AMERICAN TOWER CORP /MA/
Form 10-Q
October 31, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One):

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.**

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

Commission File Number: 001-14195

AMERICAN TOWER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**65-0723837**
(State or other jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

116 Huntington Avenue

Boston, Massachusetts 02116

(Address of principal executive offices)

Telephone Number (617) 375-7500

(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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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. (Check One):

Large accelerated filer	x	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 x

As of October 18, 2012, there were 395,352,861 shares of common stock outstanding.

AMERICAN TOWER CORPORATION

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QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS Unaudited

(in thousands, except share data)

	September 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 382,312	$ 330,191
Restricted cash	43,482	42,770
Short-term investments and available-for-sale securities		22,270
Accounts receivable, net	148,807	100,792
Prepaid and other current assets	270,541	254,750
Deferred income taxes	27,641	29,596
Total current assets	872,783	780,369
PROPERTY AND EQUIPMENT, net	5,242,781	4,901,012
GOODWILL	2,763,706	2,676,971
OTHER INTANGIBLE ASSETS, net	2,595,059	2,497,611
DEFERRED INCOME TAXES	233,472	207,044
DEFERRED RENT ASSET	731,343	609,529
NOTES RECEIVABLE AND OTHER LONG-TERM ASSETS	522,160	557,278
TOTAL	$ 12,961,304	$ 12,229,814
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 87,380	$ 216,448
Accrued expenses	334,034	304,208
Distributions payable	91,063	
Accrued interest	74,343	65,729
Current portion of long-term obligations	130,209	101,816
Unearned revenue	133,896	92,708
Total current liabilities	850,925	780,909
LONG-TERM OBLIGATIONS	7,359,355	7,134,492
ASSET RETIREMENT OBLIGATIONS	397,362	344,180
OTHER LONG-TERM LIABILITIES	667,680	560,091
Total liabilities	9,275,322	8,819,672
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock: $.01 par value; 20,000,000 shares authorized; no shares issued or outstanding		

Common stock: $.01 par value; 1,000,000,000 shares authorized; 395,607,119 and 393,642,079 shares issued; and 395,354,428 and 393,642,079 shares outstanding, respectively	3,956	3,936
Additional paid-in capital	4,971,181	4,903,800
Distributions in excess of earnings	(1,237,569)	(1,477,899)
Accumulated other comprehensive loss	(164,081)	(142,617)
Treasury stock (252,691 and 0 shares at cost, respectively)	(16,733)	
Total American Tower Corporation equity	3,556,754	3,287,220
Non-controlling interest	129,228	122,922
Total equity	3,685,982	3,410,142
TOTAL	$ 12,961,304	$ 12,229,814

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited

(in thousands, except per share data)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
REVENUES:				
Rental and management	$ 697,554	$ 614,808	$ 2,063,806	$ 1,745,302
Network development services	15,781	15,595	43,780	45,031
Total operating revenues	713,335	630,403	2,107,586	1,790,333
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below):				
Rental and management (including stock-based compensation expense of $195, $853, $594 and $853, respectively)	177,336	160,265	506,120	432,454
Network development services (including stock-based compensation expense of $245, $910, $749 and $910, respectively)	7,568	8,668	22,153	22,884
Depreciation, amortization and accretion	144,061	142,113	465,788	411,902
Selling, general, administrative and development expense (including stock-based compensation expense of $12,618, $10,377, $38,311 and $34,422, respectively)	81,459	76,476	237,891	214,929
Other operating expenses	7,359	14,576	35,150	35,770
Total operating expenses	417,783	402,098	1,267,102	1,117,939
OPERATING INCOME	295,552	228,305	840,484	672,394
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of $372, $458, $1,114 and $1,186, respectively	3,586	3,498	10,715	10,587
Interest income	1,717	1,822	6,253	6,837
Interest expense	(102,272)	(77,796)	(297,622)	(226,735)
Loss on retirement of long-term obligations			(398)	
Other income (expense) (including unrealized foreign currency gains (losses) of $46,191, $(145,144), $(12,847) and $(101,505), respectively)	46,294	(150,876)	(19,468)	(115,710)
Total other expense	(50,675)	(223,352)	(300,520)	(325,021)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND INCOME ON EQUITY METHOD INVESTMENTS	244,877	4,953	539,964	347,373
Income tax provision	(13,054)	(24,681)	(64,117)	(161,981)
Income on equity method investments	2	2	25	14
NET INCOME (LOSS)	231,825	(19,726)	475,872	185,406
Net loss attributable to non-controlling interest	264	4,025	25,732	5,946
NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN TOWER CORPORATION	$ 232,089	$ (15,701)	$ 501,604	$ 191,352
NET INCOME (LOSS) PER COMMON SHARE AMOUNTS:				

