

ROCKY MOUNTAIN CHOCOLATE FACTORY INC

Form 10-Q

January 05, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended November 30, 2006

**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 0-14749

Rocky Mountain Chocolate Factory, Inc.

(Exact name of registrant as specified in its charter)

Colorado

(State of incorporation)

84-0910696

(I.R.S. Employer Identification No.)

265 Turner Drive, Durango, CO 81303

(Address of principal executive offices)

(970) 259-0554

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "larger accelerated filer" in Rule 12b of the Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange act). Yes No .

On December 29, 2006 the registrant had outstanding 6,105,916 shares of its common stock, \$.03 par value.

The exhibit index is located on page 19.

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FORM 10-Q
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Table of Contents**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
STATEMENTS OF INCOME
(unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2006	2005	2006	2005
Revenues				
Sales	\$7,666,555	\$6,735,832	\$18,253,827	\$15,877,100
Franchise and royalty fees	1,427,881	1,261,715	4,388,590	4,070,408
Total revenues	9,094,436	7,997,547	22,642,417	19,947,508
Costs and Expenses				
Cost of sales	5,043,934	4,291,666	11,547,063	9,707,178
Franchise costs	430,040	416,747	1,146,655	1,061,800
Sales and marketing	367,695	321,330	1,072,447	911,990
General and administrative	571,583	546,436	1,790,897	1,582,403
Retail operating	331,115	424,200	1,143,319	1,286,674
Depreciation and amortization	221,571	224,328	683,016	638,193
Total costs and expenses	6,965,938	6,224,707	17,383,397	15,188,238
Income from Operations	2,128,498	1,772,840	5,259,020	4,759,270
Other Income (Expense)				
Interest expense				(19,652)
Interest income	12,652	20,950	49,866	70,450
Other, net	12,652	20,950	49,866	50,798
Income Before Income Taxes	2,141,150	1,793,790	5,308,886	4,810,068
Income Tax Provision	809,355	678,050	2,006,760	1,818,205
Net Income	\$1,331,795	\$1,115,740	\$ 3,302,126	\$ 2,991,863
Basic Earnings per Common Share	\$.22	\$.18	\$.54	\$.48
Diluted Earnings per Common Share	\$.21	\$.17	\$.52	\$.45
Weighted Average Common Shares				
Outstanding	6,083,871	6,354,415	6,130,470	6,263,461
Dilutive Effect of Stock Options	199,716	337,841	224,013	441,160
Weighted Average Common Shares Outstanding, Assuming Dilution	6,283,587	6,692,256	6,354,483	6,704,621

The accompanying notes are an integral part of these financial statements.

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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
BALANCE SHEETS

	November 30, 2006 (unaudited)	February 28, 2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 303,545	\$ 3,489,750
Accounts receivable, less allowance for doubtful accounts of \$65,619 and \$46,920, respectively	5,555,109	3,296,690
Notes receivable	85,400	116,997
Inventories, less reserve for slow moving inventory of \$95,951 and \$61,032, respectively	3,444,527	2,938,234
Deferred income taxes	117,715	117,715
Other	398,284	481,091
Total current assets	9,904,580	10,440,477
Property and Equipment, Net	6,108,967	6,698,604
Other Assets		
Notes receivable, less valuation allowance of \$52,005	224,152	278,741
Goodwill, net	1,133,751	1,133,751
Intangible assets, net	347,635	402,469
Other	159,940	103,438
Total other assets	1,865,478	1,918,399
Total assets	\$17,879,025	\$19,057,480
Liabilities and Stockholders Equity		
Current Liabilities		
Accounts payable	\$ 1,209,086	\$ 1,145,410
Accrued salaries and wages	574,974	507,480
Other accrued expenses	770,757	750,733
Dividend payable	550,581	504,150
Total current liabilities	3,105,398	2,907,773
Deferred Income Taxes	663,889	663,889
Commitments and Contingencies		
Stockholders Equity		
Common stock, \$.03 par value, 100,000,000 shares authorized, 6,102,276 and 6,281,920 issued and outstanding, respectively	183,068	188,458
Additional paid-in capital	7,226,191	10,372,530
Retained earnings	6,700,479	4,924,830
Total stockholders equity	14,109,738	15,485,818
Total liabilities and stockholders equity	\$17,879,025	\$19,057,480

The accompanying notes are an integral part of these financial statements.

