SBA COMMUNICATIONS CORP
Form 10-Q
November 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

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)

Florida	65-0716501
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8051 Congress Avenue	
Boca Raton, Florida	33487
(Address of principal executive offices)	(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 par value per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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

None

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 (Section 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	Smaller reporting company

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

Indicate the number of shares outstanding of each issuer’s classes of common stock, as of the latest practicable date: 124,072,843 shares of Class A common stock as of October 31, 2016.

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PART I – FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 165,225	$ 118,039
Restricted cash	552,473	25,353
Short-term investments	221	706
Accounts receivable, net	74,637	83,326
Costs and estimated earnings in excess of billings on uncompleted contracts	12,011	16,934
Prepaid expenses and other current assets	53,632	49,602
Total current assets	858,199	293,960
Property and equipment, net	2,780,112	2,782,353
Intangible assets, net	3,710,817	3,735,413
Other assets	566,594	501,254
Total assets	$ 7,915,722	$ 7,312,980
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 23,904	$ 27,105
Accrued expenses	60,474	63,755
Current maturities of long-term debt	515,876	20,000
Deferred revenue	94,502	97,083
Accrued interest	35,541	53,365
Other current liabilities	8,469	12,063
Total current liabilities	738,766	273,371
Long-term liabilities:		
Long-term debt, net	8,515,392	8,432,070
Other long-term liabilities	330,626	313,683
Total long-term liabilities	8,846,018	8,745,753
Shareholders' deficit:		
Preferred stock - par value $.01, 30,000 shares authorized, no shares issued or outstanding	—	—
Common stock - Class A, par value $.01, 400,000 shares authorized, 124,297 and 125,743 shares issued and outstanding at September 30, 2016		

and December 31, 2015, respectively	1,243	1,257
Additional paid-in capital	1,999,503	1,962,713
Accumulated deficit	(3,299,422)	(3,168,069)
Accumulated other comprehensive loss, net	(370,386)	(502,045)
Total shareholders' deficit	(1,669,062)	(1,706,144)
Total liabilities and shareholders' deficit	$ 7,915,722	$ 7,312,980

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

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SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited) (in thousands, except per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Revenues:				
Site leasing	$ 388,168	$ 371,993	$ 1,144,461	$ 1,112,182
Site development	23,151	38,742	72,159	119,351
Total revenues	411,319	410,735	1,216,620	1,231,533
Operating expenses:				
Cost of revenues (exclusive of depreciation, accretion, and amortization shown below):				
Cost of site leasing	86,354	81,346	255,609	243,298
Cost of site development	19,114	30,387	59,021	91,662
Selling, general, and administrative (1)(2)	32,255	27,872	110,326	86,017
Acquisition related adjustments and expenses	2,970	364	8,974	7,483
Asset impairment and decommission costs	2,305	63,353	23,180	74,185
Depreciation, accretion, and amortization	160,111	164,330	479,635	498,560
Total operating expenses	303,109	367,652	936,745	1,001,205
Operating income	108,210	43,083	279,875	230,328
Other income (expense):				
Interest income	3,101	1,276	7,704	2,284
Interest expense	(83,426)	(81,877)	(250,913)	(238,439)
Non-cash interest expense	(585)	(449)	(1,500)	(1,051)
Amortization of deferred financing fees	(5,445)	(4,803)	(16,035)	(13,973)
Loss from extinguishment of debt, net	(34,512)	—	(34,512)	—
Other (expense) income, net	(1,139)	(111,250)	92,137	(178,710)
Total other expense	(122,006)	(197,103)	(203,119)	(429,889)
(Loss) income before provision for income taxes	(13,796)	(154,020)	76,756	(199,561)
Provision for income taxes	(1,574)	(1,926)	(5,780)	(7,112)
Net (loss) income	$ (15,370)	$ (155,946)	$ 70,976	$ (206,673)
Net (loss) income per common share				
Basic	$ (0.12)	$ (1.23)	$ 0.57	$ (1.61)
Diluted	$ (0.12)	$ (1.23)	$ 0.56	$ (1.61)
Weighted average number of common shares				
Basic	124,604	127,170	125,041	128,397
Diluted	124,604	127,170	125,761	128,397

(1) Includes non-cash compensation of $7,970 and $6,631 for the three months ended September 30, 2016 and 2015, respectively, and $24,440 and $21,604 for the nine months ended September 30, 2016 and 2015, respectively.

