

SBA COMMUNICATIONS CORP  
Form 10-Q  
November 08, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2012

or

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

For the transition period from            to

Commission File Number: 000-30110

**SBA COMMUNICATIONS CORPORATION**

(Exact name of registrant as specified in its charter)

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

**65-0716501**  
(I.R.S. Employer  
Identification No.)

**5900 Broken Sound Parkway NW**

**Boca Raton, Florida**  
(Address of principal executive offices)

**33487**  
(Zip code)

**(561) 995-7670**  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 126,417,771 shares of Class A common stock outstanding as of October 31, 2012.

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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except par values)

	September 30, 2012 (unaudited)	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,441,045	\$ 47,316
Restricted cash	22,696	22,266
Short term investments	5,505	5,773
Accounts receivable, net of allowance of \$222 and \$135 at September 30, 2012 and December 31, 2011, respectively	35,075	22,100
Costs and estimated earnings in excess of billings on uncompleted contracts	19,896	17,655
Prepaid and other current assets	26,963	14,246
Assets held for sale	5,700	
Total current assets	1,556,880	129,356
Property and equipment, net	2,052,069	1,583,393
Intangible assets, net	2,100,614	1,639,784
Deferred financing fees, net	68,432	42,064
Other assets	305,296	211,802
Total assets	\$ 6,083,291	\$ 3,606,399
<b>LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 529,595	\$ 5,000
Accounts payable	19,863	12,755
Accrued expenses	39,638	23,746
Deferred revenue	58,581	49,779
Accrued interest	35,007	32,351
Other current liabilities	6,066	3,250
Total current liabilities	688,750	126,881
Long-term liabilities:		
Long-term debt	4,776,439	3,349,485
Other long-term liabilities	165,760	129,282
Total long-term liabilities	4,942,199	3,478,767
Commitments and contingencies		
Redeemable noncontrolling interests	11,808	12,064

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Shareholders' equity (deficit):		
Common stock - Class A, par value \$0.01, 400,000 shares authorized, 121,809 and 109,675 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	1,218	1,097
Additional paid-in capital	2,847,069	2,268,244
Accumulated deficit	(2,409,687)	(2,281,139)
Accumulated other comprehensive income, net	1,934	485
Total shareholders' equity (deficit)	440,534	(11,313)
Total liabilities and shareholders' equity (deficit)	\$ 6,083,291	\$ 3,606,399

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

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited) (in thousands, except per share amounts)**

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>				
Site leasing	\$ 208,828	\$ 154,514	\$ 585,332	\$ 451,171
Site development	29,778	21,035	74,911	63,180
<b>Total revenues</b>	<b>238,606</b>	<b>175,549</b>	<b>660,243</b>	<b>514,351</b>
<b>Operating expenses:</b>				
Cost of revenues (exclusive of depreciation, accretion and amortization shown below):				
Cost of site leasing	46,621	33,932	126,787	98,031
Cost of site development	25,062	17,915	63,294	54,627
Selling, general and administrative	17,565	15,415	52,524	47,031
Asset impairment	1,560	1,106	2,555	1,402
Acquisition related expenses	5,715	1,474	21,875	4,876
Depreciation, accretion and amortization	101,012	78,136	277,110	229,705
<b>Total operating expenses</b>	<b>197,535</b>	<b>147,978</b>	<b>544,145</b>	<b>435,672</b>
<b>Operating income</b>	<b>41,071</b>	<b>27,571</b>	<b>116,098</b>	<b>78,679</b>
<b>Other income (expense):</b>				
Interest income	335	38	419	97
Interest expense	(50,578)	(42,307)	(136,728)	(118,616)
Non-cash interest expense	(17,874)	(16,089)	(52,281)	(47,095)
Amortization of deferred financing fees	(3,199)	(2,381)	(9,293)	(6,781)
Loss from extinguishment of debt, net	(22,643)		(49,792)	(1,696)
Other income (expense), net	249	122	5,233	(527)
<b>Total other expense, net</b>	<b>(93,710)</b>	<b>(60,617)</b>	<b>(242,442)</b>	<b>(174,618)</b>
<b>Loss from continuing operations before provision for income taxes</b>	<b>(52,639)</b>	<b>(33,046)</b>	<b>(126,344)</b>	<b>(95,939)</b>
Provision for income taxes	(1,029)	(391)	(4,809)	(1,784)
<b>Loss from continuing operations</b>	<b>(53,668)</b>	<b>(33,437)</b>	<b>(131,153)</b>	<b>(97,723)</b>
Income from discontinued operations, net of income taxes	969		2,349	
<b>Net loss</b>	<b>(52,699)</b>	<b>(33,437)</b>	<b>(128,804)</b>	<b>(97,723)</b>
Less: Net loss attributable to the noncontrolling interest	254	132	256	348
<b>Net loss attributable to SBA Communications Corporation</b>	<b>\$ (52,445)</b>	<b>\$ (33,305)</b>	<b>\$ (128,548)</b>	<b>\$ (97,375)</b>