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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended November 30	
	2006	2005
Cash Flows From Operating activities		
Net income	\$ 3,302,126	\$ 2,991,863
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	683,016	638,193
Provision for obsolete inventory	45,000	30,000
(Gain) loss on sale of assets	61,218	(15,703)
Expense recorded for stock options	201,269	
Changes in operating assets and liabilities:		
Accounts receivable	(2,258,419)	(1,824,366)
Refundable income taxes		139,499
Inventories	(551,293)	(467,557)
Other current assets	79,046	(260,965)
Accounts payable	63,676	88,832
Accrued liabilities	91,395	734,517
Net cash provided by operating activities	1,717,034	2,054,313
Cash Flows From Investing Activities		
Proceeds received on notes receivable	86,186	190,070
Proceeds from sale of assets		65,408
Purchases of property and equipment	(150,449)	(1,002,567)
Decrease (increase) in other assets	9,890	765
Net cash used in investing activities	(54,373)	(746,324)
Cash Flows From Financing Activities		
Payments on long-term debt		(1,665,084)
Repurchase of stock	(3,794,944)	(1,264,837)
Proceeds from exercise of stock options	426,124	952,273
Costs of stock dividend		(8,902)
Dividends paid	(1,480,046)	(1,266,209)
Net cash used in financing activities	(4,848,866)	(3,252,759)
Net Decrease in Cash and Cash Equivalents	(3,186,205)	(1,944,770)
Cash and Cash Equivalents, Beginning of Period	3,489,750	4,438,876
Cash and Cash Equivalents, End of Period	\$ 303,545	\$ 2,494,106

The accompanying notes are an integral part of these financial statements.

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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
NOTES TO INTERIM FINANCIAL STATEMENTS

NOTE 1 NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

Rocky Mountain Chocolate Factory, Inc. is an international franchiser, confectionery manufacturer and retail operator in the United States, Guam, Canada and the United Arab Emirates. The Company manufactures an extensive line of premium chocolate candies and other confectionery products. The Company's revenues are currently derived from three principal sources: sales to franchisees and others of chocolates and other confectionery products manufactured by the Company; the collection of initial franchise fees and royalties from franchisees' sales; and sales at Company-owned stores of chocolates and other confectionery products. The following table summarizes the number of Rocky Mountain Chocolate Factory stores at November 30, 2006:

	Sold, Not Yet		
	Open	Open	Total
Company-owned stores		7	7
Company-owned kiosks			
Franchise stores Domestic stores	17	250	267
Franchise Stores Domestic kiosks	1	23	24
Franchise units International		36	36
	18	316	334

Basis of Presentation

The accompanying financial statements have been prepared by the Company, without audit, and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The results of operations for the nine months ended November 30, 2006 are not necessarily indicative of the results to be expected for the entire fiscal year.

These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2006.

Stock-Based Compensation

At November 30, 2006, the Company had stock-based compensation plans for employees and nonemployee directors which authorized the granting of stock options.

Prior to March 1, 2006, the Company accounted for the plans under the measurement and recognition provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, permitted under Statement of Financial Accounting Standard No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). As a result, employee stock option-based compensation was included as a pro forma disclosure in the Notes to the Company's Financial Statements for prior year periods.

Effective March 1, 2006, the Company adopted the recognition provisions of Statement of Financial Accounting Standard No. 123R, Share-Based Payment (SFAS No. 123R), using the modified-prospective transition method. Under this transition method, compensation cost in 2006 includes the portion vesting in the period for (1) all share-based payments granted prior to, but not vested, as of March 1, 2006, based on the grant date fair value estimated in

Table of Contents**NOTE 1 NATURE OF OPERATIONS AND BASIS OF PRESENTATION CONTINUED****Stock-Based Compensation Continued**

accordance with the original provisions of SFAS No. 123, and (2) all share-based payments granted subsequent to March 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Results for the prior periods have not been restated.

The Company did not issue stock options and recorded \$0 related equity-based compensation expense during the three and nine month periods ended November 30, 2006. Compensation costs related to share-based compensation are generally amortized over the vesting period in selling, general and administrative expenses in the statement of operations.

On February 21, 2006, the Company accelerated the vesting of all outstanding stock options and recognized a share-based compensation charge related to this acceleration. The Company recognized an additional share-based compensation charge of \$0 and \$131,000 for the three and nine months ended November 30, 2006, respectively, related to this acceleration due to changes in certain estimates and assumptions related to employee turnover since the acceleration date. Adjustments in future periods may be necessary as actual results could differ from these estimates and assumptions.

Prior to adopting SFAS No. 123R, the Company presented all benefits from tax deductions arising from equity-based compensation as a non-cash transaction in the Statement of Cash Flows. SFAS No. 123R requires that the tax benefits in excess of the compensation cost recognized for those exercised options be classified as cash provided by financing activities. No excess tax benefit was included in net cash provided by financing activities for the third quarter ended November 30, 2006.

The weighted-average fair value of stock options granted during the nine-month periods ended November 30, 2006 and November 30, 2005 was \$0 and \$4.16 per share, respectively. As of November 30, 2006, there was \$0 (before any related tax benefit) of unrecognized compensation cost related to non-vested share-based compensation that is expected to be recognized over the remainder of fiscal 2007.

	Three Months ended November 30,		Nine Months Ended November 30,	
	2006	2005	2006	2005
Net Income as reported	\$1,332	\$1,116	\$3,302	\$2,992
Stock-based compensation expense included in reported net income, net of tax				
Deduct stock-based compensation expense determined under fair value based method, net of tax		40		120
Net Income pro forma	1,332	1,076	3,302	2,872
Basic Earnings per Share-as reported	.22	.18	.54	.48
Diluted Earnings per Share-as reported	.21	.17	.52	.45
Basic Earnings per Share-pro forma	.22	.17	.54	.46
Diluted Earnings per Share-pro forma	.21	.16	.52	.43

Reclassifications

Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year presentation.