Basic net income (loss) attributable to American Tower Corporation	$ 0.59	$ (0.04)	$ 1.27	$ 0.48
Diluted net income (loss) attributable to American Tower Corporation	$ 0.58	$ (0.04)	$ 1.26	$ 0.48
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	395,244	395,183	394,626	396,507
Diluted	399,487	395,183	399,084	400,467
DISTRIBUTIONS DECLARED PER SHARE	$ 0.23	$	$ 0.66	$

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) Unaudited

(in thousands)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income (loss)	$ 231,825	$ (19,726)	$ 475,872	$ 185,406
Other comprehensive income (loss):				
Net change in fair value of cash flow hedges, net of tax	(955)		(2,483)	1,977
Reclassification of unrealized losses on cash flow hedges to net income, net of tax	199	29	397	195
Net unrealized losses on available-for-sale securities, net of tax		(6)		(86)
Reclassification of unrealized losses on available-for-sale securities to net income			495	
Foreign currency translation adjustments	38,782	(149,563)	(36,357)	(127,209)
Other comprehensive income (loss)	38,026	(149,540)	(37,948)	(125,123)
Comprehensive income (loss)	269,851	(169,266)	437,924	60,283
Comprehensive loss attributable to non-controlling interest	1,460	4,025	42,216	5,946
Comprehensive income (loss) attributable to American Tower Corporation	$ 271,311	$ (165,241)	$ 480,140	$ 66,229

See accompanying notes to the unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS Unaudited

(in thousands)

	Nine Months Ended September 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 475,872	$ 185,406
Adjustments to reconcile net income to cash provided by operating activities:		
Stock-based compensation expense	39,654	36,185
Depreciation, amortization and accretion	465,788	411,902
Other non-cash items reflected in statements of operations	79,655	287,286
Increase in net deferred rent asset	(92,296)	(69,874)
Increase in restricted cash	(693)	(825)
Increase in assets	(36,137)	(58,891)
Increase in liabilities	184,704	58,809
Cash provided by operating activities	1,116,547	849,998
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchase of property and equipment and construction activities	(377,026)	(397,088)
Payments for acquisitions, net of cash acquired	(822,714)	(1,220,572)
Proceeds from sale of short-term investments, available-for-sale securities and other long-term assets	358,707	65,223
Payments for short-term investments	(330,341)	(20,412)
Deposits, restricted cash, investments and other	(2,892)	13,218
Cash used for investing activities	(1,174,266)	(1,559,631)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings, net	20,099	101,128
Borrowings under credit facilities	1,325,000	280,014
Proceeds from issuance of senior notes	698,670	
Proceeds from term loan credit facility	750,000	
Proceeds from other long-term borrowings	99,132	80,814
Repayments of notes payable, credit facilities and capital leases	(2,655,367)	(207,120)
Contributions from non-controlling interest holders, net	48,500	87,183
Purchases of common stock	(33,436)	(391,098)
Proceeds from stock options	42,825	60,926
Distributions	(169,816)	
Deferred financing costs and other financing activities	(13,512)	(7,582)
Cash provided by financing activities	112,095	4,265
Net effect of changes in foreign currency exchange rates on cash and cash equivalents	(2,255)	(1,089)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,121	(706,457)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	330,191	883,963
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 382,312	$ 177,506
NET CASH PAID FOR INCOME TAXES	$ 28,465	$ 48,808

CASH PAID FOR INTEREST	$	265,443	$	195,877
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
(DECREASE) INCREASE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES FOR PURCHASES OF PROPERTY AND EQUIPMENT AND CONSTRUCTION ACTIVITIES	$	(1,228)	$	4,495
PURCHASES OF PROPERTY, PLANT AND EQUIPMENT UNDER CAPITAL LEASES	$	12,219	$	5,060

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY Unaudited

(in thousands, except share data)