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Basic and diluted per common share amounts:

Loss from continuing operations	\$ (0.44)	\$ (0.30)	\$ (1.11)	\$ (0.87)
Income from discontinued operations	0.01		0.02	
Net loss per common share	\$ (0.43)	\$ (0.30)	\$ (1.09)	\$ (0.87)
Basic and diluted weighted average number of common shares	121,689	110,232	118,159	112,309

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

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(unaudited) (in thousands)**

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net loss from continuing operations	\$ (53,668)	\$ (33,437)	\$ (131,153)	\$ (97,723)
Income from discontinued operations	969		2,349	
Other comprehensive income (loss) associated with derivative instruments:				
Foreign currency translation adjustments	1,686	(3,041)	1,449	(2,792)
Comprehensive loss	(51,013)	(36,478)	(127,355)	(100,515)
Other comprehensive loss attributable to noncontrolling interest	254	132	256	348
Comprehensive loss attributable to SBA Communications Corporation	\$ (50,759)	\$ (36,346)	\$ (127,099)	\$ (100,167)

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



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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS (DEFICIT) EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

(unaudited) (in thousands)

	Class A Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income, net	Total
	Shares	Amount				
BALANCE, December 31, 2011	109,675	\$ 1,097	\$ 2,268,244	\$ (2,281,139)	\$ 485	\$ (11,313)
Net loss attributable to SBA Communications Corporation				(128,548)		(128,548)
Foreign currency translation adjustments					1,449	1,449
Common stock issued in connection with acquisition	5,250	53	263,288			263,341
Non-cash compensation			10,770			10,770
Conversion of 4.0% Convertible Senior Notes			10			10
Common stock issued in connection with option plans/restriction lapse	879	8	20,938			20,946
Proceeds from sale of common stock	6,005	60	283,819			283,879
BALANCE, September 30, 2012	121,809	\$ 1,218	\$ 2,847,069	\$ (2,409,687)	\$ 1,934	\$ 440,534

