AMERICAN TOWER CORP /MA/
Form 10-Q
August 02, 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 June 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	**(I.R.S. Employer**
Incorporation or Organization)	**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 July 20, 2012, there were 395,158,017 shares of common stock outstanding.

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AMERICAN TOWER CORPORATION

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QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED JUNE 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)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 481,937	$ 330,191
Restricted cash	38,760	42,770
Short-term investments and available-for-sale securities	29,492	22,270
Accounts receivable, net	99,181	100,792
Prepaid and other current assets	240,653	254,750
Deferred income taxes	28,986	29,596
Total current assets	919,009	780,369
PROPERTY AND EQUIPMENT, net	5,079,729	4,894,205
GOODWILL	2,714,718	2,670,342
OTHER INTANGIBLE ASSETS, net	2,569,999	2,511,380
DEFERRED INCOME TAXES	213,779	206,711
DEFERRED RENT ASSET	687,497	609,529
NOTES RECEIVABLE AND OTHER LONG-TERM ASSETS	524,628	557,278
TOTAL	$ 12,709,359	$ 12,229,814
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 201,386	$ 216,448
Accrued expenses	325,056	304,208
Distributions payable	86,994	
Accrued interest	73,776	65,729
Current portion of long-term obligations	127,867	101,816
Unearned revenue	91,414	92,708
Total current liabilities	906,493	780,909
LONG-TERM OBLIGATIONS	7,337,552	7,134,492
ASSET RETIREMENT OBLIGATIONS	379,358	344,180
OTHER LONG-TERM LIABILITIES	599,766	560,091
Total liabilities	9,223,169	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, 395,204,787 and 393,642,079 shares issued, and 395,035,260 and 393,642,079 shares outstanding, respectively	3,952	3,936
Additional paid-in capital	4,946,255	4,903,800
Distributions in excess of earnings	(1,378,518)	(1,477,899)
Accumulated other comprehensive loss	(203,303)	(142,617)
Treasury stock (169,527 and 0 shares at cost, respectively)	(10,838)	
Total American Tower Corporation equity	3,357,548	3,287,220
Non-controlling interest	128,642	122,922
Total equity	3,486,190	3,410,142
TOTAL	$ 12,709,359	$ 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 June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
REVENUES:				
Rental and management	$ 682,262	$ 583,839	$ 1,366,252	$ 1,130,494
Network development services	15,472	13,396	27,999	29,436
Total operating revenues	697,734	597,235	1,394,251	1,159,930
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below):				
Rental and management (including stock-based compensation expense of $202, $0, $399 and $0, respectively)	165,060	144,330	328,784	272,189
Network development services (including stock-based compensation expense of $240, $0, $504 and $0, respectively)	7,324	6,747	14,585	14,216
Depreciation, amortization and accretion	172,072	138,558	321,727	269,789
Selling, general, administrative and development expense (including stock-based compensation expense of $13,109, $11,687, $25,693 and $24,045, respectively)	76,848	72,321	156,432	138,453
Other operating expenses	5,944	9,490	27,791	21,194
Total operating expenses	427,248	371,446	849,319	715,841
OPERATING INCOME	270,486	225,789	544,932	444,089
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of $371, $356, $742 and $728, respectively	3,586	3,590	7,129	7,089
Interest income	2,283	2,711	4,536	5,015
Interest expense	(100,233)	(74,512)	(195,350)	(148,939)
Loss on retirement of long-term obligations			(398)	
Other (expense) income (including unrealized foreign currency (losses) gains of $(114,876), $27,460, $(59,038) and $43,638, respectively)	(118,623)	21,459	(65,762)	35,166
Total other expense	(212,987)	(46,752)	(249,845)	(101,669)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND INCOME ON EQUITY METHOD INVESTMENTS	57,499	179,037	295,087	342,420
Income tax provision	(23,815)	(65,877)	(51,063)	(137,300)
Income on equity method investments	5	11	23	12
NET INCOME	33,689	113,171	244,047	205,132
Net loss attributable to non-controlling interest	14,520	2,040	25,468	1,921
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION	$ 48,209	$ 115,211	$ 269,515	$ 207,053

