GLOBAL SIGNAL INC
Form 10-Q
November 09, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ________________

Commission file number 001-32168

GLOBAL SIGNAL INC.

| | |
|---|---|
| DELAWARE<br>(State or other jurisdiction of incorporation or organization) | 65-0652634<br>(I.R.S. Employer Identification No.) |

301 North Cattlemen Road, Suite 300, Sarasota, Florida 34232-6427
(Address of principal executive offices)

Telephone: (941) 364-8886
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes No

At November 4, 2005, Registrant had outstanding 68,619,155 shares of $0.01 par value common stock.

PART I. FINANCIAL INFORMATION



**PART II. OTHER INFORMATION**





PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

GLOBAL SIGNAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

| | September 30, 2005 (unaudited) | December 31, 2004 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 59,880 | $ 5,991 |
| Accounts receivable, net | 7,053 | 533 |
| Prepaid expenses and other current assets | 41,081 | 9,772 |
| Interest rate swap assets, at fair value | 6,855 | — |
| | 114,869 | 16,296 |
| Restricted cash | 18,602 | 72,854 |
| Fixed assets, net | 1,679,658 | 636,200 |
| Intangible assets: | | |
| Lease absorption value, net | 391,470 | 149,625 |
| Leasehold interests, net | 9,028 | 7,791 |
| Goodwill | 10,610 | 9,770 |
| Deferred debt issuance costs, net | 19,441 | 18,911 |
| Other | 23,275 | 4,461 |
| Other assets | 16,240 | 7,461 |
| | $ 2,283,193 | $ 923,369 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 42,947 | $ 16,397 |
| Dividends payable | 34,305 | 20,491 |
| Deferred revenue | 17,567 | 13,410 |
| Interest rate swap liability, at fair value | 1,609 | — |
| Notes payable and current portion of long-term debt | 962,750 | 8,268 |
| | 1,059,178 | 58,566 |
| Long-term debt | 692,187 | 698,652 |
| Other long-term liabilities | 34,453 | 12,954 |
| Total liabilities | 1,785,818 | 770,172 |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value, 20,000,000 shares authorized, no shares issued or outstanding at September 30, 2005 and December 31, 2004 | — | — |
| Common stock, $0.01 par value, 150,000,000 shares authorized, 68,610,221 shares issued and outstanding at September 30, 2005, and 51,304,769 shares issued and outstanding at December 31, 2004 | 686 | 513 |
| Additional paid-in capital | 511,246 | 157,004 |
| Deferred stock-based compensation | (1,948) | (3,101) |
| Accumulated other comprehensive income (loss) | 12,254 | (1,219) |
| Equity derivatives | — | — |
| Accumulated deficit | (24,863) | — |
| Total stockholders' equity | 497,375 | 153,197 |
| | $ 2,283,193 | $ 923,369 |

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these condensed financial statements.

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GLOBAL SIGNAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except per share data)

| | Three Months Ended September 30, 2005 | 2004 (restated) |
|---|---|---|
| Revenues | $ 116,171 | $ 45,792 |
| Direct site operating expenses (excluding depreciation, amortization and accretion) | 53,630 | 14,419 |
| Selling, general and administrative (including $270 and $228 of non-cash stock-based compensation expense, respectively) | 10,520 | 5,846 |
| Sprint sites integration costs | 2,222 | — |
| State franchise, excise and minimum taxes | 159 | 163 |
| Depreciation, amortization and accretion | 41,862 | 13,725 |
| | 108,393 | 34,153 |
| Operating income | 7,778 | 11,639 |
| Interest expense, net | 24,608 | 6,393 |
| Gain on derivative instruments | (2,024) | — |
| Other expense (income) | (29) | (76) |
| Income (loss) from continuing operations before income tax benefit (expense) | (14,777) | 5,322 |
| Income tax benefit (expense) | 55 | (212) |
| Income (loss) from continuing operations | (14,722) | 5,110 |
| Income (loss) from discontinued operations | (41) | 190 |
| Income (loss) before gain (loss) on sale of properties | (14,763) | 5,300 |
| Gain (loss) on sale of properties | (678) | 1 |
| Net income (loss) | $ (15,441) | $ 5,301 |
| Basic income (loss) per common share: | | |
| Income (loss) from continuing operations | $ (0.22) | $ 0.10 |
| Income (loss) from discontinued operations | (0.00) | 0.00 |
| Gain (loss) on sale of properties | (0.01) | 0.00 |
| Net income (loss) | $ (0.23) | $ 0.10 |
| Diluted income (loss) per common share: | | |
| Income (loss) from continuing operations | $ (0.22) | $ 0.10 |
| Income (loss) from discontinued operations | (0.00) | 0.00 |
| Gain (loss) on sale of properties | (0.01) | 0.00 |
| Net income (loss) | $ (0.23) | $ 0.10 |
| Dividends declared per common share | $ 0.500 | $ 0.375 |
| Weighted average number of common shares outstanding: | | |
| Basic | 68,437 | 50,608 |
| Diluted | 68,437 | 53,232 |

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these condensed financial statements.