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

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited) (in thousands)**

	<b>For the nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (128,804)	\$ (97,723)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Income from discontinued operations, net of income taxes	(2,349)	
Depreciation, accretion and amortization	277,110	229,705
Non-cash interest expense	52,281	47,095
Deferred income tax expense (benefit)	1,456	(1,035)
Asset impairment	2,555	1,402
Non-cash compensation expense	10,586	8,695
Amortization of deferred financing fees	9,293	6,781
Loss from extinguishment of debt, net	49,792	1,696
Other non-cash items reflected in the Statements of Operations	(4,472)	564
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, net	(14,220)	1,486
Prepaid and other assets	(51,165)	(12,571)
Accounts payable and accrued expenses	7,136	990
Accrued interest	2,656	(3,200)
Other liabilities	25,668	2,542
<b>Net cash provided by operating activities</b>	<b>237,523</b>	<b>186,427</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions and related earn-outs	(982,989)	(209,355)
Capital expenditures	(74,461)	(96,706)
Proceeds from sale of DAS networks	94,300	
Other investing activities	(2,043)	(1,189)
<b>Net cash used in investing activities</b>	<b>(965,193)</b>	<b>(307,250)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings under Revolving Credit Facility	484,000	250,000
Repayments under Revolving Credit Facility	(484,000)	(270,000)
Proceeds from 5.625% and 5.75% Senior Notes, net of fees	1,278,456	
Proceeds from SBA Tower Trust Series 2012, net of fees	596,772	
Proceeds from Term Loans, net of fees	493,264	492,576
Proceeds from Mobilitie Bridge Loan, net of fees	395,000	
Proceeds from sale of common stock, net of fees	283,879	
Repurchase of 8.0% Notes and 8.25% Notes	(542,203)	
Repayment of Mobilitie Bridge Loan	(400,000)	
Repurchase and retirement of common stock		(225,071)
Repayments of Term Loans	(6,250)	(1,250)
Proceeds from employee stock purchase/stock option plans	20,945	8,250
Payment on extinguishment of 1.875% Convertible Senior Notes		(17,038)
Other financing activities	(758)	(1,394)

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Net cash provided by financing activities	2,119,105	236,073
Effect of exchange rate changes on cash and cash equivalents	(55)	(199)
Net cash provided by discontinued operations (1) :		
Operating activities	2,349	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,393,729</b>	<b>115,051</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	47,316	64,254
End of period	\$ 1,441,045	\$ 179,305

(1) There was no financing or investing activity related to discontinued operations for the nine months ended September 30, 2012

*(continued)*

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited) (in thousands)**

	<b>For the nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 134,170	\$ 122,171
Income taxes	\$ 3,698	\$ 3,252
<b>SUPPLEMENTAL CASH FLOW INFORMATION OF NON-CASH INVESTING &amp; FINANCING ACTIVITIES:</b>		
Assets acquired through capital leases	\$ 2,235	\$ 1,819
Increase in accounts payable and accrued expenses for capital expenditures	\$ 4,566	\$
Issuance of common stock for acquisition	\$ 263,341	\$
Promissory note received in connection with disposition of DAS assets	\$ 25,000	\$

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

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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

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

**1. BASIS OF PRESENTATION**

The accompanying consolidated financial statements should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for SBA Communications Corporation and its subsidiaries (the Company). The December 31, 2011 Condensed Consolidated Balance Sheet has been derived from the Company's audited consolidated financial statements. These financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. The results of operations for an interim period may not give a true indication of the results for the year. Certain reclassifications have been made to prior year amounts or balances to conform to the presentation adopted in the current year.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in consolidated financial statements and accompanying notes. While the Company believes that such estimates are fair when considered in conjunction with the consolidated financial statements and accompanying notes, the actual amount of such estimates, when known, will vary from these estimates.

**2. FAIR VALUE MEASUREMENTS**

**Items Measured at Fair Value on a Recurring Basis** The Company's earnouts related to acquisitions are measured at fair value on a recurring basis using Level 3 inputs. The Company determines the fair value of acquisition-related contingent consideration, and any subsequent changes in fair value, using a discounted probability-weighted approach, as determined using Level 3 inputs. The fair value of the earnouts is reviewed quarterly and is based on the payments the Company expects to make based on historical internal observations related to the anticipated performance of the underlying assets. The Company's estimate of the fair value of its obligation if the performance targets contained in various acquisition agreements were met was \$9.2 million and \$5.5 million as of September 30, 2012 and December 31, 2011, respectively, which the Company recorded in accrued expenses on its Consolidated Balance Sheet. The maximum potential obligation related to the performance targets was \$18.2 million as of September 30, 2012.