(2) Includes the impact of the $16,498 Oi reserve for the nine months ended September 30, 2016.

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

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SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited) (in thousands)

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Net (loss) income	$ (15,370)	$ (155,946)	$ 70,976	$ (206,673)
Foreign currency translation adjustments	(5,525)	(171,089)	131,659	(319,006)
Comprehensive (loss) income	$ (20,895)	$ (327,035)	$ 202,635	$ (525,679)

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

(unaudited) (in thousands)

	Class A Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
BALANCE, December 31, 2015	125,743	$ 1,257	$ 1,962,713	$ (3,168,069)	$ (502,045)	$ (1,706,144)
Net income	—	—	—	70,976	—	70,976
Common stock issued in connection with stock purchase/option plans	564	6	11,667	—	—	11,673
Non-cash compensation	—	—	25,123	—	—	25,123
Repurchase and retirement of common stock	(2,010)	(20)	—	(202,329)	—	(202,349)
Foreign currency translation adjustments	—	—	—	—	131,659	131,659
BALANCE, September 30, 2016	124,297	$ 1,243	$ 1,999,503	$ (3,299,422)	$ (370,386)	$ (1,669,062)

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

SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands)

	For the nine months ended September 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 70,976	$ (206,673)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, accretion, and amortization	479,635	498,560
Non-cash asset impairment and decommission costs	19,050	69,895
Non-cash compensation expense	24,752	21,903
Amortization of deferred financing fees	16,035	13,973
(Gain) loss on remeasurement of U.S. dollar denominated intercompany loan	(88,964)	180,422
Loss from extinguishment of debt, net	34,512	—
Other non-cash items reflected in the Statements of Operations (1)	17,020	(3,987)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, net	(3,644)	24,242
Prepaid expenses and other assets	(29,883)	(52,928)
Accounts payable and accrued expenses	(4,263)	11,129
Accrued interest (2)	(31,887)	(13,994)
Other liabilities	10,842	(7,805)
Net cash provided by operating activities	514,181	534,737
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions	(191,402)	(408,711)
Capital expenditures	(104,320)	(162,311)
Other investing activities	(4,491)	4,291
Net cash used in investing activities	(300,213)	(566,731)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under Revolving Credit Facility	290,000	770,000
Repayments under Revolving Credit Facility	(140,000)	(615,000)
Proceeds from Term Loans, net of fees	—	489,899
Repayment of Term Loans	(15,000)	(25,000)
Payments for settlement of common stock warrants	—	(150,874)
Repurchase and retirement of common stock, inclusive of fees	(202,349)	(400,064)
Payment of restricted cash to settle 5.625% Senior Notes (2)	(514,065)	—
Payment for the redemption of 5.75% Senior Notes	(825,795)	—
Proceeds from 2016 Senior Notes, net of fees	1,078,387	—
Payment for the redemption of 2010-2C Tower Securities	(550,000)	—
Proceeds from 2016-1C Tower Securities, net of fees	690,584	—
Other financing activities	7,707	9,552
Net cash (used in) provided by financing activities	(180,531)	78,513

Effect of exchange rate changes on cash and cash equivalents	13,749	(12,691)
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,186	33,828
CASH AND CASH EQUIVALENTS:		
Beginning of period	118,039	39,443
End of period	$ 165,225	$ 73,271

(1) Includes the impact of the $16,498 Oi reserve recorded during the second quarter of 2016.
(2) $14.1 million of accrued interest on the 5.625% Senior Notes is included in accrued interest above.

