

BEASLEY BROADCAST GROUP INC

Form 10-K

March 13, 2008

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**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, 2007

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: 0-29253

**BEASLEY BROADCAST GROUP, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of)

65-0960915  
(I.R.S. Employer)

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incorporation or organization)

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 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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

As of June 29, 2007, the aggregate market value of the Class A common stock held by non-affiliates of the registrant was \$57,515,422 based on the number of shares outstanding as of such date and the closing price of \$8.90 on NASDAQ's National Market System on such date, the last business day of our most recently completed second quarter.

Class A Common Stock, \$.001 par value 6,969,459 Shares Outstanding as of March 7, 2008

Class B Common Stock, \$.001 par value 16,712,743 Shares Outstanding as of March 7, 2008

**Documents Incorporated by Reference**

Certain information in the registrant's Definitive Proxy Statement for its 2008 Annual Meeting of Stockholders pursuant to Regulation 14A, is incorporated by reference in Part III of this report, which will be filed with the Securities and Exchange Commission no later than April 29,

2008.

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**BEASLEY BROADCAST GROUP, INC.**

**FORM 10-K ANNUAL REPORT**

**FOR THE PERIOD ENDED DECEMBER 31, 2007**

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**CERTAIN DEFINITIONS**

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

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### **PART I**

#### **ITEM 1. BUSINESS**

##### **Overview**

We are a radio broadcasting company whose primary business is acquiring, developing, and operating radio stations throughout the United States. We own and operate 44 radio stations in the following markets: Philadelphia, PA, Atlanta, GA, Boston, MA, Miami-Ft. Lauderdale, FL, Las Vegas, NV, West Palm Beach-Boca Raton, FL, Ft. Myers-Naples, FL, Wilmington, DE, Greenville-New Bern-Jacksonville, NC, Augusta, GA and Fayetteville, NC.

##### **Recent Developments**

We tested our FCC broadcasting licenses for impairment as of December 31, 2007 in accordance with the provisions of SFAS 142, *Goodwill and Other Intangible Assets*. As a result of the testing, we recorded impairment losses of \$2.2 million related to the FCC broadcasting licenses in our West Palm Beach-Boca Raton, FL, Wilmington, DE and Augusta, GA market clusters. The impairment losses were primarily due to a decrease in projected growth rates for radio advertising revenue in these markets. For further discussion, see the Critical Accounting Policies section in Item 7 of this report.

##### **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 (i) acquire additional radio stations in existing clusters to position us to capitalize on our market expertise and existing relationships with local advertisers to increase revenues of the acquired radio stations; (ii) acquire existing clusters in new markets or establish a presence in new markets where we believe we can build successful clusters over time; and (iii) swap existing radio stations with other radio station owners in new or existing markets. Current FCC rules and regulations do not allow us to add any more radio stations to our existing clusters in the Fayetteville, NC, Greenville-New Bern-Jacksonville, NC, and Augusta, GA radio markets.

We are also investing in interactive support services to develop and promote our radio station websites. We have begun to 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.

##### **Competition**

The radio broadcasting industry is highly competitive. Our radio stations compete for listeners and advertising revenue within their respective markets directly with other radio stations, as well as with other media such as over-the-air and cable television, newspapers and magazines, outdoor advertising, direct mail, satellite radio, cellular phones and other wireless media, the internet, and other forms of advertising.

Radio stations compete for listeners primarily on the basis of program content that appeals to a particular demographic group. By building a strong listener base consisting of a specific demographic group in each of our markets, we are able to attract advertisers seeking to reach those listeners. The following are some of the factors that we believe are important to a radio station's competitive position: (i) transmitter power; (ii) management experience; (iii) assigned frequency; (iv) audience characteristics; (v) local program acceptance; and (vi) the number and characteristics of other radio stations and other advertising media in the market area.

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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. Our research, programming and promotions strategy combines thorough research with an assessment of our competitors' vulnerabilities and overall market dynamics in order to identify specific audience and formatting opportunities within each market. Using this research, we tailor our programming and promotions on each radio station to maximize its appeal to its target audience and to respond to the changing preferences of our listeners.

Our radio stations pursue a variety of programming and promotional initiatives designed to develop a distinctive identity and to strengthen the radio stations' local brand or franchise. In addition, through our research, programming and promotional initiatives, we create a marketable identity for our radio stations to enhance audience share and listener loyalty.

Over the past three years, we have experienced a more competitive environment in our markets and the radio broadcasting industry in general, which has resulted in slower growth in net revenue from radio stations that we have owned for more than one year. We expect the more competitive environment to continue. In response to the slower growth in our net revenue we have focused on improving the operations at our radio stations through investment in programming, promotions and sales while continuing to monitor costs and expenses in other areas.

### **HD Radio**

The FCC selected the In-Band On-Channel as the exclusive technology for introduction of terrestrial digital operations by AM and FM radio stations. The technology is also known as HD Radio. The advantages of digital audio broadcasting over traditional analog broadcasting technology include improved sound quality, additional channels and the ability to offer a greater variety of auxiliary services. HD Radio technology permits a radio station to transmit radio programming in both analog and digital formats, and eventually in digital only formats, using the bandwidth that the radio station is currently licensed to use. It is unclear what impact the introduction of digital broadcasting will have on the radio markets in which we compete. The FCC has authorized use of HD Radio digital technology developed by iBiquity Digital Corporation, or iBiquity, on FM and AM stations full-time. The FCC has adopted certain rules applicable to digital radio and is continuing to consider final rules for the service.

We currently utilize HD Radio digital technology on a number of our stations and plan to install this technology on most of our other stations over the next few years. In addition to committing to the use of this technology, we also hold a small equity interest in iBiquity. We are also a member of the HD Digital Radio Alliance Association, which has been formed to promote and develop HD Radio and its digital multicast operations.

### **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 February 29, 2008, we had a staff of 561 full-time employees and 211 part-time employees. We are a party to a collective bargaining agreement with the American Federation of Television and Radio Artists. This agreement applies only to certain of our employees at WXTU-FM in Philadelphia. The collective bargaining

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agreement automatically renews for successive one-year periods unless either party gives a notice of proposed termination at least 60 days before the termination date. We believe that our relations with our employees are good.

## **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 of funds.

## **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.

## **Federal Regulation of Radio Broadcasting**

The radio broadcasting industry is subject to extensive and changing federal regulation of, among other things, program and advertising content including determination of indecency standards, technical operations and business and employment practices. This regulatory regime is administered by the Federal Communications Commission, or FCC, which regulates radio station ownership, operation and transfer. Among other things, the FCC:

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 affect the ownership, operation and employment practices of radio stations.

The FCC has the power to impose penalties for violations of its rules or the Communications Act, 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 periods when renewal applications are pending, petitions to deny license renewals can be filed by interested parties, including

members of the public. Historically, FCC licenses have generally been renewed. We have no reason to believe that our licenses will not



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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. Clear channel AM radio stations are classified as either: Class A radio stations, which operate on an unlimited time basis and are designated to render primary and secondary service over an extended area; Class B radio stations, which operate on an unlimited time basis and are designed to render service only over a primary service area; or Class D AM radio stations, which operate either during daytime hours only, during limited times only or on an unlimited time basis with low nighttime power. A regional channel is one on which Class B and Class D AM radio stations may operate and serve primarily a principal center of population and the rural areas contiguous to it. A local channel is one on which AM radio stations operate on an unlimited time basis and serve primarily a community and the immediately contiguous suburban and rural areas. Class C AM radio stations operate on a local channel and are designed to render service only over a primary service area that may be reduced as a consequence of interference.

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 material. We currently operate WRDW-AM on 1630 kHz in the expanded AM band. Current FCC requirements call for surrender of either the expanded band license for WRDW-AM or the existing band license for WGUS-AM in Augusta, GA. 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.

The class of an FM radio station determines its minimum and maximum facilities requirements. 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 and C. In addition, the FCC has adopted a rule that subjects Class C FM radio stations that do not satisfy a certain antenna height requirement to an involuntary downgrade in class to Class C0 under certain circumstances.

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The following table sets forth the market served (the FCC-designated city of license may differ), call letters, FCC license classification, frequency, power and FCC license expiration date of each of the radio stations that we own including both the existing band license for WGUS-AM and the expanded band license for WRDW-AM in Augusta, GA. In many cases, our licenses are held by wholly-owned indirect subsidiaries. Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during the nighttime broadcasting hours, which can result in reducing the radio station's coverage during the nighttime hours of operation. Both daytime and nighttime power is shown, where applicable. For FM radio stations, the maximum effective radiated power in the main lobe is given.

| Market                               | Call Letters | FCC      |                | Power in Kilowatts | Expiration Date of FCC License |
|--------------------------------------|--------------|----------|----------------|--------------------|--------------------------------|
|                                      |              | Class    | Frequency      |                    |                                |
| Philadelphia, PA                     | WRDW-FM      | B        | 96.5 MHz       | 17                 | 08/01/2014                     |
|                                      | WTMR-AM      | B        | 800 kHz        | 5 day/.5 night     | 06/01/2014                     |
|                                      | WWDB-AM      | D        | 860 kHz        | 10                 | 08/01/2014                     |
|                                      | WXTU-FM      | B        | 92.5 MHz       | 15.5               | 08/01/2014                     |
| Atlanta, GA                          | WAEC-AM      | B        | 860 kHz        | 5 day/.5 night     | 04/01/2012                     |
|                                      | WWWE-AM      | D        | 1100 kHz       | 5                  | 04/01/2012                     |
| Boston, MA                           | WRCA-AM      | B        | 1330 kHz       | 5                  | 04/01/2014                     |
| Miami-Ft. Lauderdale, FL             | WHSR-AM      | B        | 980 kHz        | 5 day/1 night      | 02/01/2012                     |
|                                      | WKIS-FM      | C        | 99.9 MHz       | 100                | 02/01/2012                     |
|                                      | WPOW-FM      | C        | 96.5 MHz       | 100                | 02/01/2012                     |
|                                      | WQAM-AM      | B        | 560 kHz        | 5 day/1 night      | 02/01/2004                     |
|                                      | WWNN-AM      | B        | 1470 kHz       | 50 day/2.5 night   | 02/01/2012                     |
| Las Vegas, NV                        | KBET-AM      | B        | 790kHz         | 1 day/.3 night     | 10/01/2013                     |
|                                      | KCYE-FM      | C        | 104.3 MHz      | 24.5               | 10/01/2013                     |
|                                      | KDWN-AM      | B        | 720 kHz        | 50                 | 10/01/2013                     |
|                                      | KFRH-FM      | C        | 102.7 MHz      | 96                 | 10/01/2013                     |
|                                      | KKLZ-FM      | C        | 96.3MHz        | 100                | 10/01/2013                     |
| West Palm Beach-Boca Raton, FL       | WSBR-AM      | B        | 740 kHz        | 2.5 day/.94 night  | 02/01/2012                     |
| Ft. Myers-Naples, FL                 | WJBX-FM      | C2       | 99.3 MHz       | 45                 | 02/01/2012                     |
|                                      | WJPT-FM      | C2       | 106.3 MHz      | 50                 | 02/01/2012                     |
|                                      | WRXK-FM      | C        | 96.1 MHz       | 100                | 02/01/2012                     |
|                                      | WWCN-AM      | B        | 770 kHz        | 10 day/1 night     | 02/01/2012                     |
|                                      | WXKB-FM      | C        | 103.9 MHz      | 100                | 02/01/2012                     |
| Wilmington, DE                       | WJBR-FM      | B        | 99.5 MHz       | 50                 | 08/01/2014                     |
| Greenville-New Bern-Jacksonville, NC | WIKS-FM      | C1       | 101.9 MHz      | 100                | 12/01/2011                     |
|                                      | WGMV-FM      | C1       | 103.3 MHz      | 100                | 12/01/2011                     |
|                                      | WNCT-AM      | B        | 1070 kHz       | 50 day/10 night    | 12/01/2011                     |
|                                      | WNCT-FM      | C        | 107.9 MHz      | 100                | 12/01/2011                     |
|                                      | WSFL-FM      | C1       | 106.5 MHz      | 100                | 12/01/2011                     |
|                                      | WXNR-FM      | C2       | 99.5 MHz       | 16.5               | 12/01/2011                     |
| Augusta, GA                          | WCHZ-FM      | C3       | 95.1 MHz       | 5.7                | 04/01/2012                     |
|                                      | WDRR-FM      | C3       | 93.9 MHz       | 13                 | 04/01/2012                     |
|                                      | WGAC-AM      | B        | 580 kHz        | 5 day/.84 night    | 04/01/2012                     |
|                                      | WGAC-FM      | A        | 93.1 MHz       | 4.1                | 04/01/2012                     |
|                                      | WGUS-AM      | B        | 1480 kHz       | 5                  | 04/01/2012                     |
|                                      | WGUS-FM      | A        | 102.7 MHz      | 3                  | 12/01/2011                     |
|                                      | WHHD-FM      | C3       | 98.3 MHz       | 11.5               | 12/01/2011                     |
|                                      | WKXC-FM      | C2       | 99.5 MHz       | 24                 | 12/01/2011                     |
| WRDW-AM                              | B            | 1630 kHz | 10 day/1 night | 04/01/2012         |                                |
| Fayetteville, NC                     | WAZZ-AM      | C        | 1490 kHz       | 1                  | 12/01/2011                     |

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|         |    |           |                 |            |
|---------|----|-----------|-----------------|------------|
| WFLB-FM | C  | 96.5 MHz  | 100             | 12/01/2011 |
| WKML-FM | C  | 95.7 MHz  | 100             | 12/01/2011 |
| WTEL-AM | B  | 1160 kHz  | 5 day/.25 night | 12/01/2011 |
| WUKS-FM | C3 | 107.7 MHz | 5.2             | 12/01/2011 |
| WZFX-FM | C1 | 99.1 MHz  | 100             | 12/01/2011 |

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WQAM-AM's license renewal is currently subject to objections and indecency-related proceedings at the FCC, described below, and that renewal has not yet been granted. We timely-filed a renewal application in October 2003 and informal objections were filed against that application. Because we filed a timely renewal application, we continue to operate the radio station under this license in the ordinary course. We do anticipate renewal of WQAM-AM's license.

In February 2004, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on one day in September 2003. In November 2004, the FCC issued to us a notice of apparent liability for a monetary forfeiture of \$55,000 for alleged indecency violations relating to broadcasts on two additional days in September 2003 at WQAM-AM. In December 2004, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on eight different dates in 2004 on the Howard Stern Show; that inquiry also relates to WRXK-FM, which also carried the Howard Stern Show at that time. In August 2005, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on four different occasions; that inquiry also relates to WRXK. Other complaints involving the broadcast of alleged indecent or profane material by radio stations we own remain pending.

***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 in the last few years has stepped up its enforcement activities as they apply to indecency, and has threatened to initiate license revocation or license renewal proceedings against broadcast licensees for a category of undefined serious indecency violations. The FCC has also 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. Legislation has also been enacted that substantially increases the monetary penalties for broadcasting indecent programming. 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. Several appeals of certain of the FCC's recent enforcement actions and of the FCC's underlying indecency standards are pending in the federal courts. 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. In June 2006, Congress increased the maximum permitted fines to \$325,000 per incident and \$3,000,000 for any continuing violation arising from a single act or failure to act. The FCC implemented the increased forfeiture amounts in July 2007. 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. One of our radio stations was issued a notice of apparent liability for a monetary forfeiture for indecency violations, and is currently subject to an enforcement inquiry with respect to alleged indecency violations, and that radio station as well as certain of our other radio stations are currently subject to separate enforcement inquiries with respect to alleged indecency violations. The increased forfeiture amounts do not apply to any of these pending inquiries. See FCC Licenses above.

***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 a number of factors pertaining to the licensee and proposed licensee, including:

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

the character of the 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.

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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. 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.

***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

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.

In June 2003, the FCC adopted rules, which changed the methodology by which it defines a particular radio market and counts radio stations to determine compliance with the radio multiple ownership restrictions. Such changes generally reduce the number of radio stations counted as being in a market. 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 unless such transfer or assignment is to certain eligible small businesses. 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. In June 2004, the United States Court of Appeals for the Third Circuit remanded to the FCC for further justification or modification the FCC's decision to retain the numerical limits on local radio ownership set forth above. In an order adopted in December 2007, the FCC declined to make any further changes to the local radio ownership rule.

***Radio-Television Cross-Ownership Rule.*** The FCC's radio-television cross-ownership rule permits a single owner to own or control up to two television stations, consistent with the FCC's rules on common ownership of television stations, together with one radio station in all markets. In addition, an owner will be permitted to own additional radio stations, not to exceed the local radio ownership limits for the market, as follows:

in markets where 20 media voices will remain after the consummation of the proposed transaction, an owner may own an additional five radio stations, or, if the owner only has one television station, an additional six radio stations; and

in markets where 10 media voices will remain after the consummation of the proposed transaction, an owner may own an additional three radio stations.