**Items Measured at Fair Value on a Nonrecurring Basis** The Company's intangibles, certain long-lived assets, and asset retirement obligations are measured at fair value on a nonrecurring basis using Level 3 inputs. Level 3 valuations rely on unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The Company considers many factors and makes certain assumptions when making this assessment, including but not limited to: general market and economic conditions, historical operating results, geographic location, lease-up potential and expected timing of lease-up. The fair value of the long-lived assets, intangibles and asset retirement obligations is calculated using a discounted cash flow model. During the three and nine months ended September 30, 2012, the Company recognized an impairment charge of \$1.6 million and \$2.6 million, respectively, related to its long-lived assets resulting from the Company's analysis that the future cash flows from certain tower sites would not recover the carrying value of the investment in those tower sites. During the three and nine months ended September 30, 2011, the Company recognized an impairment charge of \$1.1 million and \$1.4 million, respectively, related to its long-lived assets resulting from the Company's analysis that the future cash flows from certain tower sites would not recover the carrying value of the investment in those tower sites.

**Fair Value of Financial Instruments** The carrying values of cash and cash equivalents, accounts receivable, restricted cash, accounts payable, and short-term investments, which consist of \$5.3 million and \$5.6 million in certificate of deposits, as of September 30, 2012 and December 31, 2011, respectively, approximate their related estimated fair values due to the short maturity of those instruments. The Company's estimate of the fair value of its

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held-to-maturity investments in treasury and corporate bonds, including current portion, are based primarily upon Level 1 reported market values. As of the date ending September 30, 2012, the carrying value and fair value of the held-to-maturity investments, including current portion, was \$1.3 million and \$1.5 million, respectively. As of the date ending December 31, 2011, the carrying value and fair value of the held-to-maturity investments, including current portion, was \$1.4 million and \$1.6 million, respectively.

The Company determines fair value of its debt instruments utilizing various Level 2 sources including quoted prices and indicative quotes (non-binding quotes) from brokers that require judgment to interpret market information including implied credit spreads for similar borrowings on recent trades or bid/ask prices. The following table reflects fair values, principal balances and carrying values of the Company's debt instruments (see Note 9).

	As of September 30, 2012			As of December 31, 2011		
	Fair Value	Principal Balance	Carrying Value	Fair Value	Principal Balance	Carrying Value
			(in millions)			
1.875% Convertible Senior Notes due 2013	\$ 814.9	\$ 535.0	\$ 512.3	\$ 605.2	\$ 535.0	\$ 485.0
4.0% Convertible Senior Notes due 2014	1,060.7	500.0	422.1	761.6	500.0	397.6
8.0% Senior Notes due 2016				405.0	375.0	373.2
8.25% Senior Notes due 2019	271.5	243.8	242.2	407.8	375.0	372.4
5.625% Senior Notes due 2019	505.0	500.0	500.0			
5.75% Senior Notes due 2020	838.0	800.0	800.0			
4.254% 2010-1C Tower Securities	715.4	680.0	680.0	699.0	680.0	680.0
5.101% 2010-2C Tower Securities	611.8	550.0	550.0	579.0	550.0	550.0
2.933% 2012-1C Tower Securities	620.6	610.0	610.0			
2011 Term Loan	492.5	493.8	492.7	494.4	497.5	496.3
2012-1 Term Loan	197.0	197.5	197.5			
2012-2 Term Loan	302.3	300.0	299.3			
Totals:	\$ 6,429.7	\$ 5,410.1	\$ 5,306.1	\$ 3,952.0	\$ 3,512.5	\$ 3,354.5

**3. RESTRICTED CASH**

Restricted cash consists of the following:

	As of	As of	Included on Balance Sheet
	September 30, 2012	December 31, 2011	
	(in thousands)		
Securitization escrow accounts	\$ 21,764	\$ 21,378	Restricted cash - current asset
Payment and performance bonds	932	888	Restricted cash - current asset
Surety bonds and workers compensation	11,989	11,495	Other assets - noncurrent
Total restricted cash	\$ 34,685	\$ 33,761	

Securitization escrow accounts relate to funds that are required to be held in escrow pursuant to the terms of the Secured Tower Revenue Securities Series 2010-1 (the 2010-1 Tower Securities), the Secured Tower Revenue Securities Series 2010-2 (the 2010-2 Tower Securities) and

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together with the 2010-1 Tower Securities, the 2010 Tower Securities ) and the Secured Tower Revenue Securities Series 2012-1 (the 2012-1 Tower Securities and together with the 2010 Tower Securities, the Tower Securities ) (see Note 9). Pursuant to the terms of the Tower Securities, the Company is required to establish a controlled deposit account, held by the indenture trustee, into which all rents and other sums due on the towers that secure the Tower Securities are directly deposited by the lessees.