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GLOBAL SIGNAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except per share data)

| | Nine Months Ended September 30, 2005 | 2004 (restated) |
|---|---|---|
| Revenues | $ 248,024 | $ 131,488 |
| Direct site operating expenses (excluding depreciation, amortization and accretion) | 99,674 | 40,791 |
| Selling, general and administrative (including $1,560 and $3,440 of non-cash stock-based compensation expense, respectively) | 26,674 | 21,475 |
| Sprint sites integration costs | 5,385 | — |
| State franchise, excise and minimum taxes | 490 | 500 |
| Depreciation, amortization and accretion | 87,665 | 38,485 |
| | 219,888 | 101,251 |
| Operating income | 28,136 | 30,237 |
| Interest expense, net | 50,347 | 19,294 |
| Gain on derivative instruments | (2,024) | — |
| Loss on early extinguishment of debt | 461 | 8,449 |
| Other expense (income) | (111) | (84) |
| Income (loss) from continuing operations before income tax benefit (expense) | (20,537) | 2,578 |
| Income tax benefit (expense) | 564 | (324) |
| Income (loss) from continuing operations | (19,973) | 2,254 |
| Income (loss) from discontinued operations | (335) | 343 |
| Income (loss) before gain on sale of properties | (20,308) | 2,597 |
| Gain (loss) on sale of properties | (661) | 137 |
| Net income (loss) | $ (20,969) | $ 2,734 |
| Basic income (loss) per common share: | | |
| Income (loss) from continuing operations | $ (0.33) | $ 0.05 |
| Income (loss) from discontinued operations | (0.01) | 0.01 |
| Gain (loss) on sale of properties | (0.01) | 0.00 |
| Net income (loss) | $ (0.35) | $ 0.06 |
| Diluted loss per common share: | | |
| Income (loss) from continuing operations | $ (0.33) | $ 0.05 |
| Income (loss) from discontinued operations | (0.01) | 0.01 |
| Gain (loss) on sale of properties | (0.01) | 0.00 |
| Net income (loss) | $ (0.35) | $ 0.06 |

| | | |
|---|---|---|
| Dividends declared per common share | $ 1.350 | $ 1.000 |
| Weighted average number of common shares outstanding: | | |
| Basic | 60,141 | 45,395 |
| Diluted | 60,141 | 48,246 |

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these condensed financial statements.



GLOBAL SIGNAL INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-In Capital | Deferred Stock-Based Compensation | Comprehensive Loss | Accumulated Other Comprehensive Income (Loss) | Accumulate Deficit |
| **Balance at December 31, 2004** | 51,304,769 | $ 513 | $ 157,004 | $ (3,101) | | $ (1,219) | $ — |
| Comprehensive loss: | | | | | | | |
| Net loss | — | — | — | — | $ (20,969) | — | (20,969) |
| Foreign currency translation adjustment | — | — | — | — | (476) | (476) | — |
| Change in fair value of derivative financial instruments, net of applicable income taxes | — | — | — | — | 13,260 | 13,260 | — |
| Total comprehensive loss | | | | | $ (8,185) | | |
| Amortization of accumulated other comprehensive income (loss) on terminated derivative instruments | — | — | — | — | | 689 | — |
| Issuance of common stock: | | | | | | | |
| Secondary offering, net of offering costs of $10.7 million | 6,325,000 | 63 | 183,405 | — | | — | — |
| Private offering – Sprint Investors Agreement | 9,803,922 | 98 | 249,902 | — | | — | — |
| Warrants exercised | 16,618 | — | 142 | — | | — | — |
| Options exercised | 1,149,381 | 12 | 2,867 | — | | — | — |
| Shares issued to directors | 20,000 | — | 654 | — | | — | — |
| Restricted shares forfeited | (9,469) | — | (246) | 198 | | | |
| Ordinary dividends declared and paid | — | — | (17,367) | — | | — | (3,894) |

| | | | | | | |
|---|---|---|---|---|---|---|
| ($0.40 per share) | | | | | | |
| Ordinary dividends declared and paid ($0.45 per share) | — | — | (30,810) | — | — | - |
| Ordinary dividends declared ($0.50 per share) | — | — | (34,305) | — | — | - |
| Equity derivatives – issuance | — | — | (24,314) | — | — | - |
| Equity derivatives – fulfillment or expiration | — | — | 24,314 | — | — | - |
| Vesting of deferred stock-based compensation | — | — | — | 955 | — | - |
| **Balance at September 30, 2005 (unaudited)** | 68,610,221 | $ 686 | $ 511,246 | $ (1,948) | $ 12,254 | $ (24,863) |

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these condensed financial statements.