NET INCOME PER COMMON SHARE AMOUNTS:								
Basic net income attributable to American Tower Corporation	$	0.12	$	0.29	$	0.68	$	0.52
Diluted net income attributable to American Tower Corporation	$	0.12	$	0.29	$	0.68	$	0.52
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:								
Basic		394,743		396,599		394,314		397,180
Diluted		398,811		400,250		398,750		401,199
DISTRIBUTIONS DECLARED PER SHARE	$	0.22	$		$	0.43	$	

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME Unaudited

(in thousands)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net income	$ 33,689	$ 113,171	$ 244,047	$ 205,132
Other comprehensive (loss) income:				
Net change in fair value of cash flow hedges, net of tax	(1,145)		(1,528)	1,977
Reclassification of unrealized losses on cash flow hedges to net income, net of tax	150	30	198	166
Net unrealized losses on available-for-sale securities, net of tax		(20)		(80)
Reclassification of unrealized losses on available-for-sale securities to net income			495	
Foreign currency translation adjustments	(112,048)	8,044	(75,139)	22,354
Other comprehensive (loss) income	(113,043)	8,054	(75,974)	24,417
Comprehensive (loss) income	(79,354)	121,225	168,073	229,549
Comprehensive loss attributable to non-controlling interest	21,942	2,040	40,756	1,921
Comprehensive (loss) income attributable to American Tower Corporation	$ (57,412)	$ 123,265	$ 208,829	$ 231,470

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)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 244,047	$ 205,132
Adjustments to reconcile net income to cash provided by operating activities:		
Stock-based compensation expense	26,596	24,045
Depreciation, amortization and accretion	321,727	269,789
Other non-cash items reflected in statements of operations	112,660	101,783
Increase in net deferred rent asset	(59,590)	(45,057)
Decrease in restricted cash	4,083	272
Decrease (increase) in assets	33,478	(26,913)
Increase in liabilities	79,874	30,287
Cash provided by operating activities	762,875	559,338
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchase of property and equipment and construction activities	(226,402)	(236,580)
Payments for acquisitions, net of cash acquired	(532,860)	(892,554)
Proceeds from sale of short-term investments, available-for-sale securities and other long-term assets	192,977	60,882
Payments for short-term investments	(198,174)	(14,158)
Deposits, restricted cash, investments and other	(2,450)	25,123
Cash used for investing activities	(766,909)	(1,057,287)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	17,127	101,129
Borrowings under credit facilities	1,325,000	100,000
Proceeds from issuance of senior notes	698,670	
Proceeds from term loan credit facility	750,000	
Proceeds from other long-term borrowings	77,699	30,241
Repayments of notes payable, credit facilities and capital leases	(2,652,458)	(127,559)
Contributions from non-controlling interest holders, net	46,476	
Purchases of common stock	(27,177)	(231,583)
Proceeds from stock options	31,134	40,228
Distributions	(82,881)	
Deferred financing costs and other financing activities	(13,300)	30,164
Cash provided by (used for) financing activities	170,290	(57,380)
Net effect of changes in foreign currency exchange rates on cash and cash equivalents	(14,510)	3,908
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	151,746	(551,421)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	330,191	883,963
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 481,937	$ 332,542
NET CASH PAID FOR INCOME TAXES	$ 12,776	$ 28,295

CASH PAID FOR INTEREST	$ 171,661	$ 121,420
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
DECREASE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES FOR PURCHASES OF PROPERTY AND EQUIPMENT AND CONSTRUCTION ACTIVITIES	$ (6,978)	$ (8,488)
PURCHASES OF PROPERTY, PLANT AND EQUIPMENT UNDER CAPITAL LEASES	$ 6,021	$ 2,925