A media voice generally includes each independently-owned, full power television and radio station and each daily newspaper, plus one cable television system per market.

***Newspaper-Broadcast Cross-Ownership Rule.*** The FCC's currently effective newspaper-broadcast cross-ownership rule prohibits the same owner from owning a broadcast station and a daily English language



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newspaper in the same geographic market. In its December 2007 Order, the FCC modified this rule to permit cross-ownership of one newspaper and one television or radio station in the top twenty markets under certain circumstances, and establishing a waiver procedure for such combinations in markets smaller than the top twenty. The FCC's Order is subject to reconsideration and appeal.

The FCC generally applies its ownership limits to attributable interests held by an individual, corporation, partnership or other association. In the case of corporations controlling broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the corporation's voting stock are generally attributable. However, certain passive investors are attributable only if they hold 20% or more of the corporation's voting stock. In addition, the interests of minority shareholders in a corporation generally are not attributable if a single entity or individual holds 50% or more of that corporation's voting stock.

The FCC also has a rule, known as the equity-debt-plus rule, which causes certain creditors or investors to be attributable owners of a radio station. Under this rule, a major programming supplier or a same-market owner will be an attributable owner of a radio station if the supplier or owner holds debt or equity, or both, in the radio station that is greater than 33% of the value of the radio station's total debt plus equity. A major programming supplier includes any programming supplier that provides more than 15% of the radio station's weekly programming hours. A same-market owner includes any attributable owner of a media company, including broadcast stations, cable television and newspapers, located in the same market as the radio station, but only if the owner is attributable under an FCC attribution rule other than the equity-debt-plus rule. The attribution rules limit the number of radio stations we may acquire or own in any market.

***Alien 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 if 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, if the FCC finds that the prohibition is in the public interest. 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 Agreements.*** It is not uncommon for radio stations to enter into what have commonly been referred to as time brokerage agreements. While these agreements may take varying forms, under a typical time brokerage agreement, 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. One typical type of time brokerage agreement is a programming agreement between two separately-owned radio stations serving a common service area, whereby the licensee of one radio station provides substantial portions of the broadcast programming for airing on the other licensee's radio station, subject to ultimate editorial and other controls being exercised by the latter licensee, and sells advertising time during those program segments.

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 will be considered to have an attributable ownership interest in the brokered radio station for purposes of FCC's local radio ownership limits. As a result, in a market where we own a radio station, we would not be permitted to enter into a time brokerage agreement with another radio station in the same market if we could not own the brokered radio station under the multiple ownership rules, unless our programming on the brokered radio station constituted 15% or less of the brokered radio station's programming.

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time on a weekly basis. 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.

Radio stations may also enter into what are commonly known as joint sales agreements. In a typical joint sales agreement, separately owned and licensed radio stations agree to enter into cooperative arrangements involving the sale of advertising time and the collection of proceeds from such sales, but involving none or only a limited amount of programming time. Such arrangements are subject to compliance with the requirements of the antitrust laws and the FCC's rules and policies. A radio station that sells more than 15% of the weekly advertising time of another radio station serving the same market is deemed to have an attributable interest in that other radio station.

***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 recently launched rulemaking proceedings 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 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 by the FCC at any time. Such complaints are required to be maintained in the radio station's public file. 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, obscene and indecent broadcasts 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. Radio stations with ten or more full-time employees in a given market must file a Mid-term EEO Report with the FCC midway through the license term. Broadcasters must prepare and place in their public files and on their websites an annual EEO report, and to file the previous two reports with the FCC along with the Mid-term EEO Report and the renewal application.

FCC decisions hold that a broadcast station may not deny a candidate for federal political office a request for broadcast advertising time solely on the grounds that the amount of time requested is not the standard length of time, which the radio station offers to its commercial advertisers. This policy has not had a material impact on our programming and commercial advertising operations but the policy's future impact is uncertain.



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**Proposed and Recent Changes.** Congress and the FCC 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;

streaming fees for radio;

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; and

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

The FCC has recently adopted a standardized issues/programming form for use by television stations, and is considering 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 what amount and nature of news and public service programming was presented to address those issues. In addition, the FCC has released a proceeding in which it has proposed a variety of rules to enhance localism concerns, including the possibility of readopting programming standards, based perhaps on the data obtained by the new issues/programming forms; requiring that the main studio of each station be located within the boundaries of its community of license and staffed on a fulltime basis; and other proposals.

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.

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 Act 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. If the investigating agency raises substantive issues in connection with a proposed transaction, then the parties frequently engage in lengthy discussions or negotiations with the investigating agency concerning possible means of addressing those issues, including restructuring the proposed acquisition or divesting assets. In addition, the investigating agency could file suit in federal court to enjoin

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the acquisition or to require the divestiture of assets, among other remedies. In addition, acquisitions, whether or not required to be reported under the Hart-Scott-Rodino Act, may be investigated by the FTC, the Department of Justice or other state authorities under the antitrust laws before or

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after consummation. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws.

As part of its increased scrutiny of radio station acquisitions, the Department of Justice has stated publicly that it believes that local marketing agreements, joint sales agreements, time brokerage agreements and other similar agreements customarily entered into in connection with radio station transfers could violate the Hart-Scott-Rodino Act if such agreements take effect prior to the expiration of the waiting period under the Hart-Scott-Rodino Act. Furthermore, the Department of Justice has noted that joint sales agreements may raise antitrust concerns under Section 1 of the Sherman Act and has challenged joint sales agreements in certain locations. The Department of Justice also has stated publicly that it has established certain revenue and audience share concentration benchmarks with respect to radio station acquisitions, above which a transaction may receive additional antitrust scrutiny. However, to date, the Department of Justice has also investigated transactions that do not meet or exceed these benchmarks and has cleared transactions that do exceed these benchmarks.

**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 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.*

**The radio broadcasting industry faces many unpredictable business risks that could have a material adverse affect on our advertising revenues.**

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 affect 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, television stations, newspapers and magazines, outdoor advertising, direct mail, satellite radio, cellular phones and other wireless media, the internet 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 economic recession or downturn as compared to other types of business spending. Consequently, a recession or downturn in the United States economy or the economy of an individual geographic market in which we own radio stations would likely adversely affect our advertising revenues and our results of operations.

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### **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 over-the-air and cable television, newspapers and magazines, outdoor advertising, direct mail, satellite radio, cellular phones and other wireless media, the internet 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 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. Licenses are normally granted for renewable terms of eight years. 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. 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.

WQAM-AM's license renewal is currently subject to objections and indecency-related proceedings at the FCC, described in the following Risk Factor, and that renewal has not yet been granted. We timely-filed a renewal application in October 2003 and informal objections were filed against that application. Because we filed a timely renewal application, we continue to operate the radio station under this license in the ordinary course. We do anticipate renewal of WQAM-AM's license.

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.

### **The FCC continues vigorous enforcement of its indecency rules, which 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 6 am and 10 pm. Broadcasters risk of violating the prohibition on the broadcast of indecent material is

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increased by the vagueness of the FCC's definition of indecent material, coupled with the spontaneity of live programming. The FCC in the last few years has stepped up its enforcement activities as they apply to indecency, and has threatened to initiate license revocation or license renewal proceedings against broadcast licensees for a category of undefined serious indecency violations. The FCC has also 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. Legislation has also been enacted that substantially increases the monetary penalties for broadcasting indecent programming. 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. Several appeals of certain of the FCC's recent enforcement actions and of the FCC's underlying indecency standards are pending in the federal courts. 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. In June 2006, Congress increased the maximum permitted fines to \$325,000 per incident and \$3,000,000 for any continuing violation arising from a single act or failure to act. The FCC implemented the increased forfeiture amounts in July 2007. 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.

In February 2004, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on one day in September 2003. In November 2004, the FCC issued to us a notice of apparent liability for a monetary forfeiture of \$55,000 for alleged indecency violations relating to broadcasts on two additional days in September 2003 at WQAM-AM. In December 2004, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on eight different dates in 2004 on the Howard Stern Show; that inquiry also relates to WRXK-FM, which also carried the Howard Stern Show at that time. In August 2005, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on four different occasions that inquiry also relates to WRXK. WQAM's license has not yet been renewed. We timely-filed a renewal application in October 2003 and informal objections were filed against that application. Because we filed a timely renewal application, we continue to operate the radio station under this license in the ordinary course. Other complaints involving the broadcast of alleged indecent or profane material by radio stations we own remain pending. The increased forfeiture amounts do not apply to any of these pending inquiries.

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.

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

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. cellular phones, iPods, mp3 players);

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

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audio programming by cable systems, direct broadcast satellite systems, internet content providers, 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; and

low power FM radio, which has resulted in non-commercial FM radio broadcast outlets that serve small, localized areas.

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 successful in identifying, financing, consummating and integrating future acquisitions, an element of our business strategy, which could significantly impair our future growth.**

We believe that in order to continue to compete effectively in our industry, we need to identify radio stations that meet certain criteria and consummate acquisitions of such stations on terms that are both economically and commercially acceptable to us.

While we intend to continue to pursue our acquisition strategy, we cannot assure you that we will be able to identify radio stations that meet our acquisition requirements and consummate future acquisitions. Additionally, even if we are successful in identifying acceptable targets, our ability to consummate acquisitions is subject to a number of risks, including the risks that:

our competitors may be able to outbid us for acquisitions because they have greater financial resources;

required regulatory approvals may result in unanticipated delays in, or prohibitions of, completing acquisitions; and

we may be unable to raise any additional financing necessary to consummate such acquisitions and additional financing may not be available to us on terms that are acceptable to us or permitted under our credit facility.

Even if we are able to consummate acquisitions, we cannot assure you that we will be successful in integrating the operations of the acquired radio station or radio stations into our existing operations or that we will realize the benefits that we expect to realize in connection with such acquisitions. Moreover, consummating these acquisitions could also result in the incurrence of additional debt and related interest expense as well as unforeseen contingent liabilities, all of which could have a material adverse effect of our business, financial condition and results of operations.

### **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, 2007, we had long-term debt of \$191.1 million and stockholders' equity of \$85.2 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

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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 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. Moreover, we may need to modify or enter into a new credit facility to close on any future acquisitions that we may make. We also may seek to obtain other funding or additional financing in connection with any such acquisition of radio stations, the full or partial repayment of our outstanding debt and/or the payment of a dividend on our common stock. We cannot assure you that we will be able to obtain other funding, additional financing or the approvals, if necessary, for any of these transactions. 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. 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.

### **A downturn in the performance of our radio stations in Miami-Ft. Lauderdale or Philadelphia could adversely affect our net revenue.**

A ratings decline or other operating difficulty in the performance of our radio stations in Miami- Ft. Lauderdale or Philadelphia could have a disproportionately adverse affect on our net revenue. These radio stations contributed 48.3% of our net revenue during 2007. Because of the large portion of our net revenue from Miami- Ft. Lauderdale and Philadelphia we have greater exposure to adverse events or conditions affecting the economy in those markets than would be the case if we were more geographically diverse.

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

As of December 31, 2007, our FCC broadcasting licenses and goodwill represented 79.4% of our total assets. In accordance with the provisions of SFAS 142, *Goodwill and Other Intangible Assets*, we are required to test our FCC broadcasting licenses and goodwill for impairment at least annually which may result in future impairment losses. In 2007, we recorded impairment losses of \$2.2 million related to the FCC broadcasting licenses in our West Palm Beach-Boca Raton, FL, Wilmington, DE and Augusta, GA market clusters. For further discussion, see the Critical Accounting Policies section in Item 7 of this report.



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### **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 eleven radio stations located there. These radio stations contributed 44.1% of our net revenue during 2007. Although the 2007 hurricane season did not have a material impact on our operations, our corporate offices and our radio stations located in Florida and along the coast of North Carolina 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.

### **Our business depends on the efforts of key personnel and the loss of any one of them could have a material adverse affect 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 75 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 common stock that Mr. Beasley beneficially owns represent 78.9% of the total voting power of all classes of our common stock. Mr. Beasley also has currently exercisable stock options to purchase 487,500 shares of Class A common stock. Members of his immediate family also own significant amounts of Class B common stock and Class A 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 Management's Discussion and Analysis of Financial Condition and Results of Operation - Related Party Transactions and note 15 to the accompanying consolidated 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 fall 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 February 29, 2008, we own or lease studio and office space for our radio stations in the following locations:

| Location         | Radio Station(s)   | Owned/Leased        |
|------------------|--|---------------------|
| Philadelphia, PA | WRDW-FM, WWDB-AM and WXTU-FM   | Third party lease   |
| Camden, NJ       | WTMR-AM  | Owned               |
| Atlanta, GA      | WAEC-AM and WWWE-AM  | Third party lease   |
| Boston, MA       | WRCA-AM  | Third party lease   |
| Miami, FL        | WKIS-FM  | Owned               |
|                  | WPOW-FM and WQAM-AM  | Third party lease   |
| Las Vegas, NV    | All of the radio stations in our Las Vegas, NV market cluster        | Third party lease   |
| Boca Raton, FL   | WHSR-AM, WSBR-AM and WWNN-AM   | Third party lease   |
| Estero, FL       | All of the radio stations in our Ft. Myers-Naples, FL market cluster | Related party lease |
| Wilmington, DE   | WJBR-FM  | Third party lease   |
| New Bern, NC     | WIKS-FM, WMGV-FM, WSFL-FM and WXNR-FM                                | Owned               |
| Greenville, NC   | WNCT-AM and WNCT-FM  | Owned               |
| Augusta, GA      | All of the radio stations in our Augusta, GA market cluster          | Owned               |
|                  | Land under the building for the radio stations in Augusta, GA        | Related party lease |
| Fayetteville, NC | All of the radio stations in our Fayetteville, NC market cluster     | Owned               |

We lease the studio and office space in Estero, FL from George G. Beasley (our CEO). In addition, we currently lease our principal executive offices in Naples, FL from Beasley Broadcasting Management Corp., which is wholly-owned by George G. Beasley. No one property is material to us. We believe that our properties

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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**

On February 13, 2004, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on one day in September 2003. On November 23, 2004, the FCC issued to us a notice of apparent liability for a monetary forfeiture of \$55,000 for alleged indecency violations relating to broadcasts on two additional days in September 2003 at WQAM-AM. On December 6, 2004, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on eight different dates in 2004 on the Howard Stern Show; that inquiry also relates to WRXK-FM, which also carried the Howard Stern Show at that time. On August 15, 2005, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on four different occasions; that inquiry also relates to WRXK. Other complaints involving the broadcast of alleged indecent or profane material by radio stations we own remain pending.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

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

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 2007</b> | <b>High</b> | <b>Low</b> |
|--------------------|-------------|------------|
| First Quarter      | \$ 9.63     | \$ 8.22    |
| Second Quarter     | 9.16        | 7.45       |
| Third Quarter      | 9.05        | 6.54       |
| Fourth Quarter     | 9.09        | 4.60       |
| <b>Fiscal 2006</b> |             |            |
| First Quarter      | \$ 14.24    | \$ 10.11   |
| Second Quarter     | 12.10       | 6.38       |
| Third Quarter      | 7.40        | 6.23       |
| Fourth Quarter     | 9.59        | 6.77       |

**Table of Contents****Performance Graph**

The following graph compares the cumulative return, for the five-year period ending December 31, 2007, of our Class A common stock to the total cumulative return over the same period of the common stocks in (1) The NASDAQ Composite Index and (2) The NASDAQ Telecommunications Index, which is an index of telecommunications companies, including radio and television broadcasting companies and point-to-point communications services companies. The comparison assumes \$100 was invested on December 31, 2002 in our Class A common stock and in each of the comparison groups, with dividends, if any, reinvested.

|                                 | 12/31/02  | 12/31/03  | 12/31/04  | 12/30/05  | 12/29/06  | 12/31/07  |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Beasley Broadcast Group         | \$ 100.00 | \$ 138.29 | \$ 146.57 | \$ 112.96 | \$ 80.02  | \$ 43.48  |
| NASDAQ Composite Index          | \$ 100.00 | \$ 150.01 | \$ 162.89 | \$ 165.13 | \$ 180.85 | \$ 198.60 |
| NASDAQ Telecommunications Index | \$ 100.00 | \$ 168.74 | \$ 182.23 | \$ 169.09 | \$ 216.03 | \$ 235.85 |

We cannot assure you that our stock performance will continue into the future with the same or similar trends depicted in the graph above. We do not make or endorse any predictions as to future stock performance.

**Stockholders**

As of February 29, 2008, the number of beneficial holders of our Class A common stock was approximately 600. As of February 29, 2008, the number of holders of our Class B common stock was 18.