NOTE 2 EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted average number of common shares outstanding. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options. For the three months ended November 30, 2006 and 2005, 146,560 and zero stock options, respectively, were excluded from the computation of earnings per share because their effect would have been anti-dilutive. For the nine months ended November 30, 2006 and 2005, 143,480 and zero stock options, respectively, were excluded from the computation of earnings per share because their effect would have been anti-dilutive.

Table of Contents**NOTE 3 INVENTORIES**

Inventories consist of the following:

	November 30, 2006	February 28, 2006
Ingredients and supplies	\$ 1,885,307	\$ 1,507,193
Finished candy	1,559,220	1,431,041
	\$ 3,444,527	\$ 2,938,234

NOTE 4 PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	November 30, 2006	February 28, 2006
Land	\$ 513,618	\$ 513,618
Building	4,717,230	4,705,242
Machinery and equipment	6,326,059	6,252,011
Furniture and fixtures	753,724	817,137
Leasehold improvements	590,979	641,637
Transportation equipment	331,640	331,640
	13,233,250	13,261,285
Less accumulated depreciation	7,124,283	6,562,681
Property and equipment, net	\$ 6,108,967	\$ 6,698,604

NOTE 5 STOCKHOLDERS EQUITY**Stock Issuance**

In March 2006, the Company issued 584 shares of stock, valued at \$12,500, for certain sales services. In June 2006, the Company issued 250 shares of stock, valued at \$3,322, to its Franchisee of the Year. In September 2005, the Company issued 1,752 shares of stock, valued at \$37,500, for certain licensing rights for five years and certain sales services for one year.

Stock Dividend

On February 15, 2005 the Board of Directors declared a 5 percent stock dividend payable on March 10, 2005 to shareholders of record as of February 28, 2005. Shareholders received one additional share of Common Stock for every twenty shares owned prior to the record date. Subsequent to the dividend there were 4,602,135 shares outstanding.

Stock Split

On May 18, 2005 the Board of Directors approved a four-for-three stock split payable June 13, 2005 to shareholders of record at the close of business on May 31, 2005. Shareholders received one additional share of common stock for every three shares owned prior to the record date. Immediately prior to the split there were 4,639,244 shares outstanding. Subsequent to the split there were 6,186,007 shares outstanding.

All share and per share data have been restated in all periods presented to give effect to the stock dividend and stock split.

Stock Repurchases

On November 9, 2006 the Company repurchased 2,200 shares at an average price of \$13.65. Between June 30, 2006 and August 25, 2006 the Company repurchased 42,699 shares at an average price of \$13.63 per share. Between March 24, 2006 and May 18, 2006 the Company repurchased 224,213 shares at an average price of \$14.20 per share. Between October 7, 2005 and February 3, 2006 the Company repurchased 176,599 Company shares at an average price of \$15.36 per share. Between April 18 and April 20, 2005 the Company repurchased 17,647 shares at an average

price of \$13.94 per share.

Table of Contents**NOTE 5 STOCKHOLDERS EQUITY CONTINUED****Cash Dividend**

On November 13, 2006 the Company declared a quarterly cash dividend of \$0.09 per common share payable on December 15, 2006 to shareholders of record on December 1, 2006. The Company paid a quarterly cash dividend of \$0.08 per common share on March 16, 2006, June 16, 2006 and September 16, 2006 to shareholders of record on March 8, 2006, June 2, 2006 and September 1, 2006, respectively. The Company paid a quarterly cash dividend of \$0.0675 per common share on March 16, 2005, June 16, 2005 and September 16, 2005 to shareholders of record on March 11, 2005, June 3, 2005 and September 1, 2005 respectively. The Company paid a quarterly cash dividend of \$0.07 per common share on December 16, 2005 to shareholders of record on December 1, 2005.

Future declaration of dividends will depend on, among other things, the Company's results of operations, capital requirements, financial condition and on such other factors as the Company's Board of Directors may in its discretion consider relevant and in the best long term interest of the shareholders.