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 Issued Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock 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	1,639,588	16			51,795				51,811
Issuance of common stock-Stock Purchase Plan	43,485	1			1,886				1,887
Treasury stock activity			(4,364,184)	(224,749)					(224,749)
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						166			166
Net unrealized losses on available-for-sale securities, net of tax						(80)			(80)
Foreign currency translation adjustment						22,354			22,354
Contributions from non-controlling interest								36,990	36,990
Distributions to non-controlling interest								(258)	(258)
Net income (loss)							207,053	(1,921)	205,132
BALANCE, JUNE 30, 2011	487,740,025	$ 4,877	(91,743,902)	$ (3,606,715)	$ 8,630,774	$ 62,470	$ (1,529,543)	$ 37,925	$ 3,599,788
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	1,515,284	15			40,093				40,108
Issuance of common stock Stock Purchase Plan	47,424	1			2,362				2,363
Treasury stock activity			(169,527)	(10,838)					(10,838)
Net change in fair value of cash flow hedges						(1,146)		(382)	(1,528)
Reclassification of unrealized losses on cash flow hedges to net income						198			198
Reclassification of unrealized losses on available-for-sale securities to net income						495			495
Foreign currency translation adjustment						(60,233)		(14,906)	(75,139)
								46,781	46,781

Contributions from non-controlling interest									
Distributions to non-controlling interest								(305)	(305)
Dividends/distributions declared							(170,134)		(170,134)
Net income (loss)							269,515	(25,468)	244,047
BALANCE, JUNE 30, 2012	395,204,787	$ 3,952	(169,527)	$ (10,838)	$ 4,946,255	$ (203,303)	$ (1,378,518)	$ 128,642	$ 3,486,190

See accompanying notes to unaudited condensed consolidated financial statements.

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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. 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 only 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

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

reorganize and transfer certain assets or operations, such as its international operations, from its TRSs to other subsidiaries, including qualified REIT subsidiaries or other disregarded entities (QRSs).

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.

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 June 30, 2012, short-term investments included investments with original maturities of three months or more of $29.5 million. 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.

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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 June 30, 2012	As of December 31, 2011 (1)
Prepaid assets	$ 85,336	$ 59,312
Prepaid operating ground leases	57,551	54,756
Value added tax and other consumption tax receivables	38,518	81,277
Other miscellaneous current assets	59,248	59,405
Balance	$ 240,653	$ 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	$ 423,730	$ 2,000	$ 2,670,342
Additions	1,374	55,438		56,812
Effect of foreign currency translation		(12,436)		(12,436)
Balance as of June 30, 2012	$ 2,245,986	$ 466,732	$ 2,000	$ 2,714,718

(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 June 30, 2012			As of December 31, 2011 (3)		
	Estimated Useful Lives (years)	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Acquired network location (1)	Up to 20	$ 1,669,593	$ (692,091)	$ 977,502	$ 1,543,066	$ (654,137)	$ 888,929
Acquired customer-related intangibles	15-20	2,425,295	(907,189)	1,518,106	2,398,188	(843,432)	1,554,756

Acquired licenses and other intangibles	3-20	25,983	(20,354)	5,629	25,949	(20,045)	5,904
Economic Rights, TV Azteca	70	27,544	(13,007)	14,537	26,902	(12,643)	14,259
Total		4,148,415	(1,632,641)	2,515,774	3,994,105	(1,530,257)	2,463,848
Deferred financing costs, net (2)	N/A			54,225			47,532
Other intangible assets, net				$ 2,569,999			$ 2,511,380

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

(1) Acquired network location intangibles are amortized over a period of up to 20 years, as the Company considers these intangibles to be directly related to the tower assets.
(2) 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.
(3) December 31, 2011 balances have been revised to reflect purchase accounting measurement period adjustments.

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 June 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 six months ended June 30, 2012 was approximately $55.7 million and $107.5 million (excluding amortization of deferred financing costs, which is included in interest expense), respectively. Amortization of intangible assets for the three and six months ended June 30, 2011 was approximately $45.1 million and $87.9 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)	$ 100.4
2013	193.9
2014	186.2
2015	173.3
2016	166.0
2017	164.4

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 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 June 30, 2012, the Company did not have any amounts outstanding under the 2011 Credit Facility. 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

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 June 30, 2012, the Company did not have any amounts outstanding under the 2012 Credit Facility and had approximately $3.9 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 June 30, 2012, the interest 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 June 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