**Dividends**

Our credit agreement permits us to pay cash dividends on our common stock in an amount up to an aggregate of \$10.0 million per year. Our board of directors declared a cash dividend of \$0.0625 per share on our Class A and Class B common stock during each quarter in 2007. We paid \$6.0 million and \$5.8 million for cash dividends during the years ended December 31, 2006 and 2007, respectively. We did not pay any cash dividends in 2005.

On December 14, 2007, our board of directors declared a cash dividend of \$0.0625 per share on our Class A and Class B common stock. The dividend of \$1.5 million in the aggregate was paid on January 18, 2008, to

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stockholders of record on December 31, 2007. We intend to continue to pay quarterly cash dividends in 2008 however our board of directors will review and declare all subsequent cash dividends at their discretion.

**Share Repurchases**

The following table presents information with respect to purchases we made of our Class A common stock during the three months ended December 31, 2007.

| Period              | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value That May Yet Be Purchased Under the Program |
|---------------------|----------------------------------|------------------------------|--|--|
| October 1 31, 2007  | 20,800                           | \$ 7.64                      | 20,800   | \$ 18,115,407  |
| November 1 30, 2007 | 17,633                           | 7.20                         | 16,800   | 17,993,992   |
| December 1 31, 2007 | 26,800                           | 5.97                         | 26,800   | 17,833,217   |
| Total               | 65,233                           |                              |  |  |

On July 29, 2004, we announced that at a meeting on June 10, 2004, our board of directors authorized us to repurchase up to \$25.0 million of our Class A common stock over a period of one year from the date of authorization. On May 12, 2005, our board of directors authorized a one-year extension of the repurchase period to June 9, 2006. On May 24, 2006, our board of directors authorized us to increase the remaining balance under our previous authorization from \$21.3 million to \$25.0 million and to extend the repurchase period to May 23, 2007. Effective May 24, 2007, our board of directors authorized the extension of the repurchase period for one additional year. In connection with the vesting of restricted stock under our 2000 Equity Plan, 833 shares of our Class A common stock were surrendered to us in November to fund withholding taxes payable.

**Equity Compensation Plan Information**

The following table sets forth certain information with respect to our equity compensation plans as of December 31, 2007.

| Plan Category  | 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) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan (Excluding Securities Reflected in Column (a)) (c) |
|--|---|---|--|
| Equity Compensation Plans Approved By Security Holders     | 2,549,084   | \$ 15.26  | 616,282  |
| Equity Compensation Plans Not Approved By Security Holders |   |   |  |
| Total  | 2,549,084   |   | 616,282  |

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

We have derived the selected financial data shown below as of December 31, 2003, 2004 and 2005 and for the years ended December 31, 2003 and 2004 from our audited consolidated financial statements not included in this report. We have derived the selected financial data shown below as of December 31, 2006 and 2007 and for the years ended 2005, 2006 and 2007 from our audited consolidated financial statements included in Item 8 of this report.

The comparability of the selected financial data shown below has been affected by recent acquisitions. You should read the selected financial data together with Management Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this report.

|   | 2003       | Year ended December 31,              |            |            | 2007       |
|---|------------|--------------------------------------|------------|------------|------------|
|   |            | 2004                                 | 2005       | 2006       |            |
|   |            | (in thousands except per share data) |            |            |            |
| <b>Operating Data:</b>                                  |            |                                      |            |            |            |
| Net revenue   | \$ 114,482 | \$ 122,205                           | \$ 124,294 | \$ 125,190 | \$ 133,883 |
| Operating income from continuing operations             | \$ 27,067  | \$ 29,864                            | \$ 25,098  | \$ 25,929  | \$ 21,764  |
| Income from continuing operations                       | \$ 12,504  | \$ 12,031                            | \$ 10,705  | \$ 10,134  | \$ 4,771   |
| Net income  | \$ 12,771  | \$ 12,031                            | \$ 10,705  | \$ 10,134  | \$ 4,771   |
| Basic net income from continuing operations per share   | \$ 0.52    | \$ 0.50                              | \$ 0.44    | \$ 0.42    | \$ 0.20    |
| Diluted net income from continuing operations per share | \$ 0.51    | \$ 0.49                              | \$ 0.44    | \$ 0.42    | \$ 0.20    |
| Basic net income per share                              | \$ 0.53    | \$ 0.50                              | \$ 0.44    | \$ 0.42    | \$ 0.20    |
| Diluted net income per share                            | \$ 0.52    | \$ 0.49                              | \$ 0.44    | \$ 0.42    | \$ 0.20    |
| Dividends declared per common share                     | \$         | \$                                   | \$ 0.06    | \$ 0.25    | \$ 0.25    |

|                            | 2003       | As of December 31, |            |            | 2007       |
|----------------------------|------------|--------------------|------------|------------|------------|
|                            |            | 2004               | 2005       | 2006       |            |
|                            |            | (in thousands)     |            |            |            |
| <b>Balance Sheet:</b>      |            |                    |            |            |            |
| Total assets               | \$ 277,891 | \$ 286,300         | \$ 280,817 | \$ 297,968 | \$ 337,152 |
| Total long-term debt       | 169,987    | 158,987            | 144,375    | 154,375    | 191,056    |
| Total stockholders' equity | 69,410     | 81,075             | 87,998     | 87,592     | 85,186     |

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### **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 acquiring, developing, and operating radio stations throughout the United States. We own and operate 44 radio stations in the following markets: Philadelphia, PA, Atlanta, GA, Boston, MA, Miami-Ft. Lauderdale, FL, Las Vegas, NV, West Palm Beach-Boca Raton, FL, Ft. Myers-Naples, FL, Wilmington, DE, Greenville-New Bern-Jacksonville, NC, Augusta, GA and Fayetteville, NC. We refer to each group of radio stations that we own in each radio market as a market cluster.

Over the past three years, we have experienced a more competitive environment in our markets and the radio broadcasting industry in general, which has resulted in slower growth in net revenue from radio stations that we have owned for more than one year. We expect the more competitive environment to continue. In response to the slower growth in our net revenue we have focused on improving the operations at our radio stations through investment in programming, promotions and sales while continuing to monitor costs and expenses in other areas.

#### **Recent Developments**

We tested our FCC broadcasting licenses for impairment as of December 31, 2007 in accordance with the provisions of SFAS 142, *Goodwill and Other Intangible Assets*. As a result of the testing, we recorded impairment losses of \$2.2 million related to the FCC broadcasting licenses in our West Palm Beach-Boca Raton, FL, Wilmington, DE and Augusta, GA market clusters. The impairment losses were primarily due to a decrease in projected growth rates for radio advertising revenue in these markets. For further discussion, see the Critical Accounting Policies section elsewhere in this Item.

#### **Financial Statement Presentation**

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

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

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

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

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

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

the size of the market.

Our net revenue is affected by general economic conditions, competition and our ability to improve operations at our market clusters. Seasonal revenue fluctuations are also common in the radio broadcasting





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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.

A growing source of revenue comes from our radio station websites primarily 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. Our radio station websites contributed approximately 1.3%, 1.5% and 3.1% of net revenue during the years ended December 31, 2005, 2006 and 2007, respectively.

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. The following summary table presents a comparison of our trade sales revenue and expenses.

|                | Year ended December 31, |              |              |
|----------------|-------------------------|--------------|--------------|
|                | 2005                    | 2006         | 2007         |
| Trade revenue  | \$ 4,811,436            | \$ 4,161,965 | \$ 4,375,755 |
| Trade expenses | \$ 4,506,082            | \$ 3,916,789 | \$ 4,260,658 |

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

*Income Taxes.* Our effective tax rate was approximately 42% in 2005, 41% in 2006 and 42% in 2007, which differs from the federal statutory rate of 34% due to the effect of state income taxes and certain of our expenses that are not deductible for tax purposes.

**Critical Accounting Policies**

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 consolidated results of operations or financial condition.

*Impairment of FCC Broadcasting Licenses.* As of December 31, 2007, FCC broadcasting licenses with an aggregate carrying amount of \$238.4 million represented 70.7% of our total assets. We are required to estimate the fair value of our FCC broadcasting licenses on at least an annual basis. We combine our FCC broadcasting licenses into single units of accounting based on our market clusters for impairment testing purposes. We estimated the fair values of our FM licenses using discounted future cash flows and the fair values of our AM licenses using a market valuation approach. The discounted cash flow model includes certain assumptions and estimates including: (i) the projected growth rate for radio advertising revenue in each market, (ii) average market share and profit margin for each class of license in each market, (iii) estimated capital start-up capital costs, and (iv) the determination of an appropriate discount rate. If we had made different assumptions or used different estimates the fair value of our FCC broadcasting licenses could have been materially different. We recorded impairment losses of \$2.2 million related to the FCC broadcasting licenses in our West Palm Beach, FL, Wilmington, DE and Augusta, GA market clusters in 2007. The impairment losses represented 0.9% of the aggregate carrying amount of our FCC broadcasting licenses as of December 31, 2007 and were primarily due to

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a decrease in projected growth rates for radio advertising revenue in these markets. There can be no assurance that additional impairments of our FCC broadcasting licenses will not occur in future periods.

*Impairment of Goodwill.* As of December 31, 2007, goodwill with an aggregate carrying amount of \$29.5 million represented 8.7% of our total assets. We are required to estimate the fair value of our reporting units on at least an annual basis. For the purpose of testing our goodwill for impairment, we have identified our market clusters as our reporting units. We used internally-generated estimates of future cash flows to determine the fair value of each reporting unit as of December 31, 2007. These estimates required management judgment and if we had made different assumptions the fair value of our reporting units could have been materially different. There can be no assurance that impairments of our goodwill will not occur in future periods.

*Impairment of 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 2007. There can be no assurance that impairment of our property and equipment will not occur in future periods.

*Valuation of 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.

## **Recent Pronouncements**

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We believe that the adoption of SFAS 157 will not have a material impact on our results of operations or financial position.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We believe the adoption of SFAS 159 will not have a material impact on our results of operations or financial position.

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations* which replaces SFAS 141, *Business Combinations*. SFAS 141(R) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. SFAS 141(R) also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. SFAS 141(R) applies to all transactions or other events in which an entity obtains control of one or more businesses. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

**Table of Contents****Results of Operations****Year Ended December 31, 2007 Compared to Year Ended December 31, 2006**

The following summary table presents a comparison of our results of operations for the years ended December 31, 2006 and 2007 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 consolidated financial statements and notes to consolidated financial statements included in Item 8 of this report.

|   | Year ended December 31, |                | Change       |        |
|---|-------------------------|----------------|--------------|--------|
|   | 2006                    | 2007           | \$           | %      |
| Net revenue                                   | \$ 125,190,251          | \$ 133,883,080 | \$ 8,692,829 | 6.9%   |
| Cost of services                              | 42,837,247              | 48,228,776     | 5,391,529    | 12.6   |
| Selling, general and administrative expenses  | 44,393,566              | 48,269,043     | 3,875,477    | 8.7    |
| Local marketing agreement fees                | 491,135                 | 159,084        | (332,051)    | (67.6) |
| Corporate general and administrative expenses | 8,766,454               | 10,215,468     | 1,449,014    | 16.5   |
| Impairment losses                             |                         | 2,150,659      | 2,150,659    |        |
| Interest expense                              | 9,199,555               | 13,773,934     | 4,574,379    | 49.7   |
| Loss on extinguishment of long-term debt      |                         | 366,599        | 366,599      |        |

*Net Revenue.* The \$8.7 million increase in net revenue during the year ended December 31, 2007 was partially due to additional net revenue of \$4.8 million from WJBR-FM in Wilmington, DE, which was acquired during the first quarter of 2007. The increase was also partially due to a \$2.6 million increase at our Miami-Ft. Lauderdale market cluster primarily due to net revenue from broadcasting the Miami Dolphins football games this season. We did not broadcast the Miami Dolphins football games during the 2006 season. The increase was also partially due to a \$0.6 million increase at our Las Vegas market cluster primarily due to additional net revenue of \$1.9 million from KDWN-AM, which was acquired during the third quarter of 2006. The increase was also partially due to a \$0.5 million increase at our Philadelphia market cluster due to improved performance in that market.

*Cost of Services.* The \$5.4 million increase in cost of services during the year ended December 31, 2007 was partially due to a \$4.0 million increase at our Miami-Ft. Lauderdale market cluster primarily due to additional expenses from broadcasting the Miami Dolphins football games this season and an increase in other programming and promotional expenses in that market. The increase was also partially due to an aggregate \$1.9 million of additional station operating expenses from WJBR-FM and KDWN-AM and a \$0.7 million increase at our Philadelphia market cluster primarily due to a promotional campaign for one of our radio stations in that market. Cost of services decreased at the remaining radio stations in our Las Vegas market cluster and also at four of our seven other market clusters.

*Selling, General and Administrative Expenses.* The \$3.9 million increase in selling, general and administrative expenses during the year ended December 31, 2007 was primarily due to an increase in expenses at nine of our eleven market clusters and included an aggregate \$2.5 million of additional expenses from WJBR-FM and KDWN-AM. The increase also included a \$0.5 million increase at our Miami-Ft. Lauderdale market cluster partially due to additional expenses from broadcasting the Miami Dolphins football games this season and a \$0.5 million increase at our Philadelphia market cluster.

*Local Marketing Agreement Fees.* On October 1, 2006, we began operating WJBR-FM under a local marketing agreement, which expired upon completion of the acquisition of WJBR-FM on February 1, 2007. We incurred \$0.2 million in LMA fees under the local marketing agreement during the year ended December 31, 2007.

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*Corporate General and Administrative Expenses.* The \$1.4 million increase in corporate general and administrative expenses during the year ended December 31, 2007 was primarily due to an increase in cash compensation primarily related to our continued development of interactive support services for our radio stations, additional stock-based compensation expense and severance expense.

*Impairment Losses.* We tested our FCC broadcasting licenses for impairment as of December 31, 2007 in accordance with the provisions of SFAS 142, *Goodwill and Other Intangible Assets*. As a result of the testing, we recorded impairment losses of \$2.2 million related to the FCC broadcasting licenses in our West Palm Beach-Boca Raton, FL, Wilmington, DE and Augusta, GA market clusters. The impairment losses were primarily due to a decrease in projected growth rates for radio advertising revenue in these markets. For further discussion, see the Critical Accounting Policies section elsewhere in this Item.

*Interest Expense.* The \$4.6 million increase in interest expense during the year ended December 31, 2007 was partially due to the expiration of interest rate swap agreements during the second and third quarters of 2006, which were not replaced. The increase in interest expense was also partially due to additional borrowings from our credit facility to partially finance the acquisitions of KDWN-AM and WJBR-FM, and a general increase in interest rates.

*Loss on Extinguishment of Long-Term Debt.* On April 13, 2007, our credit agreement was amended to, among other things, reduce the interest rate on borrowings under the credit facility, extend the terms and maturities of the credit facility, and adjust the amortization schedule of the credit facility to take such extension of maturity into account. In connection with the amended credit agreement, we recorded a \$0.4 million loss on extinguishment of long-term debt during the year ended December 31, 2007.

**Year Ended December 31, 2006 Compared to Year Ended December 31, 2005**

The following summary table presents a comparison of our results of operations for the years ended December 31, 2005 and 2006 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 consolidated financial statements and notes to consolidated financial statements included in Item 8 of this report.

|   | Year ended December 31, |                | Change     |       |
|---|-------------------------|----------------|------------|-------|
|   | 2005                    | 2006           | \$         | %     |
| Net revenue                                   | \$ 124,293,932          | \$ 125,190,251 | \$ 896,319 | 0.7%  |
| Cost of services                              | 41,095,051              | 42,837,247     | 1,742,196  | 4.2   |
| Selling, general and administrative expenses  | 45,005,086              | 44,393,566     | (611,520)  | (1.4) |
| Local marketing agreement fees                |                         | 491,135        | 491,135    |       |
| Corporate general and administrative expenses | 8,053,965               | 8,766,454      | 712,489    | 8.8   |
| Interest expense                              | 7,370,206               | 9,199,555      | 1,829,349  | 24.8  |

*Net Revenue.* The \$0.9 million increase in net revenue during the year ended December 31, 2006 was partially due to the \$1.7 million addition of net revenue from the local marketing agreement with WJBR-FM in Wilmington, DE. The increase in net revenue is also partially due to a \$0.9 million increase at our Las Vegas market cluster primarily due to additional net revenue from KDWN-AM, which was acquired during the third quarter of 2006, and a \$0.9 million increase at our Augusta market cluster due to improved performance in that cluster. These increases in net revenue were partially offset by a \$2.1 million decrease at our Miami-Ft. Lauderdale market cluster and a \$0.6 million decrease at our Greenville-New Bern-Jacksonville market cluster due to weaker performance in those clusters. In addition, net revenue during the year ended December 31, 2006 includes an aggregate \$0.6 million decrease in trade sales revenue from our market clusters compared to 2005 due to our efforts to reduce the non-cash use of our available airtime.