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

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SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the nine months ended September 30, 2016	2015
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 268,997	$ 252,425
Income taxes	$ 8,133	$ 7,569
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Assets acquired through capital leases	$ 1,386	$ 2,627

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, 2015 for SBA Communications Corporation and its subsidiaries (the "Company"). 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 amounts, when known, may vary from these estimates.

Foreign Currency Translation

All assets and liabilities of foreign subsidiaries that do not utilize the U.S. dollar as its functional currency are translated at period-end rates of exchange, while revenues and expenses are translated at monthly average rates of exchange prevailing during the period. Unrealized remeasurement gains and losses are reported as foreign currency translation adjustments through Accumulated Other Comprehensive Loss in the accompanying Consolidated Statement of Shareholders' Deficit.

The functional currency for the Company's Central American subsidiaries is the U.S. dollar. Monetary assets and liabilities of such subsidiaries which are not denominated in U.S. dollars are remeasured at exchange rates in effect at the balance sheet date, and revenues and expenses are remeasured at monthly average rates prevailing during the year. Unrealized translation gains and losses are reported as other income (expense), net in the Consolidated Statement of Operations.

Intercompany Loans

In accordance with ASC 830, the Company remeasures foreign denominated intercompany loans with the corresponding change in the balance being recorded in other income (expense), net in the Consolidated Statement of Operations as settlement is anticipated or planned in the foreseeable future. The Company recorded a $3.2 million loss and a $112.1 million loss on the remeasurement of intercompany loans for the three months ended September 30, 2016 and 2015, respectively, and an $89.0 million gain and a $180.4 million loss on the remeasurement of intercompany loans for the nine months ended September 30, 2016 and 2015, respectively.

On July 11, 2016, a wholly owned subsidiary of the Company repaid $22.5 million of the outstanding balance on the intercompany loan with Brazil Shareholder I, LLC, leaving a current outstanding balance of $433.3 million.

Bad Debt Provision

On June 20, 2016, Oi, S.A. (“Oi”), the Company’s largest customer in Brazil, filed a petition for judicial reorganization in Brazil. Prior to the filing of the reorganization petition, Oi was current in all payment obligations to the Company. These obligations related to periods ending on or before April 30, 2016. As a result of the relief provisions available in a judicial reorganization proceeding, obligations of Oi to the Company arising from the periods from May 1, 2016 to June 20, 2016 remain unpaid. Due to the uncertainty surrounding the recoverability of amounts owed by Oi relating to services provided prior to the date of Oi’s petition, the Company has recorded a $16.5 million bad debt provision (the “Oi reserve”) which covers amounts owed or potentially owed by Oi as of the filing date. Under Brazilian law governing judicial reorganizations, the contracts governing post-petition obligations such as tower rents remain unchanged, and debtors do not have the ability to reject or terminate the contracts other than pursuant to their original terms. Since the filing, the Company has received all payments due in connection with obligations of Oi accruing post-petition. The Oi reserve has been recorded in Selling, general, and administrative expense on the accompanying Consolidated Statement of Operations.

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New Accounting Pronouncements Recently Adopted

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-03, Interest—Imputation of Interest. The standard requires debt issuance costs to be presented on the balance sheet as a direct deduction from the related debt liability rather than as an asset. The Company adopted ASU 2015-03 effective January 1, 2016 and reclassified $90.2 million from deferred financing fees, net to long-term debt in the December 31, 2015 Consolidated Balance Sheet.

In August 2015, the FASB issued ASU 2015-15, Interest - Imputation of Interest - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. The standard indicates the Securities and Exchange Commission (the “Commission”) staff would not object to presenting debt issuance costs for a line of credit arrangement as an asset in the balance sheet. The Company adopted ASU 2015-15 effective January 1, 2016 and has elected to continue to present debt issuance costs for its Revolving Credit Facility as an asset on the accompanying Consolidated Balance Sheet.

