining commitments available under our revolving credit facility. At our election, the credit facility may bear interest at either (i) adjusted LIBOR, as defined in the credit agreement, plus a margin ranging from 2.75% to 4.75% that is determined by our consolidated total debt ratio, as defined in the credit agreement or (ii) the base rate, as defined in the credit agreement, plus a margin ranging from 1.75% to 3.75% that is determined by our consolidated total debt ratio. Interest on adjusted LIBOR loans is payable at the end of each applicable interest period and, for those interest periods with a duration in excess of three months, the three month anniversary of the beginning of such interest period. Interest on base rate loans is payable quarterly in arrears. The credit facility carried interest, based on adjusted LIBOR, at 3.4% as of December 31, 2014 and matures on August 9, 2019.

The credit agreement requires mandatory prepayments equal to 50% of consolidated excess cash flow, as defined in the credit agreement, when our consolidated total debt is equal to or greater than three times our consolidated operating cash flow, as defined in the credit agreement. Prepayments of excess cash flow are not required when our consolidated total debt is less than three times our consolidated operating cash flow. Mandatory prepayments of consolidated excess cash flow are due 120 days after year end. The credit agreement also requires mandatory prepayments for defined amounts from net proceeds of asset sales, net insurance proceeds, and net proceeds of debt issuances.

The credit agreement requires us to comply with certain financial covenants which are defined in the credit agreement. These financial covenants include:

*Consolidated Total Debt Ratio.* Our consolidated total debt on the last day of each fiscal quarter through December 31, 2014 must not have exceeded 4.5 times our consolidated operating cash flow for the four quarters then ended. The maximum ratio is 4.25 times for the period from January 1, 2015 through June 30, 2015, 4.0 times for the period from July 1, 2015 through December 31, 2015, 3.75 times for 2016, 3.25 times for 2017, and 3.0 times thereafter.

*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.

The credit facility is secured by a first-priority lien on substantially all of the Company's assets and the assets of substantially all of its subsidiaries and is guaranteed jointly and severally by the Company and substantially all of its 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, the Company and its applicable subsidiaries may be required to perform under their guarantees. As of December 31, 2014, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have had to make in the event of default was \$97.7 million. The guarantees for the credit facility expire on August 9, 2019.

The aggregate scheduled principal repayments of the credit facility for the next five years are as follows:

2015	3,112,500
2016	6,390,626
2017	7,668,752
2018	8,946,876
2019	71,574,996
Total	\$ 97,693,750

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

Failure to comply with 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 December 31, 2014, we were in compliance with all applicable financial covenants under our credit agreement; our consolidated total debt ratio was 3.11 times, and our interest coverage ratio was 7.02 times.

---

## **Table of Contents**

### **Related Party Transactions**

On March 25, 2011, we contributed \$250,000 to Digital PowerRadio, LLC in exchange for 25,000 units or approximately 20% of the outstanding units. We contributed an additional \$62,500 on February 14, 2012, \$104,167 on July 31, 2012, \$104,167 on April 12, 2013, and \$104,167 on April 4, 2014 which maintained our ownership interest at approximately 20% of the outstanding units. We may be called upon to make additional pro rata cash contributions to Digital PowerRadio, LLC in the future. Digital PowerRadio, LLC is managed by Fowler Radio Group, LLC which is partially-owned by Mark S. Fowler, an independent director of Beasley Broadcast Group, Inc.

We lease radio towers for two radio stations under separate lease agreements from Beasley Family Towers, LLC ( BFT ), which is owned by George G. Beasley, Bruce G. Beasley, Caroline Beasley, Brian E. Beasley, and other family members of George G. Beasley. The lease agreements expire on August 4, 2016. Lease payments are currently offset by the partial recognition of a deferred gain on sale from the sale of these towers to BFT in 2006, therefore no rental expense was reported for the years ended December 31, 2014. The lease agreements were approved by our Audit Committee. We believe that these lease agreements are on terms at least as favorable to us as could have been obtained from a third party.

We lease property for our radio stations in Las Vegas, NV from GGB Las Vegas, LLC which is controlled by George G. Beasley. The lease agreement expires on December 31, 2018. Rental expense was approximately \$185,000 for the year ended December 31, 2014.

We lease land for our radio stations in Augusta, GA from GGB Augusta, LLC which is held by a trust for the benefit of Bruce G. Beasley, Caroline Beasley, Brian E. Beasley, and other family members of George G. Beasley. The lease agreement expires on November 1, 2023. Rental expense was approximately \$41,000 for the year ended December 31, 2014. The lease agreement was based on competitive bids from third parties and was reviewed by our Audit Committee. We believe that this lease agreement is on terms at least as favorable to us as could have been obtained from a third party.