	Common Stock		Treasury Stock						
	Issued Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Earnings (Distributions) in Excess of Distributions (Earnings)	Non-controlling Interest	Total Equity
BALANCE, JANUARY 1, 2011	486,056,952	$ 4,860	(87,379,718)	$ (3,381,966)	$ 8,577,093	$ 38,053	$ (1,736,596)	$ 3,114	$ 3,504,558
Stock-based compensation related activity	2,333,452	23			86,828				86,851
Issuance of common stock-Stock Purchase Plan	43,485	1			1,886				1,887
Treasury stock activity			(7,586,960)	(393,121)					(393,121)
Net change in fair value of cash flow hedges, net of tax						1,977			1,977
Reclassification of unrealized losses on cash flow hedges to net income, net of tax						195			195
Net unrealized losses on available-for-sale securities, net of tax						(86)			(86)
Foreign currency translation adjustment						(127,209)			(127,209)
Contributions from non-controlling interest								87,564	87,564
Distributions to non-controlling interest								(381)	(381)
Net income (loss)							191,352	(5,946)	185,406
BALANCE, SEPTEMBER 30, 2011	488,433,889	$ 4,884	(94,966,678)	$ (3,775,087)	$ 8,665,807	$ (87,070)	$ (1,545,244)	$ 84,351	$ 3,347,641
BALANCE, JANUARY 1, 2012	393,642,079	$ 3,936		$	$ 4,903,800	$ (142,617)	$ (1,477,899)	$ 122,922	$ 3,410,142
Stock-based compensation related activity	1,917,576	19			65,017				65,036
Issuance of common stock Stock Purchase Plan	47,464	1			2,364				2,365
Treasury stock activity			(252,691)	(16,733)					(16,733)
Net change in fair value of cash flow hedges						(1,862)		(621)	(2,483)
Reclassification of unrealized losses on cash flow hedges to net income						397			397
Reclassification of unrealized losses on available-for-sale securities to net income						495			495
Foreign currency translation adjustment						(20,494)		(15,863)	(36,357)
								48,963	48,963

Contributions from non-controlling interest									
Distributions to non-controlling interest								(441)	(441)
Dividends/distributions declared							(261,274)		(261,274)
Net income (loss)							501,604	(25,732)	475,872
BALANCE, SEPTEMBER 30, 2012	395,607,119	$ 3,956	(252,691)	$ (16,733)	$ 4,971,181	$ (164,081)	$ (1,237,569)	$ 129,228	$ 3,685,982

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

1. Description of Business, Basis of Presentation and Accounting Policies

American Tower Corporation is, through its various subsidiaries (collectively, ATC or the Company), an independent owner, operator and developer of wireless and broadcast communications sites in the United States, Brazil, Chile, Colombia, Ghana, India, Mexico, Peru, South Africa and Uganda. The Company s primary business is the leasing of antenna space on multi-tenant communications sites to wireless service providers, radio and television broadcast companies, wireless data providers, government agencies and municipalities and tenants in a number of other industries. The Company also manages rooftop and tower sites for property owners, operates in-building and outdoor distributed antenna system (DAS) networks, holds property interests under communications sites and provides network development services that primarily support its rental and management operations and the addition of new tenants and equipment on its sites. The Company began operating as a real estate investment trust (REIT) for federal income tax purposes effective January 1, 2012.

ATC is a holding company that conducts its operations through its directly and indirectly owned subsidiaries and its joint ventures. ATC s principal domestic operating subsidiaries are American Towers LLC and SpectraSite Communications, LLC (SpectraSite). ATC conducts its international operations through its subsidiary, American Tower International, Inc., which in turn conducts operations through its various international operating subsidiaries and joint ventures.

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The financial information included herein is unaudited; however, the Company believes that all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the Company s financial position and results of operations for such periods have been included. Results of interim periods may not be indicative of results for the full year. Subsequent events have been evaluated up to the date of issuance of these financial statements. These condensed consolidated financial statements and related notes should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

REIT Conversion In May 2011, the Company announced its intention to reorganize to qualify as a REIT for federal income tax purposes (the REIT Conversion). Effective December 31, 2011, the Company completed the merger with its predecessor (American Tower) that was approved by the Company s stockholders in November 2011. At the time of the merger all outstanding shares of Class A common stock of American Tower were converted into a right to receive an equal number of shares of common stock of the surviving corporation. In addition, each share of Class A common stock of American Tower held in treasury at December 31, 2011 ceased to be outstanding, and a corresponding adjustment was recorded to additional paid-in capital and common stock.

The Company believes that since January 1, 2012, it has been organized and has operated in a manner that enables it to qualify, and intends to continue to operate in a manner that will allow it to continue to qualify as a REIT for federal income tax purposes.