In September 2015, the FASB issued ASU 2015-16 Business Combinations. The standard requires that the acquirer (1) recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, (2) record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date, and (3) to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Company adopted ASU 2015-16 effective January 1, 2016. The financial statement impact of adopting this standard was not material for all periods presented.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which the Company adopted as of January 1, 2016. The standard simplifies several aspects of the accounting for shared-based payment transactions including accounting for income taxes, forfeitures, statutory tax withholding requirements, classification of awards as either equity or a liability, and classification on the Consolidated Statement of Cash Flows. The financial statement impact of adopting this standard was not material for all periods presented.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which is intended to decrease the diversity in practice in how certain cash receipts and cash payments are presented in the Consolidated Statement of Cash Flows. The standard requires that (1) cash payments for debt prepayment or debt extinguishment costs be classified as cash outflows for financing activities, (2) contingent consideration payments made soon after the acquisition date of a business combination be classified as cash outflows for investing activities, (3) contingent consideration payments not made soon after the acquisition date of a business combination be separated with cash payments up to the amount of the contingent consideration at the acquisition date be classified as financing activities and any excess be classified as operating activities. The standard is required to be applied retrospectively to each prior reporting period presented. The Company adopted ASU 2016-15 effective January 1, 2016. The financial statement impact of adopting this standard was not material for all periods presented.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB released an updated standard regarding the recognition of revenue from contracts with customers, exclusive of those contracts within lease accounting. The new standard is effective for the Company in the first quarter of 2018. Early adoption is permitted but not before the first quarter of 2017. This standard is required to be applied (1) retrospectively to each prior reporting period presented, or (2) with the cumulative effect being recognized at the date of initial application. The Company is evaluating the standard and does not expect a material financial statement impact upon adoption.

In February 2016, the FASB issued ASU 2016-02, Leases. The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. This standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. ASU 2016-02 is effective for the Company in the first quarter of 2019. Early adoption is permitted. The Company is evaluating the standard including the impact on its consolidated financial statements.

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2.FAIR VALUE MEASUREMENTS

Items Measured at Fair Value on a Recurring Basis— The Company’s earnout liabilities related to acquisitions are measured at fair value on a recurring basis using Level 3 inputs and are recorded in Accrued expenses in the accompanying Consolidated Balance Sheets. Changes in estimate are recorded in Acquisition related adjustments and expenses in the accompanying Consolidated Statement of Operations. The Company determines the fair value of acquisition-related earnouts (contingent consideration) and any subsequent changes in fair value using a discounted probability-weighted approach 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 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 contained in various acquisitions was $3.8 million and $7.2 million as of September 30, 2016 and December 31, 2015, respectively. The maximum potential obligation related to the performance targets was $5.4 million and $10.2 million as of September 30, 2016 and December 31, 2015, respectively.

The following summarizes the activity of accrued earnouts:

	For the nine months ended September 30,	
	2016	2015
	(in thousands)	
Beginning balance	$ 7,230	$ 15,086
Additions	2,594	3,228
Payments	(3,914)	(3,608)
Change in estimate	(2,098)	(5,299)
Foreign currency translation adjustments	20	(588)
Ending balance	$ 3,832	$ 8,819

Items Measured at Fair Value on a Nonrecurring Basis— The Company’s long-lived assets, intangibles, and asset retirement obligations are measured at fair value on a nonrecurring basis using Level 3 inputs. 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.

The following summarizes the activity of asset impairment and decommission costs:

	For the three months ended September 30,	For the nine months ended September 30,

	2016	2015	2016	2015
	(in thousands)			
Asset impairment (1)	$ 6,673	$ —	$ 14,138	$ —
Impairment of fiber assets	—	56,733	—	56,733
Gain on sale of fiber assets (2)	(8,965)	—	(8,965)	—
Write off of carrying value of decommissioned towers	3,587	5,259	11,449	12,008
Other third party decommission costs	1,008	1,361	4,130	4,290
Write off and disposal of former corporate headquarters	—	—	2,346	1,154
Other disposal costs	2	—	82	—
Total asset impairment and decommission costs	$ 2,305	$ 63,353	$ 23,180	$ 74,185

(1) Represents additional impairment charges resulting from the Company’s analysis that the future cash flows would not recover the carrying value of the investment resulting from increased lease terminations.