NOTE 6 SUPPLEMENTAL CASH FLOW INFORMATION

	Nine Months Ended November 30,	
	2006	2005
Cash paid for:		
Interest	\$	\$ 19,872
Income taxes	2,065,407	475,559
 Non-Cash Financing Activities		
Dividend payable	\$ 46,431	\$ 27,642
Issue stock for rights and services	15,822	37,500
Fair value of assets received upon settlement of note and accounts receivable		
Store to be operated	\$	\$200,000
Inventory		3,815
Note receivable		153,780

NOTE 7 OPERATING SEGMENTS

The Company classifies its business interests into two reportable segments: Franchising and Manufacturing. The Company's retail stores provide an environment for testing consumer behavior, various pricing strategies, new products and promotions, operating, training and merchandising techniques. Three operational stores previously classified as held for sale were reclassified as assets held and used when management's intentions changed. All Company-owned retail stores are evaluated by management in relation to their contribution to franchising efforts and are included in the Franchising segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Company's financial statements included in the Company's annual report on Form 10-K for the year ended February 28, 2006. The Company evaluates performance and allocates resources based on operating contribution, which excludes unallocated corporate general and administrative costs and income tax expense or benefit. The Company's reportable segments are strategic businesses that utilize common merchandising, distribution, and marketing functions, as well as common information systems and corporate administration. All inter-segment sales prices are market based. Each segment is managed separately because of the differences in required infrastructure and the difference in products and services:

	Franchising	Manufacturing	Other	Total
Three Months Ended November 30, 2006				
Total revenues	\$1,963,277	\$ 7,693,597	\$	\$ 9,656,874
Intersegment revenues		(562,438)		(562,438)
Revenue from external customers	1,963,277	7,131,159		9,094,436

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Segment profit (loss)	609,949	2,145,433	(614,232)	2,141,150
Total assets	2,760,142	12,489,068	2,629,815	17,879,025
Capital expenditures	7,786	6,613	16,409	30,808
Total depreciation & amortization	57,655	110,291	53,625	221,571

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NOTE 7 OPERATING SEGMENTS CONTINUED

	Franchising	Manufacturing	Other	Total
Three Months Ended				
November 30, 2005				
Total revenues	\$1,918,557	\$ 6,563,024	\$	\$ 8,481,581
Intersegment revenues		(484,034)		(484,034)
Revenue from external customers	1,918,557	6,078,990		7,997,547
Segment profit (loss)	487,066	1,902,053	(595,329)	1,793,790
Total assets	2,992,925	11,469,245	5,382,676	19,844,846
Capital expenditures	5,092	81,669	88,909	175,670
Total depreciation & amortization	69,203	99,594	55,531	224,328
Nine Months Ended				
November 30, 2006				
Total revenues	\$6,298,520	\$17,826,962	\$	\$24,125,482
Intersegment revenues		(1,483,065)		(1,483,065)
Revenue from external customers	6,298,520	16,343,897		22,642,417
Segment profit (loss)	2,078,074	5,063,118	(1,832,306)	5,308,886
Total assets	2,760,142	12,489,068	2,629,815	17,879,025
Capital expenditures	30,589	78,424	41,435	150,448
Total depreciation & amortization	181,343	335,741	165,932	683,016
Nine Months Ended				
November 30, 2005				
Total revenues	\$6,184,641	\$15,020,967	\$	\$21,205,608
Intersegment revenues		(1,258,100)		(1,258,100)
Revenue from external customers	6,184,641	13,762,867		19,947,508
Segment profit (loss)	2,095,009	4,409,320	(1,694,261)	4,810,068
Total assets	2,992,925	11,469,245	5,382,676	19,844,846
Capital expenditures	88,694	626,246	287,627	1,002,567
Total depreciation & amortization	197,221	293,974	146,998	638,193

NOTE 8 GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of the following:

	Amortization Period	November 30, 2006		February 28, 2006	
		Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Intangible assets subject to amortization					
Store design	10 Years	\$ 205,777	\$100,926	\$205,777	\$ 85,093
Packaging licenses	3-5 Years	120,830	102,914	120,830	99,164
Packaging design	10 Years	430,973	206,105	430,973	170,854
Total		75d ;14 font-family:Times	TYPE OF REPORTING		

New Roman; PERSON (SEE
font-size:10pt"> INSTRUCTIONS)

OO

* Excludes 3,596,170.22 shares of Class A Common Stock held by other Reporting Persons as to which the Cristina Bordes 2009 Gift Trust disclaims beneficial ownership. This report shall not be construed as an admission that such person is the beneficial owner of such securities.

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CUSIP No. 074014101

1 NAME OF REPORTING PERSON

Stephanie Bordes 2009 Gift Trust

2 I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY).
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

5 OO (Please see Item 3)
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR (2e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

State of New York

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 439,425.09

8 SHARED VOTING POWER

OWNED BY

EACH

0

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH 439,425.09

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

439,425.09

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

*

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

3.62%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

* Excludes 3,646,507.58 shares of Class A Common Stock held by other Reporting Persons as to which the Stephanie Bordes 2009 Gift Trust disclaims beneficial ownership. This report shall not be construed as an admission that such person is the beneficial owner of such securities.

CUSIP No. 074014101

1 NAME OF REPORTING PERSON

Stephen Bordes 2009 Gift Trust

2 I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY).
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

5 OO (Please see Item 3)
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR (2e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

State of New York

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 489,762.45

8 SHARED VOTING POWER

OWNED BY

EACH

0

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH 489,762.45

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

489,762.45

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

*

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

4.04%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

* Excludes 3,596,170.22 shares of Class A Common Stock held by other Reporting Persons as to which the Stephen Bordes 2009 Gift Trust disclaims beneficial ownership. This report shall not be construed as an admission that such person is the beneficial owner of such securities.