The Company holds and operates certain of its assets through one or more taxable REIT subsidiaries (TRSs). A TRS is a subsidiary of a REIT that is subject to applicable corporate income tax. The Company s use of TRSs enables it to continue to engage in certain businesses while complying with REIT qualification requirements and also allows the Company to retain income generated by these businesses for reinvestment without the requirement of distributing those earnings. The non-REIT qualified businesses that the Company holds through TRSs include its network development services segment. In addition, the Company has included its international operations and DAS networks business within its TRSs. In the future, the Company may elect to have previously designated TRSs be treated as qualified REIT subsidiaries or other disregarded entities (QRSs), or reorganize and transfer certain assets or operations from its TRSs to other subsidiaries, including QRSs.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

As a REIT, the Company generally will not be subject to federal income taxes on its income and gains that the Company distributes to its stockholders, including the income derived from leasing towers. However, even as a REIT, the Company will remain obligated to pay income taxes on earnings from all of its TRS assets. In addition, the Company s international assets and operations continue to be subject to taxation in the foreign jurisdictions where those assets are held or those operations are conducted.

Principles of Consolidation and Basis of Presentation The accompanying condensed consolidated financial statements include the accounts of the Company and those entities in which it has a controlling interest. Investments in entities that the Company does not control are accounted for using the equity or cost method, depending upon the Company s ability to exercise significant influence over operating and financial policies. All intercompany accounts and transactions have been eliminated.

Significant Accounting Policies and Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ from those estimates, and such differences could be material to the accompanying condensed consolidated financial statements. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued as additional evidence for certain estimates or to identify matters that require additional disclosure.

Changes in Presentation Changes have been made to the presentation of the Company s condensed consolidated statements of cash flows for the nine months ended September 30, 2011 to be consistent with the current year presentation. Specifically, contributions from non-controlling interest holders, in a net amount of $87.2 million, were previously included in deferred financing costs and other financing activities, but are now stated separately within financing activities in the Company s condensed consolidated statements of cash flows.

Recently Adopted Accounting Standards In May 2011, the Financial Accounting Standards Board (FASB) amended its guidance related to fair value measurement and disclosure. This guidance clarifies existing measurement and disclosure requirements and results in greater consistency between GAAP and International Financial Reporting Standards. This guidance became effective prospectively for interim and annual periods beginning on or after December 15, 2011. The implementation of this guidance did not have a material impact on the Company s condensed consolidated results of operations or financial position.

In September 2011, the FASB issued guidance on testing goodwill for impairment that became effective for the interim and annual periods beginning on or after December 15, 2011 (with early adoption permitted). Under the new guidance, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the entity determines that it is more likely than not that the carrying value of a reporting unit is less than its fair value, then performing the two-step impairment test is unnecessary. The implementation of this guidance did not have an impact on the Company s condensed consolidated results of operations or financial position.

2. Short-Term Investments and Available-For-Sale Securities

As of September 30, 2012, there were no short-term investments with original maturities of three months or more or available-for-sale securities outstanding. As of December 31, 2011, short-term investments included investments with original maturities of three months or more of $22.3 million and available-for-sale securities of less than $0.1 million.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

3. Prepaid and Other Current Assets

Prepaid and other current assets consist of the following (in thousands):

	As of September 30, 2012	As of December 31, 2011 (1)
Prepaid assets	$ 110,783	$ 59,312
Prepaid operating ground leases	61,698	54,756
Other miscellaneous current assets	61,452	59,405
Value added tax and other consumption tax receivables	36,608	81,277
Balance	$ 270,541	$ 254,750

(1) December 31, 2011 balances have been revised to reflect purchase accounting measurement period adjustments.

4. Goodwill and Other Intangible Assets

The changes in the carrying value of goodwill for the Company s business segments are as follows (in thousands):

	Rental and Management		Network Development Services	
	Domestic	International		Total
Balance as of January 1, 2012 (1)	$ 2,244,612	$ 430,359	$ 2,000	$ 2,676,971
Additions	1,374	84,891		86,265
Effect of foreign currency translation		470		470
Balance as of September 30, 2012	$ 2,245,986	$ 515,720	$ 2,000	$ 2,763,706

(1) Balances have been revised to reflect purchase accounting measurement period adjustments.

The Company s other intangible assets subject to amortization consist of the following ($ in thousands):

		As of September 30, 2012			As of December 31, 2011 (1)		
	Estimated Useful Lives (years)	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Acquired network location (2)	Up to 20	$ 1,641,639	$ (704,131)	$ 937,508	$ 1,538,015	$ (654,137)	$ 883,878
Acquired customer-related intangibles	15-20	2,530,338	(944,760)	1,585,578	2,389,470	(843,432)	1,546,038

Acquired licenses and other intangibles	3-20	26,065	(20,743)	5,322	25,949	(20,045)	5,904
Economic Rights, TV Azteca	70	29,261	(13,949)	15,312	26,902	(12,643)	14,259
Total		4,227,303	(1,683,583)	2,543,720	3,980,336	(1,530,257)	2,450,079
Deferred financing costs, net (3)	N/A			51,339			47,532
Other intangible assets, net				$ 2,595,059			$ 2,497,611

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

(1) December 31, 2011 balances have been revised to reflect purchase accounting measurement period adjustments.
(2) Acquired network location intangibles are amortized over periods of up to 20 years, as the Company considers these intangibles to be directly related to the tower assets.
(3) Deferred financing costs are amortized over the term of the respective debt instruments to which they relate using the effective interest method. This amortization is included in interest expense rather than in amortization expense.