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*Cost of Services.* The \$1.7 million increase in cost of services during the year ended December 31, 2006 was partially due to a \$1.7 million increase in programming and promotional expenses related to a format change at one of our radio stations in our Las Vegas market cluster and additional station operating expenses related to KDWN-AM. The increase in cost of services was also partially due to a \$0.8 million increase at our Ft. Myers-Naples market cluster and a \$0.5 million increase at our Philadelphia market cluster due to increased programming and promotional expenses. These increases in cost of services were partially offset by a \$1.4 million decrease at our Miami-Ft. Lauderdale market cluster due to a decrease in promotional expenses related to certain events and decreased contractual costs related to the termination of certain on-air personalities.

*Selling, General and Administrative Expenses.* The \$0.6 million decrease in selling, general and administrative expenses during the year ended December 31, 2006 was primarily due to the absence of \$1.4 million of employee separation costs at our Philadelphia market cluster incurred in 2005. This decrease in selling, general and administrative expenses was partially offset by a \$0.8 million increase at our Las Vegas market cluster primarily due to additional selling, general and administrative expenses related to KDWN-AM.

*Local Marketing Agreement Fees.* On October 1, 2006, we began operating WJBR-FM in Wilmington, DE under a local marketing agreement that expired upon completion of the acquisition of WJBR-FM on February 1, 2007. We incurred \$0.5 million in LMA fees under the local marketing agreement during the year ended December 31, 2006.

*Corporate General and Administrative Expenses.* The \$0.7 million increase in corporate general and administrative expenses during the year ended December 31, 2006 was primarily due to a \$1.0 million increase in stock-based compensation expense.

*Interest Expense.* The \$1.8 million increase in interest expense during the year ended December 31, 2006 was partially due to the expiration of interest rate swap agreements during the second and third quarters of 2006, which were not replaced in 2006. The increase in interest expense is also partially due to additional borrowings from our credit facility to partially finance the acquisition of KDWN-AM in Las Vegas, NV and a general increase in interest rates.

## **Liquidity and Capital Resources**

*Overview.* Our primary sources of liquidity are internally generated cash flow and our credit facility. 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 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. Other liquidity needs for the next twelve months and thereafter may also include additional share repurchases and cash dividends.

Our credit agreement permits us to repurchase up to \$50.0 million of our common stock and on June 10, 2004, our board of directors has authorized us to repurchase up to \$25.0 million of our Class A common stock over a one-year period from the date of authorization which was extended on May 12, 2005 for one additional year. On May 24, 2006, our board of directors authorized us to increase the remaining balance under our previous authorization from \$21.3 million to \$25.0 million and to extend the repurchase period to May 23, 2007. Effective May 24, 2007, our board of directors authorized the extension of the repurchase period for one additional year. As of February 29, 2008, we had repurchased 1.4 million shares of our Class A common stock for an aggregate \$12.5 million.

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Our credit agreement also permits us to pay cash dividends on our common stock in an amount up to an aggregate of \$10.0 million per year. During the year ended December 31, 2007, we paid \$5.8 million for cash dividends. On December 14, 2007, our board of directors declared a cash dividend of \$0.0625 per share on our Class A and Class B common stock. The dividend of \$1.5 million in the aggregate was paid on January 18, 2008, to stockholders of record on December 31, 2007.

Our February 1, 2007 acquisition of the assets of WJBR-FM was financed with \$42.0 million of borrowings under our credit facility. Our March 28, 2007 acquisition of the assets of KBET-AM was financed with cash on hand.

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

internally generated cash flow;

our credit facility;

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

additional equity offerings.

We believe that we will have sufficient liquidity and capital resources to permit us to provide for our liquidity requirements and meet our financial obligations for the next twelve months. However, poor financial results, unanticipated acquisition opportunities or unanticipated expenses could give rise to additional debt servicing requirements or other additional financing or liquidity requirements sooner than we expect and we may not secure financing when needed or on acceptable terms.

Our ability to reduce our total leverage ratio under our credit facility by increasing operating cash flow and/or decreasing long-term debt will determine how much, if any, of the remaining commitments under the revolving portion of our credit facility will be available to us in the future. Poor financial results or unanticipated expenses could result in our failure to maintain or lower our total leverage ratio and we may not be permitted to make any additional borrowings under the revolving portion of our credit facility. We anticipate making additional share repurchases and future dividend payments instead of repaying indebtedness with such funds and if we incur additional indebtedness in order to make such repurchases or dividend payments, our total debt ratio may be adversely affected and we may not be permitted to make additional borrowings under the revolving portion of our credit facility.

The following summary table presents a comparison of our capital resources for the years ended December 31, 2005, 2006 and 2007 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 consolidated financial statements and notes to consolidated financial statements included in Item 8 of this report.

|  | Year ended December 31, |               |               |
|--|-------------------------|---------------|---------------|
|  | 2005                    | 2006          | 2007          |
| Net cash provided by operating activities            | \$ 20,467,028           | \$ 19,209,469 | \$ 18,856,812 |
| Net cash used in investing activities                | (2,400,555)             | (24,792,888)  | (47,912,502)  |
| Net cash provided by (used in) financing activities  | (16,637,962)            | (2,149,188)   | 27,059,966    |
| Net increase (decrease) in cash and cash equivalents | 1,428,511               | (7,732,607)   | (1,995,724)   |

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*Net Cash Provided By Operating Activities.* Net cash provided by operating activities decreased by \$0.4 million during the year ended December 31, 2007 compared to the same period in 2006 primarily due to a \$8.9 million increase in cash paid for station operating expenses, a \$4.4 million increase in cash paid for interest and a \$1.2 million increase in cash paid for corporate general and administrative expenses. These increases were partially offset by an \$11.4 million increase in cash receipts from the sale of advertising airtime and a \$2.2 million decrease in cash paid for income taxes.

Net cash provided by operating activities decreased by \$1.3 million during the year ended December 31, 2006 compared to the same period in 2005 primarily due to a \$1.9 million increase in cash paid for interest, a \$1.7 million increase in cash paid for station operating expenses, a \$0.8 million decrease in cash receipts from the sale of advertising airtime, and the addition of \$0.5 million of LMA fees under a local marketing agreement with WJBR-FM. These decreases were partially offset by \$3.4 million decrease in cash paid for income taxes during 2006.

*Net Cash Used In Investing Activities.* Net cash used in investing activities in the year ended December 31, 2007 was primarily related to cash payments of \$42.2 million for the acquisition of WJBR-FM in Wilmington, DE, cash payments of \$2.7 million for the acquisition KBET-AM in Las Vegas, NV and cash payments for capital expenditures of \$3.3 million. Net cash used in investing activities in 2006 was primarily due to cash payments of \$22.2 million for the acquisition of KDWN-AM in Las Vegas and cash payments for capital expenditures of \$4.8 million, which were partially offset by cash proceeds of \$2.2 million from the sale of radio towers in Boca Raton, FL. Net cash used in investing activities in 2005 was primarily due to cash payments for capital expenditures of \$3.2 million; which were partially offset by cash proceeds of \$0.6 million from the sale of a building in Augusta, GA.

*Net Cash Provided By (Used In) Financing Activities.* Net cash provided by financing activities in the year ended December 31, 2007 was primarily due to additional borrowings of \$42.0 million from our credit facility to finance the acquisition of WJBR-FM in Wilmington, DE, which were partially offset by cash dividends of \$5.8 million, voluntary repayments of \$5.3 million of borrowings under our credit facility, and \$3.5 million for repurchases of our Class A common stock. Net cash used in financing activities in 2006 was primarily due to voluntary repayments of \$6.0 million of borrowings under our credit facility, cash dividends of \$6.0 million, and \$5.9 million for repurchases of our Class A common stock which were partially offset by additional borrowings of \$16.0 million from our credit facility to partially finance the acquisition of KDWN-AM in Las Vegas, NV. Net cash used in financing activities in 2005 was primarily due to scheduled repayments of \$5.6 million and voluntary repayments of \$9.0 million of borrowings under our credit facility and \$1.9 million for purchases of our Class A common stock.

*Credit Facility.* As of February 29, 2008, the outstanding balance of our credit facility was \$189.3 million. On April 13, 2007, we amended our credit agreement. Our amended credit facility consists of a revolving credit loan with a maximum commitment of \$102.1 million and a term loan of \$128.1 million. The revolving credit loan includes a \$10.0 million sub-limit for letters of credit, which may be increased to \$20.0 million upon our request and with the approval of the Bank of Montreal, Chicago Branch in its capacity as the letter of credit issuer. At our election, the revolving credit loan and term loan may bear interest at either the base rate or LIBOR plus a margin that is determined by our debt to operating cash flow ratio. The base rate is equal to the higher of the prime rate or the overnight federal funds rate plus 0.5%. Interest on base rate loans is payable quarterly through maturity. Interest on LIBOR loans is payable on the last day of the selected LIBOR period and, if the selected period is longer than three months, every three months after the beginning of the LIBOR period. The revolving credit loan and term loan carried interest, based on LIBOR, at 6.875% and 6.4888% as of December 31, 2006 and 2007, respectively, and mature on June 30, 2015. The scheduled reductions in the amount available under the revolving credit loan may require principal repayments if the outstanding balance at that time exceeds the maximum amount available under the revolving credit loan. In connection with the amended credit agreement, we recorded a \$0.4 million loss on extinguishment of long-term debt in the year ended December 31, 2007.



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As of December 31, 2007, we had \$39.1 million in remaining commitments available under the revolving portion of our credit facility; however, as of December 31, 2007, our maximum consolidated total debt covenant would have limited additional borrowings to \$1.1 million.

The credit facility is secured by substantially all of our assets and guaranteed jointly and severally by all of our subsidiaries. The guarantees were issued to our lenders for repayment of the outstanding balance of the credit facility. If we default under the terms of the credit facility, our subsidiaries may be required to perform under their guarantees. The maximum amount of undiscounted payments the subsidiaries would have to make in the event of default is \$191.1 million. The guarantees for the revolving credit loan and term loan expire on June 30, 2015.

As of December 31, 2007, the scheduled repayments of the credit facility for the next five years and thereafter are as follows:

|              | Revolving<br>credit loan | Term loan             | Total credit<br>facility |
|--------------|--------------------------|-----------------------|--------------------------|
| 2008         | \$                       | \$                    | \$                       |
| 2009         |                          | 4,802,083             | 4,802,083                |
| 2010         |                          | 6,402,778             | 6,402,778                |
| 2011         |                          | 9,284,028             | 9,284,028                |
| 2012         |                          | 10,244,444            | 10,244,444               |
| Thereafter   | 63,000,000               | 97,322,223            | 160,322,223              |
| <b>Total</b> | <b>\$ 63,000,000</b>     | <b>\$ 128,055,556</b> | <b>\$ 191,055,556</b>    |

We must pay a quarterly unused commitment fee equal to 0.375% on the unused portion of the revolving credit loan. For the year ended December 31, 2007, our unused commitment fee was approximately \$139,000.

We are required to satisfy financial covenants, which require us to maintain specified financial ratios and to comply with financial tests, such as ratios for maximum consolidated total debt, minimum interest coverage and minimum fixed charges. As of December 31, 2007, these financial covenants included:

*Maximum Consolidated Total Debt Ratio.* As of December 31, 2007, our consolidated total debt must not have exceeded 6.25 times our consolidated operating cash flow for the four quarters then ending (as those terms are defined in the credit agreement). On the last day of each fiscal quarter for the period from January 1, 2008 to December 31, 2008, the maximum ratio remains 6.25 times. On the last day of each fiscal quarter for the period from January 1, 2009 through December 31, 2009, the maximum ratio is 5.75 times; on the last day of each fiscal quarter for the period from January 1, 2010 through December 31, 2010, the maximum ratio is 5.25 times; on the last day of each fiscal quarter for all periods after January 1, 2011, the maximum ratio is 4.75 times.

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

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

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

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As of December 31, 2007, we were in compliance with all applicable financial covenants under the credit facility. As of December 31, 2007, as calculated pursuant to the terms of our credit agreement, our consolidated total debt ratio was 6.21 times consolidated operating cash flow, our interest coverage ratio was 2.30 times interest expense, and our fixed charge coverage ratio was 1.39 times fixed charges.

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

**Contractual Obligations**

As of December 31, 2007, our contractual obligations consist of the following:

| Contractual Obligations              | Payments due by period |                      |                      |                       | Total                 |
|--------------------------------------|------------------------|----------------------|----------------------|-----------------------|-----------------------|
|                                      | 1 year                 | 2-3 years            | 4-5 years            | More than 5 years     |                       |
| Long-Term Debt (1)                   | \$                     | \$ 11,204,861        | \$ 19,528,472        | \$ 160,322,223        | \$ 191,055,556        |
| Interest (2)                         | 12,397,213             | 24,249,130           | 22,286,065           | 20,781,756            | 79,714,164            |
| Operating Leases (3)                 | 2,896,347              | 4,301,913            | 2,778,936            | 9,564,840             | 19,542,036            |
| Purchase Obligations (4)             | 7,855,730              | 5,416,840            | 24,000               | 36,000                | 13,332,570            |
| <b>Total Contractual Obligations</b> | <b>\$ 23,149,290</b>   | <b>\$ 45,172,744</b> | <b>\$ 44,617,473</b> | <b>\$ 190,704,819</b> | <b>\$ 303,644,326</b> |

- (1) Long-term debt consists of the outstanding principal under our credit facility.
- (2) Interest consists of estimated interest payments until maturity under our credit facility using the interest rate payable as of December 31, 2007.
- (3) Operating leases includes leases for office and studio space and towers.
- (4) Purchase obligations includes contracts for rating services, sports programming rights, consultants and on-air personalities not employed by us.

**Related Party Transactions**

We lease land for office and studio space for nine radio stations in Augusta, GA from George G. Beasley. The lease agreement expires on November 1, 2023. Rental expense was approximately \$35,000 for the year ended December 31, 2007. 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 Beasley Family Towers, Inc. ( BFT ), which is owned by George G. Beasley, Bruce G. Beasley, Caroline Beasley, Brian E. Beasley, and other family members of George G. Beasley, 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. As of December 31, 2007, the aggregate outstanding balance of the notes receivable was \$3.9 million. The notes are due in aggregate monthly payments of approximately \$38,000, including interest at 6.77%. The notes mature on December 28, 2020. Interest income on the notes receivable from BFT was approximately \$271,000 for the year ended December 31, 2007.

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We lease radio towers for 22 radio stations under separate lease agreements from BFT. The lease agreements expire on December 28, 2020. Rental expense was approximately \$543,000 for the year ended December 31, 2007.

We lease a radio tower for WCHZ-FM in Augusta, GA from Wintersrun Communications, Inc., which is owned by George G. Beasley, Bruce G. Beasley and Brian E. Beasley. The lease agreement expires on April 30, 2014. Rental expense was approximately \$27,000 for the year ended December 31, 2007.

We lease office and studio space for five radio stations in Ft. Myers, FL from George G. Beasley. The lease agreements expire on August 31, 2009. Rental expense was approximately \$137,000 for the year ended December 31, 2007.

We lease office space for our principal executive offices in Naples, FL from Beasley Broadcasting Management Corp., which is wholly-owned by George G. Beasley. Rental expense was approximately \$147,000 for the year ended December 31, 2007.

As of December 31, 2007, future minimum payments to related parties for the next five years and thereafter, which are included in the Contractual Obligations table above, are summarized as follows:

|              |                     |
|--------------|---------------------|
| 2008         | \$ 673,838          |
| 2009         | 630,106             |
| 2010         | 532,446             |
| 2011         | 533,336             |
| 2012         | 534,252             |
| Thereafter   | 4,165,713           |
| <b>Total</b> | <b>\$ 7,069,691</b> |

**Inflation**

Inflation has affected our performance in terms of higher costs for radio station operating expenses, including payroll and equipment. The exact impact cannot be reasonably determined.

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

Market risk is the risk of loss arising from adverse changes in market rates and prices such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our credit facility. As of December 31, 2007, all of our long-term debt bears interest at variable rates. Accordingly, our earnings are affected by changes in interest rates. Assuming the current level of borrowings at variable rates and assuming a one-percentage point increase in the current interest rate under these borrowings, we estimate that our annualized interest expense would increase by \$1.9 million and our net income would decrease by \$1.2 million. In the event of an adverse change in interest rates, management may take actions to mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, this interest rate analysis assumes no such actions. Further, the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

In prior periods, we used interest rate swap agreements to mitigate our exposure to interest rate risk associated with our credit facility however these interest rate swap agreements have expired. As a result, we are now more exposed to the risk of loss arising from adverse changes in interest rates.