The following related party transactions are based on agreements entered into prior to our initial public offering in 2000 at which time we did not have an Audit Committee. However, these agreements were evaluated by our board of directors at the time of entering the agreements and we believe that they are on terms at least as favorable to us as could have been obtained from a third party.

In December 2000, we finalized the sale of most of our radio towers and related real estate assets to BFT for \$5.1 million in unsecured notes. We sold these radio towers and related real estate assets primarily to focus on our core business of acquiring, developing and operating radio stations. On May 31, 2013, the interest rate on the notes receivable was discretionarily changed from 6.0% to 2.57%. The aggregate monthly payments of approximately \$38,000 were unchanged, but due to the interest rate change the maturity date of the notes is now June 30, 2019. As of December 31, 2014, the aggregate outstanding balance of the notes receivable was \$1.7 million. Interest income on the notes receivable from BFT was approximately \$50,000 for the year ended December 31, 2014.

We lease radio towers for 23 radio stations under separate lease agreements from BFT. The lease agreements expire on various dates through December 28, 2020. Rental expense was approximately \$537,000 for the year ended December 31, 2014. On April 7, 2014, BFT entered into an agreement to demolish a radio tower that we leased for a radio station in Miami, FL. As a result of the tower demolition, the agreement requiring us to make monthly lease payments of approximately \$3,000 per month to BFT was canceled and we forgave indebtedness of \$0.3 million associated with notes receivable from BFT. The related party debt forgiveness was approved by the Audit Committee.

We lease a radio tower in Augusta, GA from Wintersrun Communications, LLC, which is owned by George G. Beasley, Bruce G. Beasley and Brian E. Beasley. The lease agreement expires on April 30, 2024. Rental expense was approximately \$31,000 for the year ended December 31, 2014.

We lease property for our radio stations in Ft. Myers, FL from GGB Estero, LLC which is held by a trust for the benefit of Bruce G. Beasley, Caroline Beasley, Brian E. Beasley, and other family members of George G. Beasley. The lease agreement expires on August 31, 2019. Rental expense was approximately \$176,000 for the year ended December 31, 2014.

We lease our principal executive offices in Naples, FL from Beasley Broadcasting Management Corp., which is held by a trust for the benefit of Bruce G. Beasley, Caroline Beasley, Brian E. Beasley, and other family members of George G. Beasley. Rental expense was approximately \$174,000 for the year ended December 31, 2014.

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

As of December 31, 2014, future minimum payments to related parties for the next five years and thereafter are summarized as follows:

2015	\$ 961,398
2016	933,967
2017	889,207
2018	900,883
2019	420,014
Thereafter	285,295
Total	\$ 4,390,764

**Table of Contents**

**Off-Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as of December 31, 2014.

**Inflation**

For the years ended December 31, 2013 and 2014, inflation has affected our performance in terms of higher costs for radio station operating expenses, however the exact impact cannot be reasonably determined.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Not required for smaller reporting companies.

**Table of Contents**

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
BEASLEY BROADCAST GROUP, INC.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
<b>Financial Statements</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	27
<u>Consolidated Balance Sheets as of December 31, 2013 and 2014</u>	28
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2013 and 2014</u>	29
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2013 and 2014</u>	30
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2013 and 2014</u>	31
<u>Notes to Consolidated Financial Statements</u>	32
<u>Financial Statement Schedule - Valuation and Qualifying Accounts</u>	45

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Beasley Broadcast Group, Inc.

Naples, Florida

We have audited the accompanying consolidated balance sheets of Beasley Broadcast Group, Inc. (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for the years then ended. In connection with our audits of the consolidated financial statements, we have also audited the consolidated financial statement schedule listed in the accompanying index in Item 8. These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company, as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As disclosed in Note 3 of the Notes to Consolidated Financial Statements, on December 1, 2014, the Company completed an asset exchange with CBS Radio under which the Company agreed to exchange all of the assets used or useful in the operations of WRDW-FM and WXTU-FM in Philadelphia, PA and WKIS-FM, WPOW-FM and WQAM-AM in Miami, FL previously owned and operated by the Company for all of the assets used or useful in the operations of WIP-AM in Philadelphia, PA, WHFS-AM, WHFS-FM, WLLD-FM, WQYK-FM, WRBQ-FM and WYUU-FM in Tampa, FL and WBAV-FM, WBCN-AM, WFNZ-AM, WKQC-FM, WNKS-FM, WPEG-FM and WSOC-FM in Charlotte, NC previously owned and operated by CBS Radio Stations Inc. Our opinion is not modified with respect to this matter.