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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

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

These restricted cash amounts are used to fund reserve accounts for the payment of (1) debt service costs, (2) ground rents, real estate and personal property taxes and insurance premiums related to tower sites, (3) trustee and servicing expenses, (4) management fees, and (5) to reserve a portion of advance rents received from tenants. The restricted cash in the controlled deposit account in excess of required reserve balances is subsequently released to the Borrowers (as defined below) monthly, provided that the Borrowers are in compliance with their debt service coverage ratio and that no event of default has occurred. All monies held by the indenture trustee are classified as restricted cash on the Company's Consolidated Balance Sheets.

Payment and performance bonds relate primarily to collateral requirements for tower construction currently in process by the Company. Cash is pledged as collateral related to surety bonds issued for the benefit of the Company or its affiliates in the ordinary course of business and primarily related to the Company's tower removal obligations. As of September 30, 2012, the Company had \$26.9 million in surety, payment and performance bonds for which it was required to post \$10.8 million in collateral. As of December 31, 2011, the Company had \$20.6 million in surety, payment and performance bonds for which it was required to post \$10.1 million in collateral. The Company periodically evaluates the collateral posted for its bonds to ensure that it meets the minimum requirements. The Company had pledged \$2.3 million as of each of September 30, 2012 and December 31, 2011, as collateral related to its workers compensation policy.



**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****4. ACQUISITIONS***Mobilitie Acquisition*

On April 2, 2012, the Company, through its wholly-owned subsidiary SBA Monarch Acquisition, LLC ( SBA Monarch ), completed the acquisition of the equity interests of specified entities that were affiliates of Mobilitie LLC (the Mobilitie Acquisition ). As of April 2, 2012, these entities owned 2,281 towers with an additional 36 towers in development in the US and Central America and also owned indoor and outdoor distributed antenna system ( DAS ) assets in Chicago, Las Vegas, New York City and Auburn, Alabama. As consideration for the Mobilitie Acquisition, the Company paid \$850.0 million in cash and issued 5.25 million shares of its Class A common stock, implying a total transaction value of \$1.1 billion based on the Company 's closing price on the date prior to which the purchase agreement was executed. Transaction costs associated with the acquisition were approximately \$13.2 million and are included in acquisition related expenses in the accompanying condensed consolidated statement of operations.

The Company has included the effect of the Mobilitie Acquisition in its results of operations prospectively from the date of the acquisition. Since the acquisition date through September 30, 2012, the Mobilitie assets had revenues of \$55.4 million and a net loss of \$17.7 million. The net loss includes the impact of discontinued operations from certain of the DAS assets that the Company sold to ExteNet Systems, Inc. ( ExteNet ) on September 6, 2012 and October 23, 2012.

The preliminary estimate of the fair value of the assets acquired and liabilities assumed relating to the Mobilitie Acquisition is summarized below (in thousands):

Cash and cash equivalents	\$ 1,536
Accounts receivable	473
Other current assets	24,221
Assets held for sale	125,000
Property and equipment	498,654
Intangible assets:	
Current contract intangible	399,759
Network location intangible	84,965
Other assets	2,201
 Total assets acquired	 1,136,809
 Current liabilities assumed	 (11,619)
Long-term deferred tax liability	(13,526)
 Net assets acquired	 \$ 1,111,664

The preliminary allocation of the purchase price will be finalized upon the completion of analyses of the fair value of the assets and liabilities acquired primarily related to property tax accruals and other working capital items.