The acquired network location intangibles represent the value to the Company of the incremental revenue growth, which could potentially be obtained from leasing the excess capacity on acquired communications sites. The acquired customer-related intangibles typically represent the value to the Company of customer contracts and relationships in place at the time of an acquisition, including assumptions regarding estimated renewals. The acquired licenses and other intangibles consist primarily of non-competition agreements acquired from SpectraSite, Inc. and in other tower acquisitions.

The Company amortizes these intangibles on a straight-line basis over the estimated useful lives. As of September 30, 2012, the remaining weighted average amortization period of the Company s intangible assets, excluding the TV Azteca Economic Rights detailed in note 5 to the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011, was approximately 12 years. Amortization of intangible assets for the three and nine months ended September 30, 2012 was approximately $46.9 million and $154.3 million (excluding amortization of deferred financing costs, which is included in interest expense), respectively. Amortization of intangible assets for the three and nine months ended September 30, 2011 was approximately $43.3 million and $131.2 million (excluding amortization of deferred financing costs, which is included in interest expense), respectively. The Company expects to record amortization expense (excluding amortization of deferred financing costs) as follows over the next five years (in millions):

Fiscal Year	
2012 (remaining year)	$ 50.7
2013	197.0
2014	189.2
2015	176.2
2016	168.9
2017	167.3

5. Financing Transactions

Revolving Credit Facility and Term Loan On January 31, 2012, the Company repaid and terminated its $1.25 billion senior unsecured revolving credit facility and repaid $325.0 million of related term loan commitments, with proceeds from borrowings under a $1.0 billion unsecured revolving credit facility entered into on April 8, 2011 (the 2011 Credit Facility) and a new $1.0 billion unsecured revolving credit facility entered into on January 31, 2012 (the 2012 Credit Facility).

2011 Credit Facility As of September 30, 2012, the Company did not have any amounts outstanding under the 2011 Credit Facility and had approximately $6.7 million of undrawn letters of credit. The Company continues to maintain the ability to draw down and repay amounts under the 2011 Credit Facility in the ordinary course. The 2011 Credit Facility has a term of five years and matures on April 8, 2016.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

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2012 Credit Facility On January 31, 2012, the Company entered into the 2012 Credit Facility, which has a term of five years and matures on January 31, 2017. Any outstanding principal and accrued but unpaid interest will be due and payable in full at maturity. The 2012 Credit Facility may be paid prior to maturity in whole or in part at the Company s option without penalty or premium.

The Company has the option of choosing either a defined base rate or the London Interbank Offered Rate (LIBOR) as the applicable base rate for borrowings under the 2012 Credit Facility. The interest rate ranges between 1.075% to 2.400% above LIBOR for LIBOR based borrowings or between 0.075% to 1.400% above the defined base rate for base rate borrowings, in each case based upon the Company s debt ratings. A quarterly commitment fee on the undrawn portion of the 2012 Credit Facility is required, ranging from 0.125% to 0.450% per annum, based upon the Company s debt ratings. The current margin over LIBOR that the Company would incur on borrowings is 1.625%, and the current commitment fee on the undrawn portion of the 2012 Credit Facility is 0.225%.

The loan agreement contains certain reporting, information, financial and operating covenants and other restrictions (including limitations on additional debt, guaranties, sales of assets and liens) with which the Company must comply. Any failure to comply with the financial and operating covenants of the loan agreement would not only prevent the Company from being able to borrow additional funds, but would constitute a default, which could result in, among other things, the amounts outstanding, including all accrued interest and unpaid fees, becoming immediately due and payable.

As of September 30, 2012, the Company did not have any amounts outstanding under the 2012 Credit Facility and had approximately $2.7 million of undrawn letters of credit. The Company continues to maintain the ability to draw down and repay amounts under the 2012 Credit Facility in the ordinary course.

2012 Term Loan On June 29, 2012, the Company entered into a $750.0 million unsecured term loan (2012 Term Loan). The Company received net proceeds of approximately $746.4 million, of which $632.0 million were used to repay certain existing indebtedness under the 2012 Credit Facility.