(2) Related to the sale of fiber assets acquired in the 2012 Mobilitie transaction which were impaired during the third quarter of 2015.

Fair Value of Financial Instruments— The carrying values of cash and cash equivalents, accounts receivable, restricted cash, accounts payable, and short-term investments approximate their estimated fair values due to the short maturity of these instruments. Short-term investments consisted of $0.5 million in certificate of deposits as of December 31, 2015, and $0.2 million in Treasury securities as of September 30, 2016 and December 31, 2015. The Company’s estimate of the fair value of its held-to-maturity

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investments in treasury and corporate bonds, including current portion, are based primarily upon Level 1 reported market values. As of September 30, 2016, the carrying value and fair value of the held-to-maturity investments, including current portion, were $0.9 million. As of December 31, 2015, the carrying value and fair value of the held-to-maturity investments, including current portion, were $0.8 million and $0.9 million, respectively. These amounts are recorded in other assets in the accompanying Consolidated Balance Sheets.

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 fair value of the Revolving Credit Facility is considered to approximate the carrying value because the interest payments are based on Eurodollar rates that reset every month. The Company does not believe its credit risk has changed materially from the date the applicable Eurodollar Rate plus 137.5 to 200.0 basis points was set for the Revolving Credit Facility. Refer to Note 10 for the fair values, principal balances, and carrying values of the Company's debt instruments.

3.RESTRICTED CASH

Restricted cash consists of the following:

	As of September 30, 2016	As of December 31, 2015	Included on Balance Sheet
	(in thousands)		
Securitization escrow accounts	$ 24,049	$ 25,135	Restricted cash - current asset
Escrow account for payment of 5.625% Senior Notes	528,128	—	Restricted cash - current asset
Payment and performance bonds	296	218	Restricted cash - current asset
Surety bonds and workers compensation	3,233	3,227	Other assets - noncurrent
Total restricted cash	$ 555,706	$ 28,580	

Pursuant to the terms of the Tower Securities (see Note 10), the Company is required to establish a securitization escrow 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. 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 towers, (3) trustee and servicing expenses, and (4) management fees. The restricted cash in the securitization escrow account in excess of required reserve balances is subsequently released to the Borrowers (as defined in Note 10) 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.

On September 30, 2016, the Company paid into escrow $528.1 million consisting of $500.0 million of principal, a $14.1 million call premium, and $14.1 million in accrued interest related to the redemption of the 5.625% Senior Notes. As of September 30, 2016, these amounts were recorded as restricted cash on the Consolidated Balance

Sheet. On October 3, 2016, these funds were released from escrow and the 5.625% Senior Notes obligation was extinguished.

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, 2016 and December 31, 2015, the Company had $39.0 million and $38.6 million in surety, payment and performance bonds, respectively, for which it was only required to post $0.5 million and $0.7 million in collateral, respectively. The Company periodically evaluates the collateral posted for its bonds to ensure that it meets the minimum requirements. As of September 30, 2016 and December 31, 2015, the Company had also pledged $2.5 million as collateral related to its workers compensation policy.