CUSIP No. 074014101

1 NAME OF REPORTING PERSON

Lee Bordes 2015 GRAT #7

2 I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY).
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

5 OO (Please see Item 3)
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR (2e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

State of Florida

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 70,851.22

8 SHARED VOTING POWER

OWNED BY

EACH

0

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH 70,851.22

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

70,851.22

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

*

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.58%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

* Excludes 4,015,081.45 shares of Class A Common Stock held by other Reporting Persons as to which the Lee Bordes 2015 GRAT #7 disclaims beneficial ownership. This report shall not be construed as an admission that such person is the beneficial owner of such securities.

CUSIP No. 074014101

1 NAME OF REPORTING PERSON

Lee Bordes 2017 GRAT #1

2 I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY).
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

5 OO (Please see Item 3)
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR (2e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

State of Florida

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 966,954.38

8 SHARED VOTING POWER

OWNED BY

EACH

0

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH 966,954.38

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

966,954.38

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

*

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

7.98%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

* Excludes 3,118,978.29 shares of Class A Common Stock held by other Reporting Persons as to which the Lee Bordes 2017 GRAT #1 disclaims beneficial ownership. This report shall not be construed as an admission that such person is the beneficial owner of such securities.

CUSIP No. 074014101

1 NAME OF REPORTING PERSON

Lee Bordes 2017 GRAT #2

2 I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY).
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

5 OO (Please see Item 3)
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR (2e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

State of Florida

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 966,954.38

8 SHARED VOTING POWER

OWNED BY

EACH

0

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH

966,954.38

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

966,954.38

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

*

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

7.98%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

* Excludes 3,118,978.29 shares of Class A Common Stock held by other Reporting Persons as to which the Lee Bordes 2017 GRAT #2 disclaims beneficial ownership. This report shall not be construed as an admission that such person is the beneficial owner of such securities.

AMENDMENT NO. 3 TO SCHEDULE 13D

This Schedule 13D is being filed jointly by the trusts (the Trust Filers) and individuals (in their capacity as trustee or co-trustee of one or more Trust Filers or otherwise) listed in Item 2(a) of this Schedule 13D who may be deemed to beneficially own a certain number of the shares of Class A Common Stock of Beasley Broadcast Group, Inc., a Delaware corporation (the Issuer), par value \$.001 per share (the Class A Common Stock), as described herein.

The Schedule 13D (the Schedule) filed by the original Trust Filers on November 14, 2016, as amended and supplemented by Amendment No. 1 filed on May 30, 2017, and Amendment No. 2 filed on July 18, 2017, is hereby amended and supplemented by the Reporting Persons as set forth below in this Amendment No. 3.

Item 4. Purpose of Transaction.

The disclosure in Item 4 is hereby amended by adding the following at the end thereof:

On December 29, 2017, the Issuer, Greater Media and the Stockholders Representative entered into a Settlement Agreement (the Settlement Agreement). Pursuant to the Settlement Agreement, the Trust Filers (i) surrendered or caused to be surrendered to the Issuer an aggregate of 470,480.34 shares of Class A Common Stock and (ii) released to the Issuer an aggregate of 491,524.324 Holdback Shares, held in escrow by the Escrow Agent pursuant to the Escrow Agreement. The shares of Class A Common Stock and Holdback Shares were surrendered and released, as the case may be, pursuant to the Settlement Agreement, in full satisfaction of the Trust Filers obligations with respect to (i) the adjustment to the Purchase Price for the General Media stock in the Merger, pursuant to Section 1.7 of the Merger Agreement, (ii) the disposition of certain radio towers, and related property, by General Media following the Effective Time of the Merger, pursuant to Section 1.7 of the Merger Agreement, (iii) the transition services agreement, dated November 1, 2016, by and between the Issuer and BFTW LLC and (iv) and certain other matters in dispute between the parties thereto. Each share of Class A Common Stock was surrendered and each Holdback Share was released at a price of \$4.61 per share. The number of surrendered shares of Class A Common Stock and released Holdback Shares by each Reporting Person is set forth in Item 5 hereto. No funds were exchanged in connection with the surrender of the shares of Class A Common Stock or the return of the Holdback Shares. The foregoing description of the Settlement Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the full text of the Settlement Agreement filed as Exhibit 6 herewith and incorporated by reference herein.

Item 5. Interest in Securities of the Issuer.

All share percentage calculations in this Schedule 13D are based on 12,124,389 shares of Class A Common Stock outstanding as of October 30, 2017, as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2017.

(a) and (b) The Reporting Persons may be deemed to beneficially own an aggregate of 4,085,932.67 shares of Class A Common Stock which represents approximately 33.70% of the total shares of the Issuer's Class A Common Stock currently outstanding. Each of the Reporting Persons disclaims beneficial ownership of the securities held by the other Reporting Persons, except to the extent of any pecuniary interest, and this report shall not be deemed to be an admission that such person is the beneficial owner of such securities.