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***Unaudited Pro Forma Financial Information*

The following table presents the unaudited pro forma consolidated results of operations of the Company for the three and nine months ended September 30, 2012 and 2011, respectively, as if the acquisition of Mobilitie was completed as of January 1 of each of the respective years:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Revenues	\$ 238,606	\$ 200,007	\$ 686,999	\$ 564,264
Operating income	\$ 41,071	\$ 29,552	\$ 104,553	\$ 81,604
Net loss	\$ (52,699)	\$ (33,952)	\$ (140,349)	\$ (105,206)

*Other Acquisitions*

During the third quarter of 2012, the Company acquired 37 completed towers and related assets and liabilities. These acquisitions were not significant to the Company and, accordingly, pro forma financial information has not been presented. The Company evaluates all acquisitions after the applicable closing date of each transaction to determine whether any additional adjustments are needed to the allocation of the purchase price paid for the assets acquired and liabilities assumed by major balance sheet caption, as well as the separate recognition of intangible assets from goodwill if certain criteria are met.

The following table summarizes the Company's cash acquisition capital expenditures:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Towers and related intangible assets	\$ 21,736	\$ 37,888	\$ 951,331	\$ 187,173
Ground lease land purchases	9,154	5,266	25,907	19,564
Earnouts	708	157	5,751	2,618
Total acquisition capital expenditures	\$ 31,598	\$ 43,311	\$ 982,989	\$ 209,355

The Company paid, as part of the ground lease purchase program, \$1.2 million and \$3.3 million for ground lease extensions during the three months ended September 30, 2012 and 2011, respectively, and \$4.7 and \$7.2 million for ground lease extensions during the nine months ended September 30, 2012 and 2011, respectively.

*Earnouts*

The Company recorded \$0.5 million of expense, net, and \$1.3 million of expense, net, related to contingent consideration adjustments in the three and nine months ended September 30, 2012, respectively. The Company recorded \$0.03 million of income, net, and \$0.1 million of expense, net, related to contingent consideration adjustments during the same periods of the prior year, respectively. As of September 30, 2012, the Company's estimate of its potential obligation if the performance targets contained in various acquisition agreements were met was \$9.2 million which the Company recorded in accrued expenses.

**5. DISCONTINUED OPERATIONS**

On September 6, 2012, the Company sold certain DAS networks located in New York, Chicago and Las Vegas, to ExteNet Systems, Inc. for approximately \$119.3 million, comprised of \$94.3 million in cash and \$25 million in the form of a promissory note. One additional DAS network in Auburn, Alabama was sold to ExteNet on October 23, 2012 for \$5.7 million in cash.

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The sold DAS networks, which are included in the Company's Site Leasing segment, met both the component and held for sale criteria during the third quarter of 2012 and the results of operations associated with these assets have been reported as discontinued operations in the Company's consolidated financial statements. The Company did not allocate any portion of the Company's interest expense to discontinued operations.

The key components of discontinued operations for the three and nine months ended September 30, 2012 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Site leasing revenue	\$ 2,121	\$	\$ 4,775	\$
Income from discontinued operations, net of taxes	969		2,349	

As of September 30, 2012, the aggregate components of assets and liabilities classified as held for sale in the consolidated balance sheet consisted of the disposed DAS property, plant and equipment.

**6. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net (including assets held under capital leases) consists of the following:

	As of September 30, 2012	As of December 31, 2011
	(in thousands)	
Towers and related components	\$ 3,167,235	\$ 2,587,897
Construction-in-process	29,600	23,076
Furniture, equipment and vehicles	33,483	29,711
Land, buildings and improvements	195,037	168,988
	3,425,355	2,809,672
Less: accumulated depreciation	(1,373,286)	(1,226,279)
Property and equipment, net	\$ 2,052,069	\$ 1,583,393

Construction-in-process represents costs incurred related to towers that are under development and will be used in the Company's site leasing segment. Depreciation expense was \$54.5 million and \$44.3 million for the three months ended September 30, 2012 and 2011, respectively, and \$152.8 million and \$130.8 million for the nine months ended September 30, 2012 and 2011, respectively. At September 30, 2012 and December 31, 2011, non-cash capital expenditures that are included in accounts payable and accrued expenses were \$11.9 million and \$7.2 million, respectively.