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

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Beasley Broadcast Group, Inc.:

We have audited the accompanying consolidated balance sheets of Beasley Broadcast Group, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we have also audited the consolidated financial statement schedule listed in the accompanying index. We have also audited the Company's internal control over financial reporting as of December 31, 2007 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under item 9A. Our responsibility is to express an opinion on these consolidated financial statements, the consolidated financial statement schedule and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements and financial statement schedule included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of the internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beasley Broadcast Group, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. 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. Also, in our opinion, Beasley Broadcast Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ Crowe Chizek and Company LLC

March 11, 2008

Fort Lauderdale, Florida

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Beasley Broadcast Group, Inc.:

We have audited the consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows of Beasley Broadcast Group, Inc. and subsidiaries for the year ended December 31, 2005. In connection with our audit of the consolidated financial statements, we have also audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit 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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Beasley Broadcast Group, Inc. and subsidiaries for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule for the year ended December 31, 2005, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

March 6, 2006

Tampa, Florida

Certified Public Accountants

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

|  | December 31,<br>2006  | December 31,<br>2007  |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |
| Current assets:  |                       |                       |
| Cash and cash equivalents  | \$ 8,546,344          | \$ 6,550,620          |
| Accounts receivable, less allowance for doubtful accounts of \$312,200 in 2006 and \$406,083 in 2007                                 | 23,594,736            | 23,604,523            |
| Trade sales receivable   | 1,079,507             | 1,078,579             |
| Other receivables  | 941,597               | 394,101               |
| Prepaid expenses   | 1,125,065             | 1,518,823             |
| Deferred tax assets  | 787,755               | 1,257,585             |
| <b>Total current assets</b>  | <b>36,075,004</b>     | <b>34,404,231</b>     |
| Notes receivable from related parties  | 4,084,903             | 3,903,623             |
| Property and equipment, net  | 25,787,641            | 27,092,880            |
| FCC broadcasting licenses  | 206,324,298           | 238,371,639           |
| Goodwill   | 19,931,568            | 29,489,229            |
| Investments  | 923,504               | 496,171               |
| Other assets   | 4,840,915             | 3,394,504             |
| <b>Total assets</b>  | <b>\$ 297,967,833</b> | <b>\$ 337,152,277</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                       |                       |
| Current liabilities:   |                       |                       |
| Current installments of long-term debt   | \$ 3,750,000          | \$                    |
| Accounts payable   | 2,574,180             | 3,371,285             |
| Accrued expenses   | 8,533,810             | 8,242,156             |
| Trade sales payable  | 875,562               | 836,460               |
| <b>Total current liabilities</b>   | <b>15,733,552</b>     | <b>12,449,901</b>     |
| Long-term debt, less current installments  | 150,625,000           | 191,055,556           |
| Deferred tax liabilities   | 42,866,849            | 47,310,538            |
| Other long-term liabilities  | 1,150,751             | 1,150,751             |
| <b>Total liabilities</b>   | <b>210,376,152</b>    | <b>251,966,746</b>    |
| Commitments and contingencies  |                       |                       |
| Stockholders' equity:  |                       |                       |
| Preferred stock, \$.001 par value, 10,000,000 shares authorized, none issued   |                       |                       |
| Class A common stock, \$.001 par value, 150,000,000 shares authorized, 8,357,323 and 8,395,332 issued in 2006 and 2007, respectively | 8,357                 | 8,395                 |
| Class B common stock, \$.001 par value, 75,000,000 shares authorized, 16,712,743 issued in 2006 and 2007                             | 16,712                | 16,712                |
| Additional paid-in capital   | 109,988,458           | 112,407,803           |
| Treasury stock, Class A common stock, 919,261 and 1,329,023 shares in 2006 and 2007, respectively                                    | (8,411,997)           | (11,913,111)          |
| Accumulated deficit  | (14,297,106)          | (15,359,228)          |
| Accumulated other comprehensive income   | 287,257               | 24,960                |
| <b>Total stockholders' equity</b>  | <b>87,591,681</b>     | <b>85,185,531</b>     |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 297,967,833</b> | <b>\$ 337,152,277</b> |



*See accompanying notes to consolidated financial statements*

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

|  | Year Ended<br>December 31,<br>2005 | Year Ended<br>December 31,<br>2006 | Year Ended<br>December 31,<br>2007 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Net revenue  | \$ 124,293,932                     | \$ 125,190,251                     | \$ 133,883,080                     |
| Costs and expenses:  |                                    |                                    |                                    |
| Cost of services (including stock-based compensation of \$704 and \$1,208 in 2006 and 2007, respectively and excluding depreciation and amortization shown separately below) | 41,095,051                         | 42,837,247                         | 48,228,776                         |
| Selling, general and administrative (including stock-based compensation of \$36,027, \$211,740 and \$225,388 in 2005, 2006 and 2007, respectively)                           | 45,005,086                         | 44,393,566                         | 48,269,043                         |
| LMA fees   |                                    | 491,135                            | 159,084                            |
| Corporate general and administrative (including stock-based compensation of \$1,060,585, \$1,939,857 and \$2,192,787 in 2005, 2006 and 2007, respectively)                   | 8,053,965                          | 8,766,454                          | 10,215,468                         |
| Depreciation and amortization  | 2,897,059                          | 2,773,086                          | 3,096,417                          |
| Impairment losses  | 2,002,968                          |                                    | 2,150,659                          |
| Asset purchase agreement termination costs   | 141,449                            |                                    |                                    |
| Total costs and expenses   | 99,195,578                         | 99,261,488                         | 112,119,447                        |
| Operating income   | 25,098,354                         | 25,928,763                         | 21,763,633                         |
| Other income (expense):  |                                    |                                    |                                    |
| Interest expense   | (7,370,206)                        | (9,199,555)                        | (13,773,934)                       |
| Loss on extinguishment of long-term debt   |                                    |                                    | (366,599)                          |
| Other non-operating expenses   | (87,450)                           | (58,704)                           | (49,965)                           |
| Interest income  | 498,908                            | 499,364                            | 446,894                            |
| Other non-operating income   | 214,967                            | 32,699                             | 246,112                            |
| Income before income taxes   | 18,354,573                         | 17,202,567                         | 8,266,141                          |
| Income tax expense   | 7,649,244                          | 7,068,390                          | 3,494,870                          |
| Net income   | \$ 10,705,329                      | \$ 10,134,177                      | \$ 4,771,271                       |
| Basic and diluted net income per share   | \$ 0.44                            | \$ 0.42                            | \$ 0.20                            |
| Dividends declared per common share  | \$ 0.06                            | \$ 0.25                            | \$ 0.25                            |
| Basic common shares outstanding  | 24,201,679                         | 23,890,371                         | 23,349,013                         |
| Diluted common shares outstanding  | 24,325,976                         | 24,205,842                         | 23,518,053                         |

*See accompanying notes to consolidated financial statements*

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

|   | <b>Year Ended<br/>December 31,<br/>2005</b> | <b>Year Ended<br/>December 31,<br/>2006</b> | <b>Year Ended<br/>December 31,<br/>2007</b> |
|---|---|---|---|
| Net income  | \$ 10,705,329                               | \$ 10,134,177                               | \$ 4,771,271                                |
| Other comprehensive loss:   |   |   |   |
| Unrealized loss on available-for-sale investment (net of income tax benefit of \$987,126, \$124,356 and \$165,037 for the years ended December 31, 2005, 2006 and 2007, respectively) | (1,568,874)                                 | (197,644)                                   | (262,297)                                   |
| Unrealized loss on derivative financial instruments (net of income tax benefit of \$13,287 and \$375,334 for the years ended December 31, 2005 and 2006, respectively)                | (21,119)                                    | (596,530)                                   |   |
| Other comprehensive loss  | (1,589,993)                                 | (794,174)                                   | (262,297)                                   |
| Comprehensive income  | \$ 9,115,336                                | \$ 9,340,003                                | \$ 4,508,974                                |

*See accompanying notes to consolidated financial statements*

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

|   | Class A   |        | Common Stock<br>Class B |        | Additional<br>Paid-In<br>Capital | Treasury Stock |             | Unearned<br>Compensation | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Net<br>Stockholders'<br>Equity |
|---|-----------|--------|-------------------------|--------|----------------------------------|----------------|-------------|--------------------------|------------------------|---|--------------------------------|
|   | Shares    | Amount | Shares                  | Amount |                                  | Shares         | Amount      |                          |                        |   |                                |
| Balances as of<br>December 31,<br>2004  | 7,459,364 | 7,460  | 16,817,743              | 16,817 | 106,679,201                      | (43,065)       | (623,209)   |                          | (27,676,506)           | 2,671,424                                       | 81,075,187                     |
| Conversion of<br>Class B<br>common stock<br>to Class A                        | 105,000   | 105    | (105,000)               | (105)  |                                  |                |             |                          |                        |   |                                |
| Stock-based<br>compensation   | 267,500   | 267    |                         |        | 3,833,333                        |                |             | (3,833,600)              |                        |   |                                |
| Exercise of<br>stock options  | 3,000     | 3      |                         |        | 24,747                           |                |             |                          |                        |   | 24,750                         |
| Tax benefit<br>from exercise<br>of stock options                              |           |        |                         |        | 11,330                           |                |             |                          |                        |   | 11,330                         |
| Other equity<br>transaction   |           |        |                         |        | 46,783                           |                |             |                          |                        |   | 46,783                         |
| Purchase of<br>treasury stock   |           |        |                         |        |                                  | (131,911)      | (1,865,089) |                          |                        |   | (1,865,089)                    |
| Amortization of<br>unearned<br>compensation                                   |           |        |                         |        |                                  |                |             | 1,096,612                |                        |   | 1,096,612                      |
| Net income  |           |        |                         |        |                                  |                |             |                          | 10,705,329             |   | 10,705,329                     |
| Cash dividends,<br>\$0.0625 per<br>common share                               |           |        |                         |        |                                  |                |             |                          | (1,506,571)            |   | (1,506,571)                    |
| Other<br>comprehensive<br>loss  |           |        |                         |        |                                  |                |             |                          |                        | (1,589,993)                                     | (1,589,993)                    |
| Balances as of<br>December 31,<br>2005  | 7,834,864 | 7,835  | 16,712,743              | 16,712 | 110,595,394                      | (174,976)      | (2,488,298) | (2,736,988)              | (18,477,748)           | 1,081,431                                       | 87,998,338                     |
| Stock-based<br>compensation   | 522,459   | 522    |                         |        | 2,151,779                        |                |             |                          |                        |   | 2,152,301                      |
| Tax shortfall<br>from vesting of<br>restricted stock                          |           |        |                         |        | (21,727)                         |                |             |                          |                        |   | (21,727)                       |
| Reversal of<br>unearned<br>compensation<br>upon adoption<br>of SFAS<br>123(R) |           |        |                         |        | (2,736,988)                      |                |             | 2,736,988                |                        |   |                                |
| Purchase of<br>treasury stock   |           |        |                         |        |                                  | (744,285)      | (5,923,699) |                          |                        |   | (5,923,699)                    |
| Net income  |           |        |                         |        |                                  |                |             |                          | 10,134,177             |   | 10,134,177                     |
| Cash dividends,<br>\$0.25 per<br>common share                                 |           |        |                         |        |                                  |                |             |                          | (5,953,535)            |   | (5,953,535)                    |
| Other<br>comprehensive<br>loss  |           |        |                         |        |                                  |                |             |                          |                        | (794,174)                                       | (794,174)                      |

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|   |           |       |            |        |             |             |              |              |           |             |
|---|-----------|-------|------------|--------|-------------|-------------|--------------|--------------|-----------|-------------|
| Balances as of<br>December 31,<br>2006        | 8,357,323 | 8,357 | 16,712,743 | 16,712 | 109,988,458 | (919,261)   | (8,411,997)  | (14,297,106) | 287,257   | 87,591,681  |
| Stock-based<br>compensation                   | 38,009    | 38    |            |        | 2,419,345   |             |              |              |           | 2,419,383   |
| Purchase of<br>treasury stock                 |           |       |            |        |             | (409,762)   | (3,501,114)  |              |           | (3,501,114) |
| Net income                                    |           |       |            |        |             |             |              | 4,771,271    |           | 4,771,271   |
| Cash dividends,<br>\$0.25 per<br>common share |           |       |            |        |             |             |              | (5,833,393)  |           | (5,833,393) |
| Other<br>comprehensive<br>loss                |           |       |            |        |             |             |              |              | (262,297) | (262,297)   |
| Balances as of<br>December 31,<br>2007        | 8,395,332 | 8,395 | 16,712,743 | 16,712 | 112,407,803 | (1,329,023) | (11,913,111) | (15,359,228) | 24,960    | 85,185,531  |

*See accompanying notes to consolidated financial statements*

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | Year Ended<br>December 31,<br>2005 | Year Ended<br>December 31,<br>2006 | Year Ended<br>December 31,<br>2007 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Cash flows from operating activities:   |                                    |                                    |                                    |
| Net income  | \$ 10,705,329                      | \$ 10,134,177                      | \$ 4,771,271                       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |                                    |                                    |
| Income from trade sales   | (305,354)                          | (245,176)                          | (115,097)                          |
| Stock-based compensation  | 1,096,612                          | 2,152,301                          | 2,419,383                          |
| Provision for bad debts   | 1,358,367                          | 985,491                            | 1,321,720                          |
| Depreciation and amortization   | 2,897,059                          | 2,773,086                          | 3,096,417                          |
| Impairment loss   | 2,002,968                          |                                    | 2,150,659                          |
| Asset purchase agreement termination costs  | 141,449                            |                                    |                                    |
| Amortization of loan fees   | 451,172                            | 381,135                            | 294,715                            |
| Loss on extinguishment of long-term debt  |                                    |                                    | 366,599                            |
| Gain on sale of building  | (204,366)                          |                                    |                                    |
| Deferred income taxes   | 3,515,581                          | 5,322,767                          | 4,138,895                          |
| Change in operating assets and liabilities:                                       |                                    |                                    |                                    |
| Increase in receivables   | (1,453,716)                        | (3,406,579)                        | (784,011)                          |
| (Increase) decrease in prepaid expenses   | (44,518)                           | 638,595                            | (393,758)                          |
| (Increase) decrease in other assets   | (360,051)                          | (803,995)                          | 1,072,699                          |
| Increase in payables and accrued expenses   | 666,496                            | 1,277,667                          | 517,320                            |
| Net cash provided by operating activities   | 20,467,028                         | 19,209,469                         | 18,856,812                         |
| Cash flows from investing activities:   |                                    |                                    |                                    |
| Capital expenditures  | (3,177,562)                        | (4,776,092)                        | (3,276,243)                        |
| Payments for acquisitions of radio stations                                       |                                    | (22,161,142)                       | (44,817,539)                       |
| Proceeds from sale of building  | 620,000                            |                                    |                                    |
| Proceeds from sale of towers  |                                    | 2,176,275                          |                                    |
| Payments for investments  | (1,375)                            | (201,376)                          |                                    |
| Repayment of notes receivable from related parties                                | 158,382                            | 169,447                            | 181,280                            |
| Net cash used in investing activities   | (2,400,555)                        | (24,792,888)                       | (47,912,502)                       |
| Cash flows from financing activities:   |                                    |                                    |                                    |
| Proceeds from issuance of indebtedness  |                                    | 16,000,000                         | 42,000,000                         |
| Principal payments on indebtedness  | (14,611,906)                       | (6,000,000)                        | (5,319,444)                        |
| Payments of loan fees   | (232,500)                          | (209,688)                          | (274,214)                          |
| Proceeds from exercise of stock options   | 24,750                             |                                    |                                    |
| Other equity transaction  | 46,783                             |                                    |                                    |
| Cash dividends paid   |                                    | (5,994,074)                        | (5,845,262)                        |
| Payments for treasury stock   | (1,865,089)                        | (5,923,699)                        | (3,501,114)                        |
| Tax shortfall from vesting of restricted stock                                    |                                    | (21,727)                           |                                    |
| Net cash provided by (used in) financing activities                               | (16,637,962)                       | (2,149,188)                        | 27,059,966                         |
| Net increase (decrease) in cash and cash equivalents                              | 1,428,511                          | (7,732,607)                        | (1,995,724)                        |
| Cash and cash equivalents at beginning of year                                    | 14,850,440                         | 16,278,951                         | 8,546,344                          |
| Cash and cash equivalents at end of year  | \$ 16,278,951                      | \$ 8,546,344                       | \$ 6,550,620                       |

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|  |              |              |               |
|--|--------------|--------------|---------------|
| Cash paid for interest   | \$ 6,986,377 | \$ 8,906,516 | \$ 13,339,851 |
| Cash paid (refunded) for income taxes  | \$ 5,033,545 | \$ 1,644,731 | \$ (554,170)  |
| <b>Supplement disclosure of non-cash investing and financing activities:</b> |              |              |               |
| Property and equipment acquired through placement of advertising airtime     | \$ 89,747    | \$ 123,455   | \$ 76,923     |
| Issuance of restricted stock   | \$ 3,833,600 | \$           | \$            |

*See accompanying notes to consolidated financial statements*

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**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Nature of Business and Basis of Presentation**

Beasley Broadcast Group, Inc. (the Company) is a radio broadcasting company operating one reportable business segment whose primary business is acquiring, developing, and operating radio stations throughout the United States. The Company owns and operates 44 radio stations in the following markets: Philadelphia, PA, Atlanta, GA, Boston, MA, Miami-Ft. Lauderdale, FL, Las Vegas, NV, West Palm Beach-Boca Raton, FL, Ft. Myers-Naples, FL, Wilmington, DE, Greenville-New Bern-Jacksonville, NC, Augusta, GA and Fayetteville, NC.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the consolidated accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

**(2) Summary of Significant Accounting Policies**

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. To the extent management's estimates prove to be incorrect, financial results for future periods may be adversely affected.