Peter A. Bordes, Jr. may be deemed to beneficially own an aggregate of 490,861.45 shares of Class A Common Stock. This aggregate amount represents approximately 4.05% of the shares of Class A Common Stock currently outstanding. He may be deemed to have (a) the sole power to vote or direct the vote of and to dispose of or to direct the disposition of 1,099 shares of Class A

Common Stock owned of record personally and (b) the current shared power to vote or direct the vote of and to dispose of or direct the disposition of 489,762.45 shares of Class A Common Stock. As a co-trustee, he may be deemed to have the current shared power to vote or direct the vote of and to dispose of or direct the disposition of 489,762.45 shares of Class A Common Stock owned of record by the Peter A. Bordes, Jr. 2009 Gift Trust. He disclaims beneficial ownership, except to the extent of any pecuniary interest, of 489,762.45 shares of Class A Common Stock owned of record by the Peter A. Bordes, Jr. 2009 Gift Trust, and this report shall not be deemed to be an admission that such person is the beneficial owner of such securities.

Cristina Bordes may be deemed to beneficially own an aggregate 2,494,522.44 shares of Class A Common Stock.

This aggregate amount represents approximately 20.57% of the shares of Class A Common Stock currently outstanding. As a co-trustee, she may be deemed to have the current shared power to vote or direct the vote of and to dispose of or direct the disposition of 2,494,522.44 shares of Class A Common Stock (including 489,762.45 shares of Class A Common Stock owned of record by the Cristina Bordes 2009 Gift Trust and an aggregate of 2,004,759.99 shares of Class A Common Stock owned of record by the Lee Bordes GRATs). She disclaims beneficial ownership, except to the extent of any pecuniary interest, of 489,762.45 shares of Class A Common Stock owned of record by the Cristina Bordes 2009 Gift Trust and an aggregate of 2,004,759.99 shares of Class A Common Stock owned of record by the Lee Bordes GRATs, and this report shall not be deemed to be an admission that such person is the beneficial owner of such securities.

Stephen F. Lappert may be deemed to beneficially own an aggregate of 3,913,472.44 shares of Class A Common Stock. This aggregate amount represents approximately 32.28% of the shares of Class A Common Stock currently outstanding. As a co-trustee, he may be deemed to have the current shared power to vote or direct the vote of and to dispose of or direct the disposition of 3,913,472.44 shares of Class A Common Stock (including an aggregate of 1,908,712.46 shares of Class A Common Stock owned of record by the Gift Trusts and an aggregate of 2,004,759.99 shares of Class A Common Stock owned of record by the Lee Bordes GRATs). He disclaims beneficial ownership of an aggregate of 1,908,712.46 shares of Class A Common Stock owned of record by the Gift Trusts and an aggregate of 2,004,759.99 shares of Class A Common Stock owned of record by the Lee Bordes GRATs, and this report shall not be deemed to be an admission that such person is the beneficial owner of such securities.

Lee Bordes may be deemed to beneficially own an aggregate of 3,913,472.44 shares of Class A Common Stock. This aggregate amount represents approximately 32.28% of the shares of Class A Common Stock currently outstanding. By reason of certain asset substitution rights, she may be deemed to have the right to acquire and therefore may be deemed to have the current shared power to vote or direct the vote of and to dispose of or direct the disposition of 3,913,472.44 shares of Class A Common Stock (including an aggregate of 1,908,712.46 shares of Class A Common Stock owned of record by the Gift Trusts and an aggregate of 2,004,759.99 shares of Class A Common Stock owned of record by the Lee Bordes GRATs). She disclaims beneficial ownership of an aggregate of 1,908,712.46 shares of Class A Common Stock owned of record by the Gift Trusts and an aggregate of 2,004,759.99 shares of Class A Common Stock owned of record by the Lee Bordes GRATs, and this report shall not be deemed to be an admission that such person is the beneficial owner of such securities.

Stephanie L. Bordes may be deemed to beneficially own an aggregate of 439,425.09 shares of Class A Common Stock. This aggregate amount represents approximately 3.62% of the shares of Class A Common Stock currently outstanding. As a co-trustee, she may be deemed to have the current shared power to vote or direct the vote of and to dispose of or direct the disposition of 439,425.09 shares of Class A Common Stock owned of record by the Stephanie Bordes 2009 Gift Trust. She disclaims beneficial ownership, except to the extent of any pecuniary interest, of 439,425.09 shares of Class A Common Stock owned of record by the Stephanie Bordes 2009 Gift Trust, and this report shall not be deemed to be an admission that such person is the beneficial owner of such securities.

Stephen M. Bordes may be deemed to beneficially own an aggregate of 489,762.45 shares of Class A Common Stock.