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****7. INTANGIBLE ASSETS, NET**

The following table provides the gross and net carrying amounts for each major class of intangible assets:

	As of September 30, 2012			As of December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net book value (in thousands)	Gross carrying amount	Accumulated amortization	Net book value
Current contract intangibles	\$ 1,844,690	\$ (416,057)	\$ 1,428,633	\$ 1,391,001	\$ (333,522)	\$ 1,057,479
Network location intangibles	903,783	(231,802)	671,981	772,467	(190,162)	582,305
<b>Intangible assets, net</b>	<b>\$ 2,748,473</b>	<b>\$ (647,859)</b>	<b>\$ 2,100,614</b>	<b>\$ 2,163,468</b>	<b>\$ (523,684)</b>	<b>\$ 1,639,784</b>

All intangible assets noted above are included in our site leasing segment. The Company amortizes its intangible assets using the straight-line method over 15 years. Amortization expense relating to the intangible assets above was \$46.4 million and \$33.7 million for the three months ended September 30, 2012 and 2011, respectively, and \$124 million and \$98.8 million for the nine months ended September 30, 2012 and 2011, respectively.

**8. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS**

Costs and estimated earnings on uncompleted contracts consist of the following:

	As of September 30, 2012	As of December 31, 2011
	(in thousands)	
Cost incurred on uncompleted contracts	\$ 48,749	\$ 37,790
Estimated earnings	17,919	14,268
Billings to date	(47,728)	(34,706)
	\$ 18,940	\$ 17,352

These amounts are included on the accompanying Consolidated Balance Sheets under the following captions:

	As of September 30, 2012	As of December 31, 2011
	(in thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 19,896	\$ 17,655
Other current liabilities (Billings in excess of costs and estimated earnings on uncompleted contracts)	(956)	(303)
	\$ 18,940	\$ 17,352

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At September 30, 2012, five significant customers comprised 78.8% of the costs and estimated earnings in excess of billings on uncompleted contracts, net of billings in excess of costs and estimated earnings, while at December 31, 2011, five significant customers comprised 91.4% of the costs and estimated earnings in excess of billings on uncompleted contracts, net of billings in excess of costs and estimated earnings.

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The carrying value of debt consists of the following:

	As of September 30, 2012	As of December 31, 2011
	(in thousands)	
1.875% Convertible Senior Notes due 2013. Principal balance of \$535.0 million as of September 30, 2012 and December 31, 2011.	\$ 512,345	\$ 484,970
4.0% Convertible Senior Notes due 2014. Principal balance of \$500.0 million as of September 30, 2012 and December 31, 2011.	422,052	397,612
8.0% Senior Notes due 2016. Principal balance of \$375.0 million as of December 31, 2011.		373,198
8.25% Senior Notes due 2019. Principal balance of \$243.8 million and \$375.0 million as of September 30, 2012 and December 31, 2011, respectively.	242,162	372,365
5.625% Senior Notes due 2019.	500,000	
5.75% Senior Notes due 2020.	800,000	
4.254% Secured Tower Revenue Securities Series 2010-1.	680,000	680,000
5.101% Secured Tower Revenue Securities Series 2010-2.	550,000	550,000
2.933% Secured Tower Revenue Securities Series 2012-1.	610,000	
Revolving Credit Facility		
2011 Term Loan. Principal balance of \$493.8 million and \$497.5 million as of September 30, 2012 and December 31, 2011, respectively.	492,724	496,340
2012-1 Term Loan	197,500	
2012-2 Term Loan. Principal balance of \$300.0 million as of September 30, 2012	299,251	
Total debt	5,306,034	3,354,485
Less: current maturities of long-term debt and short-term debt	(529,595)	(5,000)
Total long-term debt, net of current maturities and short-term debt	\$ 4,776,439	\$ 3,349,485

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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The table below reflects cash and non-cash interest expense amounts recognized by debt instrument for the periods presented:

<b>Three months ended September 30, 2012</b>	<b>Three months</b>
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