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the Company from the offering were approximately $693.0 million, after deducting commissions and expenses. 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, commencing 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 will accrue from March 12, 2012 and be 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 Company s 141.1 billion Colombian Peso (COP) denominated short-term credit facility was executed 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 June 30, 2012, 141.1 billion COP (approximately $79.1 million) were outstanding under this credit facility. As of June 30, 2012, this facility accrued interest at 8.20% and was scheduled to mature on July 25, 2012. In July 2012, the Company repaid approximately 6.1 billion COP (approximately $3.4 million at the repayment date) under this credit facility and extended the maturity date to August 25, 2012, with a new interest rate of 8.18%.

Colombian Bridge Loans In connection with the acquisition of communications sites from Colombia Movil S.A. E.S.P., a subsidiary of the Company entered into a 51.9 billion COP denominated bridge loan in December 2011. As of June 30, 2012, this loan accrues interest at 7.95%. On February 22, 2012, this subsidiary borrowed an additional 30.7 billion COP under a new loan. As of June 30, 2012, this loan accrues interest at 7.95%. As of June 30, 2012, the aggregate principal amount outstanding under these combined loans was 82.6 billion COP (approximately $46.3 million) and the maturity dates were extended to September 22, 2012. In July 2012, the subsidiary borrowed an additional 6.9 billion COP (approximately $3.9 million at the date of the borrowings) under these loans.

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 ATC, 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 loans made by

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the ATC Colombian Subsidiary is eliminated in consolidation, and the portion of the loans made by the Millicom Subsidiary is reported as outstanding debt of ATC. As of June 30, 2012, an aggregate of $13.2 million was payable to the Millicom Subsidiary.

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). As of June 30, 2012, the South African Facility accrues interest at 9.355% and matures on March 31, 2020. As of June 30, 2012, 687.0 million ZAR (approximately $84.1 million) was outstanding under the South African Facility.

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 ATC, 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 June 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 ATC, 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 June 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 June 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.

On January 16, 2012, the Company entered into three interest rate swap agreements with an aggregate notional value of 350.0 million ZAR, all of which have been designated as cash flow hedges. The Company uses

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these interest rate swap agreements to manage its exposure to variability in interest rates on debt in South Africa that accrue interest based on the Johannesburg Interbank Agreed Rate (JIBAR). The interest rate swap agreements have fixed interest rates ranging from 7.21% to 7.25% and expire on March 31, 2020. No interest rate swap agreements were outstanding at December 31, 2011. As of June 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 350,000	ZAR 12,512

(1) The interest rate swap agreements are denominated in ZAR and have a notional amount and fair value of $42.9 million and $1.5 million, respectively, as of June 30, 2012.

There were no interest rate swap agreements held by the Company during the three months ended June 30, 2011. During the three months ended June 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 June 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)
$ (1,315)	Interest expense	$ (170)	N/A	N/A

During the six months ended June 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):

Six Months Ended June 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)
$ (1,850)	Interest expense	$ (322)	N/A	N/A

Six Months Ended June 30, 2011				
Amount of	Location of Gain/(Loss)	Amount of Gain/(Loss)	Location of Gain/(Loss)	Gain/(Loss) Recognized in

Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)	Reclassified from Accumulated OCI into Income (Effective Portion)	Reclassified from Accumulated OCI into Income (Effective Portion)	Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	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):

	June 30, 2012 Fair Value Measurements Using			Assets/Liabilities
	Level 1	**Level 2**	**Level 3**	**at Fair Value**
Assets:				
Short-term investments (1)	$ 29,492			$ 29,492
Liabilities:				
Interest rate swap agreements (2)		$ 1,533		$ 1,533
Acquisition-related contingent consideration			$ 29,897	$ 29,897

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

(1) Consists of certain short-term investments that are highly liquid and actively traded in over-the-counter markets.

(2) Consists of interest rate swap agreements based on the 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.

(3) Consists of available-for-sale securities traded on active markets as well as certain short-term investments that are highly liquid and actively traded in over-the-counter 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 June 30, 2012 and December 31, 2011.

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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 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 t