*Cash and Cash Equivalents*

Cash and cash equivalents consist primarily of amounts held on deposit with financial institutions including short-term investments with an original maturity of three months or less. At times, such deposits may exceed FDIC insurance limits.

*Accounts Receivable*

Accounts receivable consists primarily of uncollected amounts due from advertisers for the sale of advertising airtime. The amounts are net of advertising agency commissions and an allowance for doubtful accounts. Advertisers are generally invoiced after the commercials are broadcast. The allowance for doubtful accounts is based on management's judgment of the collectability of the accounts receivable based on historical information, relative improvements or deteriorations in the age of the accounts receivable and changes in current economic conditions.

*Property and Equipment*

Property and equipment are reported at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. For income tax purposes, property and equipment is depreciated using accelerated methods. Repairs and maintenance are charged to expense as incurred. If an event or change in circumstances were to indicate that the carrying amount of property and equipment is not recoverable, the carrying amount will be reduced to the estimated fair value.



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### *FCC Broadcasting Licenses and Goodwill*

FCC broadcasting licenses and goodwill are stated at cost less the accumulated amortization recorded through December 31, 2001, at which time the Company adopted SFAS 142, *Goodwill and Other Intangibles*. FCC broadcasting licenses and goodwill are not amortized but are tested for impairment at least annually as of December 31 in accordance with the provisions of SFAS 142. If the annual impairment test or an event or change in circumstances were to indicate that the carrying amount of the Company's FCC broadcasting licenses or goodwill is not recoverable, the carrying amount will be reduced to the estimated fair value.

### *Investments*

The Company's investments in MIVA (formerly known as FindWhat.com) and ioWorldMedia are classified as available-for-sale and recorded at fair value based on their quoted market prices. Unrealized gains or losses on MIVA and ioWorldMedia are reported, net of income taxes, as a component of accumulated other comprehensive income in stockholders' equity. The Company's investments in iBiquity are recorded at historical cost due to restrictions that limit the Company's ability to sell or otherwise dispose of the securities. Any realized gains and losses will be reported in the consolidated statements of operations. The Company will recognize a loss if an investment is determined to be other than temporarily impaired.

### *Loan Fees*

The costs related to the issuance of debt are capitalized and accounted for as interest expense using the effective interest method over the life of the related debt.

### *Revenue Recognition*

Revenue from the sale of advertising airtime is recognized when commercials are broadcast and collection is reasonably assured. Revenues are reported net of advertising agency commissions, generally 15% of gross revenue, in the consolidated financial statements. An estimated allowance is recorded for uncollectible accounts. Payments received before commercials are broadcast are recorded as deferred revenue. Trade sales are recorded at the estimated fair value of the goods or services received. Revenue from trade sales is recognized when commercials are broadcast. Goods or services are recorded when received. If commercials are broadcast before the goods or services are received then a trade sales receivable is recorded. If goods or services are received before the broadcast of commercials then a trade sales payable is recorded.

### *Concentration of Risk*

The radio stations located in Miami-Ft. Lauderdale, FL and Philadelphia, PA contributed 51.4%, 49.2% and 48.3% of the Company's net revenue during 2005, 2006 and 2007, respectively.

### *Program Rights*

The total contract costs for sports programming rights are expensed on a straight-line basis in the periods in which the games are played and broadcast and are reported in cost of services in the consolidated statements of operations. Other payments are expensed when additional contract elements, such as post-season games, are played and broadcast.

### *Stock-Based Compensation*

Effective January 1, 2006, the Company adopted SFAS 123(R), *Share-Based Payment* using the modified prospective transition method. Under this method, the stock-based compensation recognized beginning January 1, 2006 includes compensation cost for (i) all stock-based awards granted prior to, but not vested as of January 1, 2006, based on the grant date fair value originally estimated in accordance with the provisions of

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SFAS 123, *Accounting for Stock-Based Compensation*, and (ii) all stock-based awards granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Prior periods are not restated under this transition method. In addition, in accordance with SFAS 123(R), the Company is required to estimate the amount of expected forfeitures when calculating compensation cost, instead of accounting for forfeitures as incurred, which was the Company's previous method.

Prior to January 1, 2006, the Company accounted for the Plan under the recognition and measurement principles of APB 25, *Accounting for Stock Issued to Employees*, as permitted by SFAS 123. The following table illustrates the effect on net income and net income per share as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based compensation in 2005.

|   |               |
|---|---------------|
| Net income  | \$ 10,705,329 |
| Add stock-based compensation expense included in reported net income (net of income tax benefit of \$423,511)                                   | 673,101       |
| Deduct total stock-based compensation expense determined under fair value based methods for all awards (net of income tax benefit of \$671,854) | (1,067,802)   |
| Adjusted net income   | \$ 10,310,628 |
| Net income per share:   |               |
| Basic and diluted as reported   | \$ 0.44       |
| Basic as adjusted   | \$ 0.43       |
| Diluted as adjusted   | \$ 0.42       |

*Local Marketing Agreement (LMA) Fees*

LMA fees consist of amounts paid by the Company to the owner of WJBR-FM under a LMA which permitted the Company to program and market WJBR-FM prior to completion of the acquisition on February 1, 2007. The Company sometimes enters into such agreements in connection with acquisitions or dispositions of radio stations pending regulatory approval to transfer the FCC licenses. However, as the holder of the FCC license, the owner retains control and responsibility for operating the station, including responsibility for all programming broadcast on the radio station. The Company includes revenues earned and expenses incurred, including the associated LMA fee, in its results of operations during the term of the LMA, which generally expires upon completion of the acquisition or disposition.

*Income Taxes*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

On January 1, 2007, the Company adopted the provisions of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* and *an Interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, *Accounting for Income Taxes*. The Company may only recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The Company records interest and penalties related to unrecognized tax benefits as incurred.

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as tax positions are taken. Interest and penalties will be recorded as a component of income tax expense. The Company did not recognize any adjustment as a result of adopting FIN 48.

### *Earnings per Share*

Basic earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Common shares outstanding include shares of both Class A and Class B common stock, which have equal rights and privileges except with respect to voting. Diluted earnings per share reflect the potential dilution that could occur if stock options, restricted stock or other contracts to issue common stock were exercised or converted into common stock and were not anti-dilutive.

### *Defined Contribution Plan*

The Company has a defined contribution plan that conforms with Section 401(k) of the Internal Revenue Code. Under this plan, employees may contribute a minimum of 1% of their compensation (no maximum) to the Plan. The Internal Revenue Code, however, limited contributions to \$14,000 or \$18,000 if aged 50 years or older in 2005, \$15,000 or \$20,000 if aged 50 years or older in 2006 and \$15,500 or \$20,500 if aged 50 years or older in 2007. There was no employer matching contributions for the years ended December 31, 2005, 2006 and 2007.

### *Derivative Financial Instruments*

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. The Company uses interest rate swap agreements to reduce the potential impact of changes in interest rates on its credit facility. These swap agreements are all designated and accounted for as cash flow hedges of the Company's credit facility in accordance with the provisions of SFAS 133, *Accounting for Derivative and Hedging Activities*. The swap agreements are reported at fair value in the consolidated balance sheet and any changes in fair value are reported, net of income taxes, as a component of accumulated other comprehensive income in stockholders' equity.

### *Recent Accounting Pronouncements*

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company believes that the adoption of SFAS 157 will not have a material impact on its results of operations or financial position.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company believes that the adoption of SFAS 159 will not have a material impact on its results of operations or financial position.

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations* which replaces SFAS 141, *Business Combinations*. SFAS 141(R) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair

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values as of that date. SFAS 141(R) also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. SFAS 141(R) applies to all transactions or other events in which an entity obtains control of one or more businesses. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

**(3) Acquisitions**

Radio station acquisitions are accounted for by the purchase method for financial statement purposes, and accordingly, the purchase price is allocated to the assets acquired based on their estimated fair market values at the date of the acquisition. Operations of acquired radio stations are included in the results of the Company from the acquisition date of each radio station.

*2007 Acquisitions*

On February 1, 2007, the Company acquired the assets of WJBR-FM in Wilmington, DE from NextMedia Group, Inc. for \$42.0 million. This acquisition was financed with \$42.0 million of borrowings under its credit facility. The Company purchased WJBR-FM to complement its current market cluster in Philadelphia, PA. Goodwill resulting from this acquisition was primarily related to the radio station's ratings in its target demographic and growth opportunities in the Wilmington radio market as well as the radio station's established operations and experienced workforce. The Company operated WJBR-FM under a local marketing agreement ( LMA ) with NextMedia Group, Inc. from October 1, 2006 until February 1, 2007. The Company included revenues earned and expenses incurred, including the associated fee, under the LMA in its results of operations during the term of the LMA with NextMedia Group, Inc.

The purchase price allocation is summarized as follows:

|   |               |
|---|---------------|
| Property and equipment                    | \$ 429,036    |
| FCC broadcasting license                  | 32,142,000    |
| Goodwill                                  | 9,402,523     |
| Other intangibles                         | 179,466       |
| Other                                     | 13,388        |
| Payments for acquisition of radio station | \$ 42,166,413 |

On March 28, 2007, the Company acquired the assets of KBET-AM in Las Vegas, NV from AM Radio 790, Inc. for \$2.5 million. This acquisition was funded with cash on hand. The Company purchased KBET-AM to complement its current market cluster in Las Vegas, NV. The operations of KBET-AM have been included in the Company's results of operations since its acquisition date.

The purchase price allocation is summarized as follows:

|   |              |
|---|--------------|
| Property and equipment                    | \$ 439,988   |
| FCC broadcasting license                  | 2,056,000    |
| Goodwill                                  | 155,138      |
| Payments for acquisition of radio station | \$ 2,651,126 |

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The following unaudited pro forma results of operations assume that the acquisitions of WJBR-FM and KBET-AM had occurred on January 1, 2006.

|  | (Unaudited)             |                |
|--|-------------------------|----------------|
|  | Year ended December 31, |                |
|  | 2006                    | 2007           |
| Net revenue                            | \$ 129,689,865          | \$ 133,883,080 |
| Operating income                       | 28,198,899              | 21,739,341     |
| Net income                             | 9,861,081               | 4,617,917      |
| Basic and diluted net income per share | 0.41                    | 0.20           |

This unaudited pro forma information is not necessarily indicative of what would have occurred had the acquisitions been completed on January 1, 2006 or of results that may occur in the future.

*2006 Acquisition*

On August 7, 2006, the Company acquired the assets of KDWN-AM in Las Vegas, NV for approximately \$22.2 million. The Company purchased KDWN-AM to complement its current market cluster in Las Vegas, NV and believes that the addition will allow it to compete more effectively and increase revenue share in that market. This acquisition was partially funded with cash on hand, including proceeds of \$2.2 million from the sale of the Company's radio towers located in West Palm Beach-Boca Raton, FL, and partially financed with \$16.0 million of borrowings from its credit facility. The sale of the Company's radio towers located in West Palm Beach-Boca Raton, FL (see note 15) and the purchase of certain assets acquired with KDWN-AM were completed as a like-kind exchange under Section 1031 of the Internal Revenue Code. The operations of KDWN-AM have been included in the Company's results of operations since its acquisition date.

The acquisition is summarized as follows:

|   |               |
|---|---------------|
| Land                                      | \$ 5,000,000  |
| Other property and equipment              | 661,562       |
| FCC broadcasting license                  | 6,663,000     |
| Goodwill                                  | 9,803,344     |
| Other                                     | 33,236        |
| Payments for acquisition of radio station | \$ 22,161,142 |

*Termination of Asset Purchase Agreement*

In June 2004, the Company entered into an asset purchase agreement to acquire WGQR-FM and WBLA-AM in the Elizabethtown radio market in North Carolina for approximately \$850,000. On June 24, 2005, the FCC released a decision denying the request for waiver of the multiple ownership rules that the Company had filed in connection with its application to acquire WGQR-FM and WBLA-AM. The decision also dismissed the related pending assignment application. Consequently, the asset purchase agreement was effectively terminated on June 24, 2005 and the Company wrote off \$141,449 of previously capitalized costs related to the asset purchase agreement.

**(4) Derivative Financial Instruments**

As of January 1, 2006, the Company was a party to five interest rate swap agreements with a \$75.0 million aggregate notional amount. These agreements expired during the second and third quarter of 2006. The Company received additional interest of \$0.6 million and \$1.0 million under its swap agreements for the year ended December 31, 2005 and 2006, respectively. The amount received or paid is based on the differential between the specified rates of the swap agreements and the variable interest rate of the credit facility.

**Table of Contents****(5) Property and Equipment**

Property and equipment is comprised of the following:

|  | December 31,  |               | Estimated<br>useful lives<br>(years) |
|--|---------------|---------------|--------------------------------------|
|  | 2006          | 2007          |                                      |
| Land, buildings and improvements               | \$ 15,081,722 | \$ 15,219,570 | 15-30                                |
| Broadcast equipment                            | 18,527,683    | 19,895,965    | 5-15                                 |
| Transportation equipment                       | 1,793,182     | 1,780,172     | 5                                    |
| Office equipment                               | 4,191,619     | 3,959,463     | 5-10                                 |
| Construction in progress                       | 2,060,452     | 3,210,451     |                                      |
|  | 41,654,658    | 44,065,621    |                                      |
| Less accumulated depreciation and amortization | (15,867,017)  | (16,972,741)  |                                      |
|  | \$ 25,787,641 | \$ 27,092,880 |                                      |

**(6) FCC Broadcasting Licenses and Goodwill**

The changes in the carrying amount of FCC broadcasting licenses for the year ended December 31, 2007 are as follows:

|                                 |                |
|---------------------------------|----------------|
| Balance as of December 31, 2006 | \$ 206,324,298 |
| Acquisition of WJBR-FM          | 32,142,000     |
| Acquisition of KBET-AM          | 2,056,000      |
| Impairment losses               | (2,150,659)    |
| Balance as of December 31, 2007 | \$ 238,371,639 |

The Company tested its FCC broadcasting licenses for impairment as of December 31, 2006 and 2007 in accordance with the provisions of SFAS 142, *Goodwill and Other Intangible Assets*. As a result of the testing, the Company recorded impairment losses of \$2.2 million as of December 31, 2007 related to the FCC broadcasting licenses in its West Palm Beach-Boca Raton, FL, Wilmington, DE and Augusta, GA market clusters. The impairment losses were primarily due to a decrease in projected growth rates for radio advertising revenue in these markets.

The changes in the carrying amount of goodwill for the year ended December 31, 2007 are as follows:

|                                 |               |
|---------------------------------|---------------|
| Balance as of December 31, 2006 | \$ 19,931,568 |
| Acquisition of WJBR-FM          | 9,402,523     |
| Acquisition of KBET-AM          | 155,138       |
| Balance as of December 31, 2007 | \$ 29,489,229 |

**(7) Investments**

As of December 31, 2006 and 2007, the Company held 200,000 shares of common stock of MIVA (formerly known as FindWhat.com). The fair value of the common stock was \$676,000 and \$382,000 as of December 31, 2006 and 2007, respectively. The unrealized gain reported in accumulated other comprehensive income was \$476,000 and \$182,000 as of December 31, 2006 and 2007, respectively.