/s/ Crowe Horwath LLP

Fort Lauderdale, Florida

March 18, 2015



**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONSOLIDATED BALANCE SHEETS**

	December 31, 2013	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,299,013	\$ 14,259,441
Accounts receivable, less allowance for doubtful accounts of \$499,865 in 2013 and \$544,932 in 2014	17,195,453	17,637,686
Prepaid expenses	1,459,757	636,552
Deferred tax assets	374,660	220,316
Other current assets	2,522,797	2,784,210
<b>Total current assets</b>	<b>35,851,680</b>	<b>35,538,205</b>
Notes receivable from related parties	2,305,502	1,748,092
Property and equipment, net	16,807,242	28,254,202
FCC broadcasting licenses	108,961,730	234,328,330
Goodwill	7,062,310	8,857,516
Other intangibles, net		1,358,026
Assets held for sale	87,109,723	
Other assets	6,110,702	5,882,818
<b>Total assets</b>	<b>\$ 264,208,889</b>	<b>\$ 315,967,189</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 4,250,000	\$ 3,112,500
Accounts payable	1,675,130	1,120,434
Other current liabilities	8,391,168	9,794,234
<b>Total current liabilities</b>	<b>14,316,298</b>	<b>14,027,168</b>
Long-term debt, net of current portion	102,625,000	94,581,250
Deferred tax liabilities	52,771,252	75,996,813
Other long-term liabilities	870,245	819,670
<b>Total liabilities</b>	<b>170,582,795</b>	<b>185,424,901</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; none issued		
Class A common stock, \$0.001 par value; 150,000,000 shares authorized; 9,073,940 issued and 6,285,332 outstanding in 2013; 9,275,746 issued and 6,444,842 outstanding in 2014	9,074	9,276
Class B common stock, \$0.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2013 and 2014	16,662	16,662
Additional paid-in capital	117,130,362	118,535,400
Treasury stock, Class A common stock; 2,788,608 shares in 2013; 2,830,904 shares in 2014	(14,729,984)	(15,107,464)
Retained earnings (accumulated deficit)	(8,824,642)	27,066,481
Accumulated other comprehensive income	24,622	21,933
<b>Total stockholders' equity</b>	<b>93,626,094</b>	<b>130,542,288</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 264,208,889</b>	<b>\$ 315,967,189</b>

*See accompanying notes to consolidated financial statements*

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31, 2013	Year Ended December 31, 2014
Net revenue	\$ 56,097,960	\$ 58,705,903
Operating expenses:		
Station operating expenses (including stock-based compensation of \$21,371 in 2013 and \$101,362 in 2014 and excluding depreciation and amortization shown separately below)	37,253,276	40,351,258
Corporate general and administrative expenses (including stock-based compensation of \$671,724 in 2013 and \$1,216,540 in 2014)	8,624,395	8,923,117
Radio station exchange transaction costs		1,261,318
Employee termination expenses		458,585
Other operating expenses	185,916	
Depreciation and amortization	1,656,015	2,151,949
Total operating expenses	47,719,602	53,146,227
Operating income	8,378,358	5,559,676
Non-operating income (expense):		
Interest expense	(7,081,801)	(4,375,129)
Loss on extinguishment of long-term debt	(1,260,784)	(30,569)
Other income (expense), net	80,444	326,282
Income from continuing operations before income taxes	116,217	1,480,260
Income tax expense (benefit)	(129,433)	514,275
Income from continuing operations	245,650	965,985
Income from discontinued operations (net of income taxes)	11,300,613	39,033,382
Net income	11,546,263	39,999,367
Other comprehensive income:		
Unrealized gain (loss) on securities (net of income tax expense of \$6,396 in 2013 and income tax benefit of \$1,770 in 2014)	10,436	(2,689)
Comprehensive income	\$ 11,556,699	\$ 39,996,678
Basic net income per share:		
Continuing operations	\$ 0.01	\$ 0.04
Discontinued operations	\$ 0.50	\$ 1.71
Net income per share	\$ 0.51	\$ 1.75
Diluted net income per share:		
Continuing operations	\$ 0.01	\$ 0.04
Discontinued operations	\$ 0.50	\$ 1.70
Net income per share	\$ 0.51	\$ 1.74
Dividends declared per common share	\$ 0.045	\$ 0.18
Weighted average shares outstanding:		
Basic	22,735,774	22,811,825
Diluted	22,838,209	22,944,815

*See accompanying notes to consolidated financial statements*



**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

	Class A		Common Stock Class B		Additional Paid-In Capital	Treasury Stock		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Stockholders Equity
	Shares	Amount	Shares	Amount		Shares	Amount			
Balances as of January 1, 2013	8,897,440	\$ 8,897	16,662,743	\$ 16,662	\$ 116,896,411	(2,752,245)	\$ (14,539,533)	\$ (19,347,366)	\$ 14,186	\$ 83,049,257
Stock-based compensation	176,500	177			692,918					693,095
Adjustment from related party acquisition					(521,383)					(521,383)
Tax benefit from vesting of restricted stock					62,416					62,416
Purchase of treasury stock						(36,363)	(190,451)			(190,451)
Net income								11,546,263		11,546,263
Cash dividends, \$0.045 per common share										