This aggregate amount represents approximately 4.04% of the shares of Class A Common Stock currently outstanding. As a co-trustee, he may be deemed to have the current shared power to vote or direct the vote of and to dispose of or direct the disposition of 489,762.45 shares of Class A Common Stock owned of record by the Stephen

Bordes 2009 Gift Trust. He disclaims beneficial ownership, except to the extent of any pecuniary interest, of 489,762.45 shares of Class A Common Stock owned of record by the Stephen Bordes 2009 Gift Trust, and this report shall not be deemed to be an admission that such person is the beneficial owner of such securities.

The Peter A. Bordes Marital Trust may be deemed to beneficially own an aggregate of 171,361.23 shares of Class A Common Stock. Peter A. Bordes, Jr., Cristina Bordes, Stephanie L. Bordes, Stephen M. Bordes and Stephen F. Lappert are the trustees and have the shared power to vote and dispose of the shares held by the trust. The information contained on page 7 of this Schedule 13D is hereby incorporated by reference.

The Peter A. Bordes, Jr. 2009 Gift Trust may be deemed to beneficially own an aggregate of 489,762.45 shares of Class A Common Stock. Peter A. Bordes, Jr. and Stephen F. Lappert are the trustees and have the shared power to vote and dispose of the shares held by the trust. The information contained on page 8 of this Schedule 13D is hereby incorporated by reference.

The Cristina Bordes 2009 Gift Trust may be deemed to beneficially own an aggregate of 489,762.45 shares of Class A Common Stock. Cristina Bordes and Stephen F. Lappert are the trustees and have the shared power to vote and dispose of the shares held by the trust. The information contained on page 9 of this Schedule 13D is hereby incorporated by reference.

The Stephanie Bordes 2009 Gift Trust may be deemed to beneficially own an aggregate of 439,425.09 shares of Class A Common Stock. Stephanie Bordes and Stephen F. Lappert are the trustees and have the shared power to vote and dispose of the shares held by the trust. The information contained on page 10 of this Schedule 13D is hereby incorporated by reference.

The Stephen Bordes 2009 Gift Trust may be deemed to beneficially own an aggregate of 489,762.45 shares of Class A Common Stock. Stephen Bordes and Stephen F. Lappert are the trustees and have the shared power to vote and dispose of the shares held by the trust. The information contained on page 11 of this Schedule 13D is hereby incorporated by reference.

The Lee Bordes 2015 GRAT #7 may be deemed to beneficially own an aggregate of 70,851.22 shares of Class A Common Stock. Cristina Bordes and Stephen F. Lappert are the trustees and have the shared power to vote and dispose of the shares held by the trust. The information contained on page 12 of this Schedule 13D is hereby incorporated by reference.

The Lee Bordes 2017 GRAT #1 may be deemed to beneficially own an aggregate of 966,954.38 shares of Class A Common Stock. Cristina Bordes and Stephen F. Lappert are the trustees and have the shared power to vote and dispose of the shares held by the trust. The information contained on page 13 of this Schedule 13D is hereby incorporated by reference.

The Lee Bordes 2017 GRAT #2 may be deemed to beneficially own an aggregate of 966,954.38 shares of Class A Common Stock. Cristina Bordes and Stephen F. Lappert are the trustees and have the shared power to vote and dispose of the shares held by the trust. The information contained on page 14 of this Schedule 13D is hereby incorporated by reference.

(c) The following transactions in the Issuer's Securities have been effected by Group Members within the 60 days prior to this filing:

Pursuant to the Settlement Agreement, each of the Trust Filers listed in the table below surrendered or caused to be surrendered the number of shares of Class A Common Stock and/or released the number of Holdback Shares previously held in escrow by the Escrow Agent pursuant to the Escrow Agreement, listed in the table below, in each case, to the Issuer, in full satisfaction of the Trust Filers' obligations with respect to (i) the adjustment to the Purchase Price for the General Media stock in the Merger, pursuant to Section 1.7 of the Merger Agreement, (ii) the disposition of certain radio towers, and related property, by General Media following the Effective Time of the Merger, pursuant to Section 1.7 of the Merger Agreement, (iii) the transition services agreement, dated November 1, 2016, by and between the Issuer and BFTW LLC, and (iv) and certain other matters in dispute between the parties thereto. No funds were exchanged in connection with the surrender of the shares of Class A Common Stock or the return of the Holdback Shares.

Trust Filer	Number of surrendered shares of Class A Common Stock	Number of released Holdback Shares
Peter A. Bordes Marital Trust	19,736.93	36,399.655
Peter A. Bordes, Jr., 2009 Gift Trust	56,409.54	104,032.778
Stephanie Bordes 2009 Gift Trust	50,611.82	93,340.380
Cristina Bordes 2009 Gift Trust	56,409.54	104,032.778
Stephen Bordes 2009 Gift Trust	56,409.54	104,032.778
Lee Bordes 2017 GRAT #1	115,451.48	0
Lee Bordes 2017 GRAT #2	115,451.48	0
Lee Bordes 2015 GRAT #7	0	49,685.955

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

The disclosure in Item 6 is hereby amended by adding the following at the end thereof:

On December 29, 2017, the Issuer, Greater Media and the Stockholders' Representative entered into the Settlement Agreement. Pursuant to the Settlement Agreement, the Trust Filers (i) surrendered or caused to be surrendered to the Issuer an aggregate of 470,480.34 shares of Class A Common Stock and (ii) released to the Issuer an aggregate of 491,524.324 Holdback Shares, held in escrow by the Escrow Agent pursuant to the Escrow Agreement. The shares of Class A Common Stock and Holdback Shares were surrendered and released, as the case may be, pursuant to the Settlement Agreement, in full satisfaction of the Trust Filers' obligations with respect to (i) the adjustment to the Purchase Price for the General Media

stock in the Merger, pursuant to Section 1.7 of the Merger Agreement, (ii) the disposition of certain radio towers, and related property, by General Media following the Effective Time of the Merger, pursuant to Section 1.7 of the Merger Agreement, (iii) the transition services agreement, dated November 1, 2016, by and between the Issuer and BFTW LLC, and (iv) and certain other matters in dispute between the parties thereto. The foregoing description of the Settlement Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the full text of the Settlement Agreement filed as Exhibit 6 herewith and incorporated by reference herein.

On February 8, 2018, the Issuer, the Trust Filers and certain stockholders affiliated with the Beasley family entered into Amendment No. 1 to the Investor Rights Agreement (the Amendment). Pursuant to the Amendment, the Trust Filers have the right to designate one director to the Board and the stockholders affiliated with the Beasley family that are party to the Investor Rights Agreement agree to vote or give written consent in favor of such designee until the day before the Company's 2020 annual meeting. This description of the Amendment does not purport to be complete and is subject to and qualified in its entirety by reference to the full text of the Amendment filed as Exhibit 7 herewith and incorporated by reference herein.

Item 7. Material to be Filed as Exhibits.

Exhibit A.3: Joint Filing Agreement, dated February 9, 2018.

Exhibit 6: Settlement Agreement, dated December 29, 2017, by and among the Issuer, Greater Media and the Stockholders Representative.

Exhibit 7: Amendment No. 1 to the Investor Rights Agreement, dated February 8, 2018, by and among the Issuer, the Trust Filers and certain stockholders affiliated with the Beasley family.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 9, 2018

PETER A. BORDES, JR., as Trustee of the
Peter A. Bordes, Jr. 2009 Gift Trust

*

Peter A. Bordes, Jr.

CRISTINA BORDES, as a Trustee of the
Cristina Bordes 2009 Gift Trust, the Lee
Bordes 2015 GRAT #7, the Lee Bordes 2017
GRAT #1 and the Lee Bordes 2017 GRAT #2

*

Cristina Bordes

STEPHEN F. LAPPERT, as a Trustee of the
Lee Bordes 2015 GRAT #7, the Lee Bordes
2017 GRAT #1 and the Lee Bordes 2017
GRAT #2, the Peter A. Bordes, Jr. 2009 Gift
Trust, the Cristina Bordes 2009 Gift Trust, the
Stephanie Bordes 2009 Gift Trust and the
Stephen Bordes 2009 Gift Trust

/s/ Stephen F. Lappert

Stephen F. Lappert

LEE BORDES

*

Lee Bordes

STEPHANIE L. BORDES, as a Trustee of the
Stephanie Bordes 2009 Gift Trust

*

Stephanie L. Bordes

STEPHEN M. BORDES, as a Trustee of the
Stephen Bordes 2009 Gift Trust

*

Stephen M. Bordes

PETER A. BORDES MARITAL TRUST

*

By: Peter A. Bordes, Jr., Trustee

*

By: Cristina Bordes, Trustee

*

By: Stephanie L. Bordes, Trustee

*

By: Stephen M. Bordes, Trustee

/s/ Stephen F. Lappert

By: Stephen F. Lappert, Trustee

PETER A. BORDES, JR. 2009 GIFT TRUST

*

By: Peter A. Bordes, Jr., Trustee

/s/ Stephen F. Lappert

By: Stephen F. Lappert, Trustee

CRISTINA BORDES 2009 GIFT TRUST

*

By: Cristina Bordes, Trustee

/s/ Stephen F. Lappert

By: Stephen F. Lappert, Trustee

STEPHANIE BORDES 2009 GIFT TRUST

*

By: Stephanie L. Bordes, Trustee

/s/ Stephen F. Lappert

By: Stephen F. Lappert, Trustee

STEPHEN BORDES 2009 GIFT TRUST

*

By: Stephen M. Bordes, Trustee

/s/ Stephen F. Lappert

By: Stephen F. Lappert, Trustee

LEE BORDES 2015 GRAT #7

LEE BORDES 2017 GRAT #1

LEE BORDES 2017 GRAT #2

*

By: Cristina Bordes, Trustee

/s/ Stephen F. Lappert

By: Stephen F. Lappert, Trustee

*By: /s/ Stephen F. Lappert
Stephen F. Lappert
as Attorney-in-Fact