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As of December 31, 2006 and 2007, the Company held 533,334 shares of common stock of ioWorldMedia. The fair value of the common stock was \$192,000 and approximately \$59,000 as of December 31, 2006 and 2007, respectively. The unrealized loss reported in accumulated other comprehensive income was \$8,000 and

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approximately \$141,000 as of December 31, 2006 and 2007, respectively. The investment in ioWorldmedia has been in a continuous unrealized loss position for less than one year.

As of December 31, 2006 and 2007, the Company held 5,394 shares of series A preferred stock of iBiquity Digital. The carrying amount of the series A preferred stock was approximately \$50,000 as of December 31, 2006 and 2007. As of December 31, 2006 and 2007, the Company held 1,792 shares of series C preferred stock of iBiquity Digital. The carrying amount of the series C preferred stock was approximately \$6,000 as of December 31, 2006 and 2007. The Company does not believe there have been any events or changes in circumstances during 2007 that indicated its investments in iBiquity may not be recoverable.

**(8) Accrued Expenses**

Accrued expenses are comprised of the following:

|                        | December 31,        |                     |
|------------------------|---------------------|---------------------|
|                        | 2006                | 2007                |
| Accrued payroll        | \$ 2,673,541        | \$ 2,654,277        |
| Dividends payable      | 1,466,032           | 1,454,163           |
| Deferred revenue       | 1,257,430           | 938,645             |
| Other accrued expenses | 3,136,807           | 3,195,071           |
|                        | <b>\$ 8,533,810</b> | <b>\$ 8,242,156</b> |

**(9) Long-Term Debt**

Long-term debt is comprised of the following:

|                           | December 31,          |                       |
|---------------------------|-----------------------|-----------------------|
|                           | 2006                  | 2007                  |
| Credit facility:          |                       |                       |
| Revolving credit loan     | \$ 54,375,000         | \$ 63,000,000         |
| Term loan                 | 100,000,000           | 128,055,556           |
|                           | 154,375,000           | 191,055,556           |
| Less current installments | (3,750,000)           |                       |
|                           | <b>\$ 150,625,000</b> | <b>\$ 191,055,556</b> |

As of December 31, 2006, the credit facility consisted of a revolving credit loan with a maximum commitment of \$119.4 million and a term loan of \$100.0 million. The revolving credit loan and term loan carried interest, based on LIBOR, at 6.875% as of December 31, 2006.

On April 30, 2007, the Company amended its credit agreement. The maximum commitment of the revolving credit loan was decreased to \$102.1 million and the term loan was increased to \$128.1 million. The proceeds from the increased term loan were used to reduce the outstanding balance under the revolving credit loan. The maturity date was extended to June 30, 2015. In connection with the amended credit agreement, the Company recorded a \$0.4 million loss on extinguishment of long-term debt during the year ended December 31, 2007.

As of December 31, 2007, the credit facility consists of a revolving credit loan with a maximum commitment of \$102.1 million and a term loan of \$128.1 million. The revolving credit loan includes a \$10.0 million sub-limit for letters of credit, which may be increased to \$20.0 million upon the Company's request and with the approval of the Bank of Montreal, Chicago Branch in its capacity as the letter of credit issuer. At the Company's election, the revolving credit loan and term loan may bear interest at either the base rate or LIBOR.





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plus a margin that is determined by the Company's debt to operating cash flow ratio. The base rate is equal to the higher of the prime rate or the overnight federal funds rate plus 0.5%. Interest on base rate loans is payable quarterly through maturity. Interest on LIBOR loans is payable on the last day of the selected LIBOR period and, if the selected period is longer than three months, every three months after the beginning of the LIBOR period. The revolving credit loan and term loan carried interest, based on LIBOR, at 6.4888% as of December 31, 2007 and mature on June 30, 2015. The scheduled reductions in the amount available under the revolving credit loan may require principal repayments if the outstanding balance at that time exceeds the maximum amount available under the revolving credit loan.

As of December 31, 2007, the Company had \$39.1 million in remaining commitments available under its credit facility; however, as of December 31, 2007, the Company's maximum total leverage covenant would have limited additional borrowings to \$1.1 million.

The credit facility is secured by substantially all of the Company's assets and guaranteed jointly and severally by all of the Company's subsidiaries. The guarantees were issued to the Company's lenders for repayment of the outstanding balance of the credit facility. If the Company defaults under the terms of the credit facility, the subsidiaries may be required to perform under their guarantees. The maximum amount of undiscounted payments the subsidiaries would have to make in the event of default is \$191.1 million. The guarantees for the revolving credit loan and term loan expire on June 30, 2015.

As of December 31, 2007, the scheduled repayments of the credit facility for the next five years and thereafter are as follows:

|              | Revolving<br>credit loan | Term loan             | Total credit<br>facility |
|--------------|--------------------------|-----------------------|--------------------------|
| 2008         | \$                       | \$                    | \$                       |
| 2009         |                          | 4,802,083             | 4,802,083                |
| 2010         |                          | 6,402,778             | 6,402,778                |
| 2011         |                          | 9,284,028             | 9,284,028                |
| 2012         |                          | 10,244,444            | 10,244,444               |
| Thereafter   | 63,000,000               | 97,322,223            | 160,322,223              |
| <b>Total</b> | <b>\$ 63,000,000</b>     | <b>\$ 128,055,556</b> | <b>\$ 191,055,556</b>    |

The Company must pay a quarterly unused commitment fee equal to 0.375% on the unused portion of the revolving credit loan. The Company paid unused commitment fees of approximately \$265,000, \$275,000 and \$139,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

The Company is required to satisfy financial covenants, which require it to maintain specified financial ratios and to comply with financial tests, such as ratios for maximum consolidated total debt, minimum interest coverage and minimum fixed charges. As of December 31, 2007, these financial covenants included:

*Maximum Consolidated Total Debt Ratio.* As of December 31, 2007, the Company's consolidated total debt must not have exceeded 6.25 times its consolidated operating cash flow for the four quarters then ending (as those terms are defined in the credit agreement). On the last day of each fiscal quarter for the period from January 1, 2008 to December 31, 2008, the maximum ratio remains 6.25 times. On the last day of each fiscal quarter for the period from January 1, 2009 through December 31, 2009, the maximum ratio is 5.75 times; on the last day of each fiscal quarter for the period from January 1, 2010 through December 31, 2010, the maximum ratio is 5.25 times; on the last day of each fiscal quarter for all periods after January 1, 2011, the maximum ratio is 4.75 times.

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

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

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

As of December 31, 2007, management of the Company believed it was in compliance with applicable financial covenants.

**(10) Fair Value of Financial Instruments**

The Company's significant financial instruments and the methods used to estimate their fair values are as follows:

**Notes receivable from related parties** The fair value of the Company's notes receivable from related parties, which carry a fixed rate of interest of 6.77% is \$3.9 million, based on current market rates.

**Investments** The fair value of the Company's available-for-sale investment is estimated using quoted market prices.

**Long-term debt** The carrying amount of the Company's long-term debt approximates fair value due to the variable interest rate, which is based on current market rates.

**(11) Stockholders' Equity**

The Company has two classes of common stock: Class A common stock and Class B common stock. In the election of directors, the holders of Class A common stock are entitled by class vote, exclusive of other stockholders, to elect two of the Company's directors, with each Class A share being entitled to one vote. In the election of the other six directors and all other matters submitted to the stockholders for a vote, the holders of Class A shares and Class B shares shall vote as a single class, with each Class A share being entitled to one vote and each Class B share entitled to ten votes.

The Company's credit agreement permits it to purchase up to \$50.0 million of the Company's common stock and on June 10, 2004, the board of directors authorized the Company to repurchase up to \$25.0 million of its Class A common stock over a period of one year from the date of authorization which was extended on May 12, 2005 for one additional year. On May 24, 2006, the board of directors authorized the Company to increase the remaining balance under its previous authorization from \$21.3 million to \$25.0 million and to extend the repurchase period to May 23, 2007. Effective May 24, 2007, the board of directors authorized the extension of the repurchase period for one additional year. The Company paid \$1.9 million to repurchase 131,911 shares in 2005, \$5.9 million to repurchase 744,285 shares in 2006, and \$3.5 million to repurchase 409,762 shares in 2007. The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock.

**(12) Stock-Based Compensation**

As of December 31, 2006, the Company had one stock-based compensation plan. The 2000 Equity Plan of Beasley Broadcast Group, Inc. (the 2000 Plan) permitted the grant of stock options, restricted stock and other stock-based awards to employees and directors for up to 4.0 million shares of Class A common stock.

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On June 7, 2007, the Company's stockholders approved the adoption of the Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan). Under the 2007 Plan, the Company may issue up to 4.0 million shares of Class A common stock. The 2007 Plan allows for eligible employees, directors and certain consultants of the Company to receive shares of restricted stock, stock options or other stock-based awards. The restricted stock and stock option awards that have been granted generally vest over three to five years of service. However, some stock option awards contain performance-related provisions that may delay vesting beyond five years but no longer than seven years after the date of grant. Stock options expire ten years from the date of grant.

The 2000 Plan was terminated upon adoption of the 2007 Plan, except with respect to outstanding awards. No new awards will be granted under the 2000 Plan.

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

|                                  | Shares | Weighted-Average Grant-Date Fair Value |
|----------------------------------|--------|--|
| Unvested as of June 7, 2007      |        | \$                                     |
| Granted                          | 22,000 | 5.96                                   |
| Vested                           |        |  |
| Forfeited                        |        |  |
| Unvested as of December 31, 2007 | 22,000 | \$ 5.96                                |

As of December 31, 2007, there was approximately \$113,000 of total unrecognized compensation cost related to restricted stock granted under the 2007 Plan. That cost is expected to be recognized over a weighted-average period of 2.7 years.

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

|                                  | Shares    | Weighted-Average Grant-Date Fair Value |
|----------------------------------|-----------|--|
| Unvested as of January 1, 2006   | 267,500   | \$ 14.38                               |
| Granted                          | 526,076   | 7.97                                   |
| Vested                           | (94,167)  | 14.38                                  |
| Forfeited                        | (3,617)   | 13.14                                  |
| Unvested as of December 31, 2006 | 695,792   | \$ 9.39                                |
| Granted                          | 27,000    | 9.45                                   |
| Vested                           | (215,352) | 10.36                                  |
| Forfeited                        | (10,991)  | 8.94                                   |
| Unvested as of December 31, 2007 | 496,449   | \$ 8.86                                |

As of December 31, 2007, there was \$2.6 million of total unrecognized compensation cost related to restricted stock granted under the 2000 Plan. That cost is expected to be recognized over a weighted-average period of 1.6 years.

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The fair value of each stock option award under the 2000 Plan was estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions noted in the following table. Expected volatility was based on implied and historical volatility of the Company's common stock. The Company uses historical data to estimate stock option exercise and employee departure behavior used in the Black-Scholes option pricing model. The expected term of stock options granted represents the period of time that stock options granted are expected to be outstanding. The risk-free interest rate is based on U.S. Treasury rates in effect for the contractual term at the time of grant. No stock option awards were granted during the year ended December 31, 2006 or 2007.

|                          |             |
|--------------------------|-------------|
|                          | <b>2005</b> |
| Expected volatility      | 57%         |
| Expected dividends       |             |
| Expected term (in years) | 7           |
| Risk-free interest rate  | 4.24%       |

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

|                                     | Shares    | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
|-------------------------------------|-----------|---------------------------------|---|---------------------------|
| Outstanding as of January 1, 2006   | 2,709,334 | \$ 15.20                        |   |                           |
| Granted                             |           |                                 |   |                           |
| Exercised                           |           |                                 |   |                           |
| Forfeited                           | (72,750)  | 14.68                           |   |                           |
| Outstanding as of December 31, 2006 | 2,636,584 | \$ 15.22                        |   |                           |
| Granted                             |           |                                 |   |                           |
| Exercised                           |           |                                 |   |                           |
| Forfeited                           | (87,500)  | 15.24                           |   |                           |
| Outstanding as of December 31, 2007 | 2,549,084 | \$ 15.26                        | 2.5   |                           |
| Exercisable as of December 31, 2007 | 2,471,417 | \$ 15.25                        | 2.3   |                           |

The weighted-average grant-date fair value of the stock options granted during the year ended December 31, 2005 was \$17.53. The total intrinsic value of the stock options exercised during the year ended December 31, 2005 was approximately \$28,000. As of December 31, 2007, there was approximately \$59,000 of total unrecognized compensation cost related to stock options granted under the Plan. That cost is expected to be recognized over a weighted-average period of 1.0 year.

**Table of Contents****(13) Income Taxes**

Income tax expense is as follows:

|          | Year ended December 31, |              |              |
|----------|-------------------------|--------------|--------------|
|          | 2005                    | 2006         | 2007         |
| Federal: |                         |              |              |
| Current  | \$ 3,182,046            | \$ 1,159,563 | \$           |
| Deferred | 2,814,068               | 4,270,908    | 2,893,662    |
|          | 5,996,114               | 5,430,471    | 2,893,662    |
| State:   |                         |              |              |
| Current  | 952,153                 | 673,150      | 27,942       |
| Deferred | 700,977                 | 964,769      | 573,266      |
|          | 1,653,130               | 1,637,919    | 601,208      |
|          | \$ 7,649,244            | \$ 7,068,390 | \$ 3,494,870 |

Income tax expense differs from the amounts that would result from applying the federal statutory rate of 34% to the Company's income before taxes as follows:

|  | Year ended December 31, |              |              |
|--|-------------------------|--------------|--------------|
|  | 2005                    | 2006         | 2007         |
| Expected tax expense                       | \$ 6,240,555            | \$ 5,848,873 | \$ 2,810,488 |
| State income taxes, net of federal benefit | 1,174,381               | 1,065,785    | 570,507      |
| Valuation allowance                        | (126,235)               | 23,093       | (263,197)    |
| Other                                      | 360,543                 | 130,639      | 377,072      |
|  | \$ 7,649,244            | \$ 7,068,390 | \$ 3,494,870 |

Temporary differences that give rise to the components of deferred tax assets and liabilities are as follows:

|                                 | December 31, |            |
|---------------------------------|--------------|------------|
|                                 | 2006         | 2007       |
| Deferred tax assets:            |              |            |
| Allowance for doubtful accounts | \$ 120,572   | \$ 156,829 |
| Unrealized loss on investment   | 128,218      | 293,254    |
| Accrued expenses                | 667,184      | 691,813    |
| Other long-term liabilities     | 444,420      | 444,420    |
| Stock-based compensation        | 735,354      | 808,376    |
| Net operating losses            | 561,642      | 2,099,314  |
| Subtotal                        | 2,657,390    | 4,494,006  |
| Valuation allowance             | (561,642)    | (283,011)  |
| Total                           | 2,095,748    | 4,210,995  |
| Deferred tax liabilities:       |              |            |

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|                              |                 |                 |
|------------------------------|-----------------|-----------------|
| Prepaid expenses             |                 | (1,023,023)     |
| Property and equipment       | (1,654,564)     | (1,615,071)     |
| Intangibles                  | (42,520,278)    | (47,606,767)    |
| Other assets                 |                 | (19,087)        |
| Total                        | (44,174,842)    | (50,263,948)    |
| Net deferred tax liabilities | \$ (42,079,094) | \$ (46,052,953) |

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As of December 31, 2007, the Company has federal and state net operating losses of \$4.2 million and \$14.3 million, respectively, which expire in various years through 2027. The valuation allowance relates to net operating losses which management has determined, more likely than not, that such losses will not be utilized before they expire.

On January 1, 2007, the Company adopted the provisions of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* and *Interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, *Accounting for Income Taxes*, and determined that no adjustment to stockholders' equity was required due to the adoption of FIN 48. As of December 31, 2007, the Company does not have any material unrecognized tax benefits and accordingly has not recorded any interest or penalties related to unrecognized tax benefits. The Company and its subsidiaries file a consolidated federal income tax return and various state returns. These returns remain subject to examination by taxing authorities for all years after 2003.