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4.OTHER ASSETS

The Company's other assets are comprised of the following:

	As of September 30, 2016	As of December 31, 2015
	(in thousands)	
Long-term investments	$ 7,953	$ 8,140
Prepaid land rent	185,204	158,176
Straight-line rent receivable	296,736	267,682
Deferred lease costs, net	30,542	30,577
Deferred financing fees, net	3,204	3,919
Other	42,955	32,760
Total other assets	$ 566,594	$ 501,254

5.ACQUISITIONS

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Towers and related intangible assets	$ 31,022	$ 76,475	$ 144,534	$ 358,675
Land buyouts and other assets (1)	11,676	9,154	46,868	50,036
Total cash acquisition capital expenditures	$ 42,698	$ 85,629	$ 191,402	$ 408,711

(1) In addition, the Company paid $2.2 million and $4.0 million for ground lease extensions and term easements on land underlying the Company's towers during the three months ended September 30, 2016 and 2015, respectively, and paid $8.7 million and $12.7 million for ground lease extensions and term easements on land underlying the Company's towers during the nine months ended September 30, 2016 and 2015, respectively. The Company recorded these amounts in prepaid rent on its Consolidated Balance Sheets.

During the nine months ended September 30, 2016, the Company acquired 316 completed towers and related assets and liabilities for $144.5 million in cash consisting of $40.1 million of property and equipment, $104.2 million of intangible assets, and $0.2 million of working capital adjustments.

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.

6.INTANGIBLE ASSETS, NET

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

	As of September 30, 2016			As of December 31, 2015		
	Gross carrying amount	Accumulated amortization	Net book value	Gross carrying amount	Accumulated amortization	Net book value
	(in thousands)					
Current contract intangibles	$ 4,114,556	$ (1,332,478)	$ 2,782,078	$ 3,904,864	$ (1,118,493)	$ 2,786,371
Network location intangibles	1,503,011	(574,272)	928,739	1,446,293	(497,251)	949,042
Intangible assets, net	$ 5,617,567	$ (1,906,750)	$ 3,710,817	$ 5,351,157	$ (1,615,744)	$ 3,735,413

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All intangible assets noted above are included in the Company's 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 $93.6 million and $91.4 million for the three months ended September 30, 2016 and 2015, respectively, and $276.4 million and $273.5 million for the nine months ended September 30, 2016 and 2015, respectively.

7.PROPERTY AND EQUIPMENT, NET

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

	As of September 30, 2016	As of December 31, 2015
	(in thousands)	
Towers and related components	$ 4,506,871	$ 4,370,664
Construction-in-process	37,754	32,730
Furniture, equipment, and vehicles	49,921	48,018
Land, buildings, and improvements	564,017	524,847
Total property and equipment	5,158,563	4,976,259
Less: accumulated depreciation	(2,378,451)	(2,193,906)
Property and equipment, net	$ 2,780,112	$ 2,782,353

Construction-in-process represents costs incurred related to towers that are under development and will be used in the Company's operations. Depreciation expense was $66.4 million and $72.8 million for the three months ended September 30, 2016 and 2015, respectively, and $202.8 million and $224.9 million for the nine months ended September 30, 2016 and 2015, respectively. At September 30, 2016 and December 31, 2015, non-cash capital expenditures that are included in accounts payable and accrued expenses were $6.0 million and $9.5 million, respectively.

8.COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

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

	As of September 30, 2016	As of December 31, 2015
	(in thousands)	
Costs incurred on uncompleted contracts	$ 35,736	$ 78,849
Estimated earnings	12,296	29,333

Billings to date	(36,287)	(95,055)
	$ 11,745	$ 13,127

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

	As of September 30, 2016	As of December 31, 2015
	(in thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 12,011	$ 16,934
Billings in excess of costs and estimated earnings on uncompleted contracts (included in Other current liabilities)	(266)	(3,807)
	$ 11,745	$ 13,127

Eight significant customers comprised 87.1% and 95.9% of the costs and estimated earnings in excess of billings on uncompleted contracts, net of billings in excess of costs and estimated earnings at September 30, 2016 and December 31, 2015, respectively.