The 2012 Term Loan has a term of five years and matures on June 29, 2017. Any outstanding principal and accrued but unpaid interest will be due and payable in full at maturity. The 2012 Term Loan may be paid prior to maturity in whole or in part at the Company s option without penalty or premium.

The Company has the option of choosing either a defined base rate or LIBOR as the applicable base rate. The interest rate ranges between 1.25% to 2.50% above LIBOR for LIBOR based borrowings or between 0.25% to 1.50% above the defined base rate for base rate borrowings, in each case based upon the Company s debt ratings. As of September 30, 2012, the interest rate under the 2012 Term Loan is LIBOR plus 1.75%.

The loan agreement contains certain reporting, information, financial and operating covenants and other restrictions (including limitations on additional debt, guaranties, sales of assets and liens) with which the Company must comply. Any failure to comply with the financial and operating covenants of the loan agreement would constitute a default, which could result in, among other things, the amounts outstanding, including all accrued interest and unpaid fees, becoming immediately due and payable.

As of September 30, 2012, the Company had $750.0 million outstanding under the 2012 Term Loan.

Senior Notes Offering On March 12, 2012, the Company completed a registered public offering of $700.0 million aggregate principal amount of its 4.70% senior notes due 2022 (the 4.70% Notes). The net proceeds to the Company from the offering were approximately $693.0 million, after deducting commissions and expenses.

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The Company used the net proceeds to repay a portion of the outstanding indebtedness incurred under its 2011 Credit Facility and 2012 Credit Facility, which had been used to fund recent acquisitions.

The 4.70% Notes mature on March 15, 2022, and interest is payable semi-annually in arrears on March 15 and September 15. The Company began making interest payments on September 15, 2012. The Company may redeem the 4.70% Notes at any time at a redemption price equal to 100% of the principal amount, plus a make-whole premium, together with accrued interest to the redemption date. Interest on the notes began to accrue on March 12, 2012 and is computed on the basis of a 360-day year comprised of twelve 30-day months.

If the Company undergoes a change of control and ratings decline, each as defined in supplemental indenture no. 5, dated March 12, 2012 (the Supplemental Indenture) to the base indenture dated May 13, 2010, as amended and supplemented on December 30, 2011, the Company will be required to offer to repurchase all of the 4.70% Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest up to but not including the repurchase date. The 4.70% Notes rank equally with all of the Company s other senior unsecured debt and are structurally subordinated to all existing and future indebtedness and other obligations of its subsidiaries. The Supplemental Indenture contains certain covenants that restrict the Company s ability to merge, consolidate or sell assets and its (together with its subsidiaries) ability to incur liens. These covenants are subject to a number of exceptions, including that the Company and its subsidiaries may incur certain liens on assets, mortgages or other liens securing indebtedness, if the aggregate amount of such liens does not exceed 3.5x Adjusted EBITDA, as defined in the Supplemental Indenture.

Colombian Short-Term Credit Facility The 141.1 billion Colombian Peso (COP) denominated short-term credit facility was executed by one of the Company s Colombian subsidiaries (ATC Sitios) on July 25, 2011, to refinance the credit facility entered into in connection with the purchase of the exclusive use rights for towers from Telefónica S.A. s Colombian subsidiary, Colombia Telecomunicaciones S.A. E.S.P. As of September 30, 2012, 135.0 billion COP (approximately $75.0 million) was outstanding under this credit facility and the facility was scheduled to mature on October 25, 2012 with an interest rate of 7.95%. In October 2012, the maturity date was extended to November 25, 2012, and the facility continues to accrue interest at a rate of 7.95%.

On October 19, 2012, ATC Sitios entered into a loan agreement for a long-term credit facility, which it intends to use to refinance the Colombian short-term credit facility upon completion of certain closing conditions.

Colombian Bridge Loans In connection with the acquisition of communications sites from Colombia Movil S.A. E.S.P. (Colombia Movil), another of the Company s Colombian subsidiaries entered into five COP denominated bridge loans. As of September 30, 2012, the aggregate principal amount outstanding under these bridge loans was 94.0 billion COP (approximately $52.2 million). The bridge loans have terms ranging from 30 to 90 days, and are extended from time to time in the ordinary course. As of September 30, 2012, the interest rates of these loans ranged from 8.01% to 8.23%.