**(14) Earnings Per Share**

Net income per share calculation information is as follows:

|  | 2005          | 2006          | 2007         |
|--|---------------|---------------|--------------|
| Net income                             | \$ 10,705,329 | \$ 10,134,177 | \$ 4,771,271 |
| Weighted-average shares outstanding:   |               |               |              |
| Basic                                  | 24,201,679    | 23,890,371    | 23,349,013   |
| Effect of dilutive securities:         |               |               |              |
| Stock options                          | 52,134        | 17,545        | 138          |
| Restricted stock                       | 72,163        | 297,926       | 168,902      |
| Diluted                                | 24,325,976    | 24,205,842    | 23,518,053   |
| Net income per basic and diluted share | \$ 0.44       | \$ 0.42       | \$ 0.20      |

**(15) Related Party Transactions**

Notes receivable from related parties totaling \$3.9 million as of December 31, 2007 are due from Beasley Family Towers, Inc. ( BFT ), which is owned by George G. Beasley, Bruce G. Beasley, Caroline Beasley, Brian E. Beasley and other family members of George G. Beasley, in monthly payments including interest at 6.77%. The notes mature on December 28, 2020. Interest income on the notes receivable from BFT was approximately \$294,000, \$283,000 and \$271,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

The Company leases certain radio towers from BFT. The lease agreements expire on December 28, 2020. Rental expense was approximately \$529,000, \$542,000 and \$543,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

On August 4, 2006, the Company sold its radio towers located in West Palm Beach-Boca Raton, FL for approximately \$2.2 million to BFT and deferred a gain on sale of \$1.1 million. The gain is reported in other long-term liabilities in the accompanying balance sheet as of December 31, 2006. The Company sold these radio towers primarily to focus on its core business of acquiring, developing and operating radio stations. On August 4, 2006, the Company entered into an agreement to lease the sold radio towers in West Palm Beach-Boca Raton, FL back from BFT. However, as part of the negotiated sales price which was established in connection with an independent appraisal, the Company will not pay rent during the five-year term of this agreement, which expires on August 4, 2011. The gain on sale will be recognized as rental expense is incurred under future lease agreements.



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The Company leases a radio tower in Augusta, GA from Wintersrun Communications, Inc., which is owned by George G. Beasley, Bruce G. Beasley and Brian E. Beasley. The lease agreement expires on April 30, 2014. Rental expense was approximately \$25,000, \$26,000 and \$27,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

The Company leases office and studio space in Ft. Myers, FL from George G. Beasley. The lease agreements expire on August 31, 2009. Rental expense was approximately \$124,000, \$134,000 and \$137,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

The Company leased office and studio space in Boca Raton, FL from BFT until the building was sold to a third party during the second quarter of 2006. Rental expense was approximately \$90,000 and \$46,000 for the years ended December 31, 2005 and 2006, respectively.

The Company leases land in Augusta, GA from George G. Beasley. The lease agreement expires on November 1, 2023. Rental expense was approximately \$33,000, \$34,000 and \$35,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

The Company leases office space in Naples, FL from Beasley Broadcasting Management Corp., which is wholly-owned by George G. Beasley. Rental expense was approximately \$111,000, \$119,000 and \$147,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

From time to time, the Company leased aircraft for business trips from Riviera Management, LLC, which is wholly-owned by George G. Beasley, until the aircraft was sold to a third party during the first quarter of 2007. Rental expense was approximately \$131,000 and \$66,000 for the years ended December 31, 2005 and 2006, respectively. The aircraft was not leased in 2007.

As of December 31, 2007, future minimum payments to related parties for the next five years and thereafter are summarized as follows:

|              |                     |
|--------------|---------------------|
| 2008         | \$ 673,838          |
| 2009         | 630,106             |
| 2010         | 532,446             |
| 2011         | 533,336             |
| 2012         | 534,252             |
| Thereafter   | 4,165,713           |
| <b>Total</b> | <b>\$ 7,069,691</b> |

**(16) Commitments and Contingencies**

The Company leases property and equipment from third parties under five- to thirty-year operating leases. Lease expense was \$2.0 million, \$2.4 million and \$2.7 million for the years ended December 31, 2005, 2006 and 2007, respectively.

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The Company also has various commitments for rating services, on-air personalities not employed by us, consultants and sports programming rights. As of December 31, 2007, future minimum payments to third parties for the next five years and thereafter are summarized as follows:

|              |                      |
|--------------|----------------------|
| 2008         | \$ 10,078,239        |
| 2009         | 6,334,576            |
| 2010         | 2,221,625            |
| 2011         | 943,332              |
| 2012         | 792,016              |
| Thereafter   | 5,435,127            |
| <b>Total</b> | <b>\$ 25,804,915</b> |

WQAM-AM's license renewal is currently subject to objections and indecency-related proceedings at the FCC, described below, and that renewal has not yet been granted. The Company timely-filed a renewal application in October 2003 and informal objections were filed against that application. Because the Company filed a timely renewal application, it continues to operate the radio station under this license in the ordinary course. The Company does not anticipate renewal of WQAM-AM's license.

In February 2004, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on one day in September 2003. In November 2004, the FCC issued to the Company a notice of apparent liability for a monetary forfeiture of \$55,000 for alleged indecency violations relating to broadcasts on two additional days in September 2003 at WQAM-AM. In December 2004, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on eight different dates in 2004 on the Howard Stern Show; that inquiry also relates to WRXK-FM, which also carried the Howard Stern Show at that time. In August 2005, the FCC initiated an enforcement inquiry in response to allegations that WQAM-AM had broadcast indecent material on four different occasions; that inquiry also relates to WRXK. Other complaints involving the broadcast of alleged indecent or profane material by radio stations the Company owns remain pending. In June 2006, the maximum permitted fines increased to \$325,000 per incident and \$3,000,000 for any continuing violation arising from a single act or failure to act. The increased forfeiture amounts do not apply to any of these pending inquiries.

In the normal course of business, the Company is party to various legal matters. The ultimate disposition of these matters will not, in management's judgment, have a material adverse effect on the Company's financial position.

**Table of Contents****(17) Selected Quarterly Data (Unaudited)**

The following unaudited information shows selected items for each quarter of the Company's two most recent fiscal years.

|  | <b>First<br/>Quarter</b> | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter</b> |
|--|--------------------------|---------------------------|--------------------------|---------------------------|
| <b>Year ended December 31, 2007</b>    |                          |                           |                          |                           |
| Net revenue                            | \$ 30,775,887            | \$ 34,835,765             | \$ 33,285,701            | \$ 34,985,727             |
| Operating income                       | 5,108,273                | 7,044,990                 | 5,085,493                | 4,524,877                 |
| Net income                             | 1,116,632                | 2,142,322                 | 992,722                  | 519,595                   |
| Basic and diluted net income per share | 0.05                     | 0.09                      | 0.04                     | 0.02                      |

|  | <b>First<br/>Quarter</b> | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter</b> |
|--|--------------------------|---------------------------|--------------------------|---------------------------|
| <b>Year ended December 31, 2006</b>    |                          |                           |                          |                           |
| Net revenue                            | \$ 27,079,319            | \$ 32,205,500             | \$ 31,056,757            | \$ 34,848,675             |
| Operating income                       | 4,439,001                | 7,155,313                 | 6,422,634                | 7,911,815                 |
| Net income                             | 1,630,566                | 3,169,760                 | 2,365,309                | 2,968,542                 |
| Basic and diluted net income per share | 0.07                     | 0.13                      | 0.10                     | 0.13                      |

The Company recorded impairment losses of \$2.2 million related to the FCC broadcasting licenses in its West Palm Beach-Boca Raton, FL, Wilmington, DE and Augusta, GA market clusters during the fourth quarter of 2007.

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**BEASLEY BROADCAST GROUP, INC.**  
**FINANCIAL STATEMENT SCHEDULE**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**Years ended December 31, 2005, 2006 and 2007**

| <b>Column A Description</b>   | <b>Column B<br/>Balance at<br/>Beginning<br/>of Period</b> | <b>Column C<br/>Charged to<br/>Costs and<br/>Expenses</b> | <b>Column D<br/>Deductions</b> | <b>Column E<br/>Balance at<br/>End of<br/>Period</b> |
|---|--|---|--------------------------------|--|
| <b>Year ended December 31, 2005:</b>                                |  |   |                                |  |
| Allowance for doubtful accounts (deducted from accounts receivable) | 546,207  | 1,358,367   | 1,414,805                      | 489,769  |
| Valuation allowance for deferred tax assets                         | 664,784  | 151,198   | 277,433                        | 538,549  |
| <b>Year ended December 31, 2006:</b>                                |  |   |                                |  |
| Allowance for doubtful accounts (deducted from accounts receivable) | 489,769  | 985,491   | 1,163,060                      | 312,200  |
| Valuation allowance for deferred tax assets                         | 538,549  | 57,283  | 34,190                         | 561,642  |
| <b>Year ended December 31, 2007:</b>                                |  |   |                                |  |
| Allowance for doubtful accounts (deducted from accounts receivable) | 312,200  | 1,321,720   | 1,227,837                      | 406,083  |
| Valuation allowance for deferred tax assets                         | 561,642  | 5,867   | 284,498                        | 283,011  |

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2007, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

There has been no significant change in our internal controls over financial reporting during the Company's fourth fiscal quarter of 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of managements and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has used the framework set forth in the report entitled "Internal Control - Integrated Framework" published by the Committee of Sponsoring Organizations ( COSO ) of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of the end of the most recent fiscal year. The effectiveness of the Company's internal control over financial reporting as of December 31, 2007 has been audited by Crowe Chizek and Company LLC, an independent registered public accounting firm, as stated in their report which appears herein.

George G. Beasley, Chairman of the Board and Chief Executive Officer

Caroline Beasley, Vice President, Chief Financial Officer, Secretary, Treasurer and Director

**ITEM 9B. OTHER INFORMATION**

None.

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**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information relating to directors and executive officers required by this Item 10 is incorporated in this report by reference to the information set forth under the caption Election of Directors and Executive Officers in our definitive proxy statement for our 2008 Annual Meeting of Stockholders, which will be filed with the Commission no later than April 29, 2008. The information relating to certain filings on Forms 3, 4 and 5 is incorporated in this report by reference to the information set forth under the caption Section 16(a) Beneficial Ownership Reporting Compliance in our 2008 proxy statement. The information relating to our Code of Business Conduct and Ethics is incorporated in this report by reference to the information set forth under the caption Code of Business Conduct and Ethics in our 2008 proxy statement.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item 11 is incorporated in this report by reference to the information set forth under the caption Executive Compensation in our 2008 proxy statement. The section entitled Compensation Committee Report in the 2008 proxy statement is not incorporated by reference herein.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item 12 is incorporated in this report by reference to the information set forth under the caption Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in our 2008 proxy statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item 13 is incorporated in this report by reference to the information set forth under the caption Certain Relationships and Related Transactions in our 2008 proxy statement.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item 14 is incorporated in this report by reference to the information set forth under the caption Relationship with Independent Registered Public Accountants in our 2008 proxy statement.

**Table of Contents****PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) Financial Statements. A list of financial statements included herein is set forth in the Index to Financial Statements appearing in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

(b) Exhibits.

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 3.1                       | Amended certificate of incorporation of the Registrant. (1)  |
| 3.2                       | Third amended and restated bylaws of the Registrant. (2)   |
| 10.1                      | Executive employment agreement by and between Beasley Mezzanine Holdings, LLC and George G. Beasley dated as of May 13, 2005. (6)  |
| 10.2                      | Executive employment agreement by and between Beasley Mezzanine Holdings, LLC and Bruce G. Beasley dated as of May 13, 2005. (7)   |
| 10.3                      | Executive employment agreement by and between Beasley Mezzanine Holdings, LLC and B. Caroline Beasley dated as of May 13, 2005. (8)  |
| 10.4                      | Executive employment agreement by and between Beasley Mezzanine Holdings, LLC and Brian E. Beasley dated as of May 13, 2005. (9)   |
| 10.5                      | The 2000 Equity Plan of Beasley Broadcast Group, Inc. (1)  |
| 10.6                      | Credit agreement between Beasley Mezzanine Holdings, LLC, Bank of Montreal, Chicago Branch, as administrative agent, Bank of New York, as syndication agent, Harris Nesbitt and BNY Capital Markets, Inc. as co-lead arrangers, Bank of America N.A., ING Capital, LLC and Wells Fargo, National Association, as co-documentation agents, and other financial institutions, dated February 27, 2004. (3) |
| 10.7                      | First amendment to credit agreement dated February 27, 2004 between Beasley Mezzanine Holdings, LLC, Bank of Montreal, Chicago Branch, as administrative agent, and other financial institutions, dated June 18, 2004. (4)   |
| 10.8                      | First amendment to the 2000 Equity Plan of Beasley Broadcast Group, Inc. (5)   |
| 10.9                      | Second amendment to credit agreement dated February 27, 2004 between Beasley Mezzanine Holdings, LLC, Bank of Montreal, Chicago Branch, as administrative agent, and other financial institutions, dated June 27, 2005. (10)   |
| 10.10                     | Third amendment to credit agreement dated February 27, 2004 between Beasley Mezzanine Holdings, LLC, Bank of Montreal, Chicago Branch, as administrative agent, and other financial institutions, dated January 30, 2006. (11)   |
| 10.11                     | Fourth amendment to credit agreement dated February 27, 2004 by, between and among Beasley Mezzanine Holdings, LLC, Bank of Montreal, Chicago Branch, as administrative agent, and other financial institutions, dated February 1, 2007. (12)  |
| 10.12                     | Fifth amendment to credit agreement dated February 27, 2004 by, between and among Beasley Mezzanine Holdings, LLC, Bank of Montreal, Chicago Branch, as administrative agent, and other financial institutions, dated April 13, 2007. (13)   |
| 10.13                     | The Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan. (14)   |
| 21.1                      | Subsidiaries of the Company.   |



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| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 23.1                      | Consent of Crowe Chizek and Company LLC.  |
| 23.2                      | Consent of KPMG LLP.  |
| 31.1                      | Certification of Chief Executive Officer pursuant to Rule 15d-14(a) (17 CFR 240.15d-14(a)).   |
| 31.2                      | Certification of Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 15d-14(a) (17 CFR 240.15d-14(a)).                            |
| 32.1                      | Certification of Chief Executive Officer pursuant to Rule 15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350.  |
| 32.2                      | Certification of Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350. |

- (1) Incorporated by reference to Exhibit 3.1 to Beasley Broadcast Group, Inc. s Registration Statement on Form S-1/A dated February 11, 2000. (File No. 333-91683).
- (2) Incorporated by reference to Exhibit 3.1 to Beasley Broadcast Group, Inc. s Annual Report on Form 10-K dated February 13, 2001.
- (3) Incorporated by reference to Exhibit 10.8 to Beasley Broadcast Group, Inc. s Annual Report on Form 10-K dated March 12, 2004.
- (4) Incorporated by reference to Exhibit 10.2 to Beasley Broadcast Group, Inc. s Quarterly Report on Form 10-Q dated August 5, 2004.
- (5) Incorporated by reference to Exhibit 10.2 to Beasley Broadcast Group, Inc. s Registration Statement on Form S-8 dated May 27, 2004.
- (6) Incorporated by reference to Exhibit 99.1 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K dated May 13, 2005.
- (7) Incorporated by reference to Exhibit 99.2 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K dated May 13, 2005.
- (8) Incorporated by reference to Exhibit 99.3 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K dated May 13, 2005.
- (9) Incorporated by reference to Exhibit 99.4 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K dated May 13, 2005.
- (10) Incorporated by reference to Exhibit 10.1 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K dated June 30, 2005.
- (11) Incorporated by reference to Exhibit 10.11 to Beasley Broadcast Group, Inc. s Annual Report on Form 10-K dated March 8, 2006.
- (12) Incorporated by reference to Exhibit 10.1 to Beasley Broadcast Group, Inc. s Quarterly Report on Form 10-Q dated May 7, 2007.
- (13) Incorporated by reference to Exhibit 10.1 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K dated April 18, 2007.
- (14) Incorporated by reference to Appendix A to Beasley Broadcast Group, Inc. s Definitive Proxy Statement dated April 27, 2007.

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BEASLEY BROADCAST GROUP, INC.

By: /s/ GEORGE G. BEASLEY  
George G. Beasley

*Chairman of the Board*

*and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the registrant and in the capacities and on the dates indicated have signed this report below.

| Signature                                      | Title   | Date           |
|--|---|----------------|
| /s/ GEORGE G. BEASLEY<br><br>George G. Beasley | Chairman of the Board and Chief Executive Officer (principal executive officer)   | March 12, 2008 |
| /s/ ALLEN B. SHAW<br><br>Allen B. Shaw         | Vice-Chairman of the Board  | March 12, 2008 |
| /s/ BRUCE G. BEASLEY<br><br>Bruce G. Beasley   | President, Chief Operating Officer and Director   | March 12, 2008 |
| /s/ CAROLINE BEASLEY<br><br>Caroline Beasley   | Vice President, Chief Financial Officer, Secretary, Treasurer and Director (principal financial and accounting officer) | March 12, 2008 |
| /s/ BRIAN E. BEASLEY<br><br>Brian E. Beasley   | Vice President of Operations and Director   | March 12, 2008 |
| /s/ JOE B. COX<br><br>Joe B. Cox               | Director  | March 12, 2008 |
| /s/ MARK S. FOWLER<br><br>Mark S. Fowler       | Director  | March 12, 2008 |
| /s/ HERBERT W. MCCORD<br><br>Herbert W. McCord | Director  | March 12, 2008 |