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9.ACCRUED EXPENSES

The Company's accrued expenses are comprised of the following:

	As of September 30, 2016	As of December 31, 2015
	(in thousands)	
Accrued earnouts	$ 3,832	$ 7,230
Salaries and benefits	11,915	14,253
Real estate and property taxes	10,123	7,899
Other	34,604	34,373
Total accrued expenses	$ 60,474	$ 63,755

10.DEBT

The principal values, fair values, and carrying values of debt consist of the following (in thousands):

		As of September 30, 2016			As of December 31, 2015		
	Maturity Date	Principal Balance	Fair Value	Carrying Value	Principal Balance	Fair Value	Carrying Value
5.625% Senior Notes	Oct. 1, 2019	$ 500,000	$ 514,250	$ 495,876	$ 500,000	$ 521,250	$ 494,955
5.750% Senior Notes	July 15, 2020	—	—	—	800,000	832,000	791,243
2014 Senior Notes	July 15, 2022	750,000	778,125	736,487	750,000	744,375	735,010
2016 Senior Notes	Sep. 1, 2024	1,100,000	1,108,250	1,078,665	—	—	—
2010-2C Tower Securities	April 11, 2017	—	—	—	550,000	558,223	548,268
2012-1C Tower Securities	Dec. 11, 2017	610,000	611,275	606,416	610,000	611,879	604,229
2013-1C Tower Securities	April 10, 2018	425,000	424,647	422,347	425,000	416,959	421,099
2013-2C Tower Securities	April 11, 2023	575,000	579,974	567,286	575,000	565,541	566,523
		330,000	334,521	327,893	330,000	332,676	326,918

2013-1D Tower Securities	April 10, 2018						
2014-1C Tower Securities	Oct. 8, 2019	920,000	932,346	911,555	920,000	910,368	909,595
2014-2C Tower Securities	Oct. 8, 2024	620,000	628,488	612,441	620,000	608,084	611,853
2015-1C Tower Securities	Oct. 8, 2020	500,000	506,155	490,755	500,000	489,680	489,496
2016-1C Tower Securities	July 9, 2021	700,000	704,494	690,989	—	—	—
Revolving Credit Facility	Feb. 5, 2020	150,000	150,000	150,000	—	—	—
2014 Term Loan	Mar. 24, 2021	1,466,250	1,469,916	1,455,214	1,477,500	1,447,950	1,464,774
2015 Term Loan	June 10, 2022	493,750	492,516	485,344	497,500	486,306	488,107
Total debt		$ 9,140,000	$ 9,234,957	$ 9,031,268	$ 8,555,000	$ 8,525,291	$ 8,452,070
Less: current maturities of long-term debt				(515,876)			(20,000)
Total long-term debt, net of current maturities				$ 8,515,392			$ 8,432,070

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

	For the three months ended September 30,				For the nine months ended September 30,			
	2016		2015		2016		2015	
	Cash Interest	Non-cash Interest	Cash Interest	Non-cash Interest	Cash Interest	Non-cash Interest	Cash Interest	Non-cash Interest
	(in thousands)							
5.625% Senior Notes	$ 7,031	$ —	$ 7,031	$ —	$ 21,094	$ —	$ 21,094	—
5.75% Senior Notes	5,494	—	11,500	—	28,494	—	34,500	—
2014 Senior Notes	9,141	173	9,141	165	27,422	513	27,422	488
2016 Senior Notes	6,852	117	—	—	6,852	117	—	—
2010-2C Tower Securities	1,098	—	7,058	—	15,213	—	21,173	—
2012-1C Tower Securities	4,529	—	4,525	—	13,596	—	13,588	—
2013 Tower Securities	10,804	—	10,804	—	32,413	—	32,413	—
2014 Tower Securities	12,785	—	12,785	—	38,354	—	38,354	—
2015-1C Tower Securities	3,985	—	—	—	11,954	—	—	—
2016-1C Tower Securities	4,808	—	—	—	4,808	—	—	—
Revolving Credit Facility	667	—	1,378	—	2,245	—	4,714	—
2012 Term Loan	—	—	1,135	—	—	—	3,384	—
2014 Term Loan	12,209	129	12,333	125	36,453	380	36,690	366
2015 Term Loan	4,111	166	4,153	159	12,275	490	5,101	