Colombian Loan In connection with the establishment of the joint venture with Millicom International Cellular S.A. (Millicom) and the acquisition of communications sites in Colombia, ATC Colombia B.V., a 60% owned subsidiary of the Company, entered into a U.S. Dollar-denominated shareholder loan agreement (the Colombian Loan), as the borrower, with a wholly owned subsidiary of the Company (the ATC Colombian Subsidiary), and a wholly owned subsidiary of Millicom (the Millicom Subsidiary), as the lenders. The Colombian Loan accrues interest at 8.30% and matures on February 22, 2022. The portion of the Colombian Loan made by the ATC Colombian Subsidiary is eliminated in consolidation, and the portion of the Colombian Loan made by the Millicom Subsidiary is reported as outstanding debt of the Company. As of September 30, 2012, an aggregate of $16.3 million was payable to the Millicom Subsidiary.

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South African Facility The Company s 1.2 billion South African Rand (ZAR) credit facility (the South African Facility) was executed in November 2011 to refinance the bridge loan entered into in connection with the acquisition of communications sites from Cell C (Pty) Limited (Cell C). On August 8, 2012 and September 14, 2012, the Company borrowed an additional 123.0 million ZAR (approximately $15.1 million) and 24.2 million ZAR (approximately $2.9 million), respectively. The South African Facility matures on March 31, 2020, and accrues interest based on a margin plus the Johannesburg Interbank Agreed Rate (JIBAR). As of September 30, 2012, 834.3 million ZAR (approximately $100.3 million) was outstanding under the South African Facility, and after giving effect to the interest rate swap agreements discussed in note 6, the facility accrues interest at a weighted average rate of 9.81%.

Ghana Loan In connection with the establishment of the Company s joint venture with MTN Group Limited (MTN Group) and the acquisitions of communications sites in Ghana, Ghana Tower Interco B.V., a 51% owned subsidiary of the Company, entered into a U.S. Dollar-denominated shareholder loan agreement (the Ghana Loan), as the borrower, with a wholly owned subsidiary of the Company (the ATC Ghana Subsidiary), and Mobile Telephone Networks (Netherlands) B.V., a wholly owned subsidiary of MTN Group (the MTN Ghana Subsidiary), as the lenders. The Ghana Loan accrues interest at 9.0% and matures on May 4, 2016. The portion of the Ghana Loan made by the ATC Ghana Subsidiary is eliminated in consolidation, and the portion of the Ghana Loan made by the MTN Ghana Subsidiary is reported as outstanding debt of the Company. As of September 30, 2012, an aggregate of $131.0 million was payable to the MTN Ghana Subsidiary.

Uganda Loan In connection with the establishment of the Company s joint venture with MTN Group and the acquisitions of communications sites in Uganda, Uganda Tower Interco B.V., a 51% owned subsidiary of the Company, entered into a U.S. Dollar-denominated shareholder loan agreement (the Uganda Loan), as the borrower, with a wholly owned subsidiary of the Company (the ATC Uganda Subsidiary), and a wholly owned subsidiary of MTN Group (the MTN Uganda Subsidiary), as the lenders. The Uganda Loan matures on June 29, 2019 and accrues interest at 5.30% above LIBOR, reset annually, which as of September 30, 2012 was 6.368%. The portion of the Uganda Loan made by the ATC Uganda Subsidiary is eliminated in consolidation, and the portion of the Uganda Loan made by the MTN Uganda Subsidiary is reported as outstanding debt of the Company. As of September 30, 2012, an aggregate of $61.0 million was payable to the MTN Uganda Subsidiary.

6. Derivative Financial Instruments

The Company is exposed to certain risks related to its ongoing business operations. The primary risk managed through the use of derivative instruments is interest rate risk. From time to time, the Company enters into interest rate protection agreements to manage exposure to variability in cash flows relating to forecasted interest payments. Under these agreements, the Company is exposed to credit risk to the extent that a counterparty fails to meet the terms of a contract. The Company s credit risk exposure is limited to the current value of the contract at the time the counterparty fails to perform.

If a derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in accumulated other comprehensive income (loss) and are recognized in the results of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized immediately in the results of operations. For derivative instruments not designated as hedging instruments, changes in fair value are recognized in the results of operations in the period in which the change occurs.

The Company has entered into the following interest rate swap agreements to manage its exposure to variability in interest rates on debt in South Africa that accrue interest based on JIBAR: (i) on January 16, 2012, the Company entered into three interest rate swap agreements with an aggregate notional value of 350.0 million

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ZAR (ii) on August 29, 2012, the Company entered into three additional interest rate swap agreements with an aggregate notional value of 61.5 million ZAR and (iii) on September 28, 2012, the Company entered into three additional interest rate swap agreements with an aggregate notional value of 12.1 million ZAR.

All of the Company s interest rate swap agreements have been designated as cash flow hedges, have fixed interest rates ranging from 6.09% to 7.25% and expire on March 31, 2020. No interest rate swap agreements were outstanding at December 31, 2011. As of September 30, 2012, the carrying amounts of the Company s derivative financial instruments, along with the estimated fair values of the related liabilities were as follows (in thousands):

	Balance Sheet Location	Notional Amount (1)	Carrying Amount and Fair Value (1)
Liabilities:			
Interest rate swap agreements	Other long-term liabilities	ZAR 423,634	ZAR 20,407

(1) The interest rate swap agreements are denominated in ZAR and have a notional amount and fair value of $51.0 million and $2.5 million, respectively, as of September 30, 2012.

There were no interest rate swap agreements held by the Company during the three months ended September 30, 2011. During the three months ended September 30, 2012, the interest rate swap agreements held by the Company had the following impact on other comprehensive income (OCI) included in the condensed consolidated balance sheets and in the condensed consolidated statements of operations (in thousands):

Three Months Ended September 30, 2012				
Amount of Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)	**Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)**	**Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)**	**Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)**	**Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)**
$(1,135)	Interest expense	$(181)	N/A	N/A

During the nine months ended September 30, 2011, the Company held twelve LIBOR-based interest rate swap agreements. As of September 30, 2011, none of those agreements were outstanding.

During the nine months ended September 30, 2012 and 2011, the interest rate swap agreements held by the Company had the following impact on OCI included in the consolidated balance sheets and in the condensed consolidated statements of operations (in thousands):

Nine Months Ended September 30, 2012				
Amount of Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)	**Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)**	**Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)**	**Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)**	**Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)**
$(2,985)	Interest expense	$(502)	N/A	N/A

Nine Months Ended September 30, 2011

Amount of Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
$(228)	Interest expense	$(2,205)	N/A	N/A

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7. Fair Value Measurements

The Company determines the fair values of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Below are the three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Items Measured at Fair Value on a Recurring Basis The fair value of the Company s financial assets and liabilities that are required to be measured on a recurring basis at fair value is as follows (in thousands):

	September 30, 2012 Fair Value Measurements Using			Assets/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Interest rate swap agreements (1)		$ 2,454		$ 2,454
Acquisition-related contingent consideration			$ 27,209	$ 27,209

	December 31, 2011 Fair Value Measurements Using			Assets/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Short-term investments and available-for-sale securities (2)	$ 22,270			$ 22,270
Liabilities:				
Acquisition-related contingent consideration			$ 25,617	$ 25,617

(1) Consists of interest rate swap agreements based on JIBAR whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data.

(2) Consists of certain short-term investments that are highly liquid and actively traded in over-the-counter markets as well as available-for-sale securities traded in active markets.

Cash and cash equivalents include short-term investments, including money market funds, with original maturities of three months or less whose fair value approximated cost at September 30, 2012 and December 31, 2011.

The fair value of the Company s interest rate swap agreements recorded as liabilities is included in other long-term liabilities in the accompanying condensed consolidated balance sheets. Fair valuations of the Company s interest rate swap agreements reflect the value of the instrument including the values associated with

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counterparty risk and the Company s own credit standing. The Company includes in the valuation of the derivative instrument the value of the net credit differential between the counterparties to the derivative contract. There were no interest rate swap agreements outstanding at December 31, 2011.

The Company may be required to pay additional consideration under certain agreements for the acquisitions of communications sites in South Africa, Ghana, Colombia and the United States if specific conditions are met or events occur, such as (i) the collocation of certain wireless carriers subsequent to acquiring the communications sites or (ii) the conversion of certain barter agreements with other wireless carriers to cash-paying master lease agreements.

Acquisition-related contingent consideration is initially measured and recorded at fair value as an element of consideration paid in connection with an acquisition with subsequent adjustments recognized in other operating expenses in the condensed consolidated statements of operations. The Company determines the fair value of acquisition-related contingent consideration, and any subsequent changes in fair value using a discounted probability-weighted approach. This approach takes into consideration Level 3 unobservable inputs including probability assessments of expected future cash flows over the period in which the obligation is expected to be settled and applies a discount factor that captures the uncertainties associated with the obligation. Changes in these unobservable inputs could significantly impact the fair value of the liabilities recorded in the accompanying condensed consolidated balance sheets and operating expenses in the condensed consolidated statements of operations.

As of September 30, 2012, the Company estimates that the value of all potential acquisition-related contingent consideration required payments to be between zero and $44.7 million. During the three months ended September 30, 2012 and 2011, the fair value of the contingent consideration changed as follows (in thousands):

	2012	**2011**
Balance as of July 1	$ 29,897	