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GLOBAL SIGNAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

| | Nine Months Ended September 30, 2005 | 2004 (restated) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ (20,969) | $ 2,734 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 87,665 | 38,485 |
| Amortization of deferred debt issuance and hedging costs | 6,311 | 4,095 |
| Loss on early extinguishment of debt | 461 | 8,449 |
| Non-cash stock-based compensation expense | 1,560 | 3,440 |
| Gain on derivative instruments | (2,024) | — |
| Other non-cash adjustments | 146 | 1,604 |
| Increase in assets, net of effects from acquisitions | (14,814) | (3,910) |
| Increase in liabilities, net of effects from acquisitions | 27,007 | 4,614 |
| Net cash provided by operating activities | 85,343 | 59,511 |
| **Cash flows from investing activities:** | | |
| Payments made in connection with acquisitions of communications sites | (1,381,596) | (95,196) |
| Capital expenditures | (12,274) | (7,433) |
| Proceeds from the sale of fixed assets | 2,286 | 1,015 |
| Funds provided by (invested in) restricted cash | 54,252 | (23,734) |

| | | | | |
|---|---|---|---|---|
| Other | | — | | (20) |
| Net cash used in investing activities | | (1,337,332) | | (125,368) |
| **Cash flows from financing activities:** | | | | |
| Borrowings under mortgage loans | | — | | 418,000 |
| Borrowings under notes payable and long-term debt | | 1,047,842 | | 5,331 |
| Payment of long-term debt and mortgage loans | | (100,068) | | (273,831) |
| Payment of debt issuance costs | | (6,792) | | (14,623) |
| Payment made to terminate interest rate swaps | | — | | (6,175) |
| Special distribution paid | | — | | (142,188) |
| Ordinary dividends paid | | (72,561) | | (39,863) |
| Proceeds from the issuance of common stock, net of offering costs | | 436,489 | | 142,128 |
| Net cash provided by financing activities | | 1,304,910 | | 88,779 |
| Effect of exchange rate changes on cash | | 968 | | (767) |
| Net increase in cash and cash equivalents | | 53,889 | | 22,155 |
| Cash and cash equivalents, beginning of period | | 5,991 | | 9,661 |
| Cash and cash equivalents, end of period | $ | 59,880 | $ | 31,816 |
| **Non-cash investing and financing transactions:** | | | | |
| Assets acquired under a capital lease obligation | $ | 243 | $ | 1,194 |
| Increase (decrease) in the fair value of interest rate swaps recorded to other comprehensive income | $ | 13,260 | $ | (2,458) |
| Shares issued to directors | $ | 654 | $ | 360 |

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of these condensed financial statements.

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1. Nature of Business

The accompanying unaudited condensed consolidated financial statements reflect the financial position, results of operations and cash flows of Global Signal Inc. and its wholly owned subsidiaries. Global Signal Inc., formerly Pinnacle Holdings Inc., owns, leases and manages communications towers and other communications sites to providers of wireless communications and broadcast services, such as wireless telephony, paging, mobile radio, wireless data transmission, and radio and television broadcasting, and to operators of private networks such as federal, state and local government agencies. For the three and nine months ended September 30, 2005, Sprint Corporation comprised 36.7% and 28.4%, respectively, of our revenues and Cingular Wireless comprised 14.2% and 14.1%, respectively, of our revenues.

2. Basis of Presentation

As used herein, as of September 30, 2005 and December 31, 2004, unless the context otherwise requires, "we," "us," "our," "Company," or "Global Signal" refers to Global Signal Inc. and its wholly owned consolidated subsidiaries, including, without limitation, Pinnacle Towers LLC, Pinnacle Towers Canada, Inc., Pinnacle Towers Acquisitions Holdings LLC, Global Signal Services LLC, Global Signal Acquisition LLC, Global Signal Acquisition II LLC and Pinnacle Towers Limited. All significant intercompany balances and transactions have been eliminated. "Fortress" refers to Fortress Investment Holdings LLC and certain of its affiliates, "Greenhill" refers to Greenhill Capital Partners, L.P. and affiliated investment funds, and "Abrams" refers to Abrams Capital, LLC and certain of its affiliates. Since November 1, 2002, Fortress has been our largest stockholder, Greenhill has been our second largest stockholder and Abrams has been our third largest stockholder.

On May 11, 2004, we completed our formation of an UPREIT structure whereby we own substantially all of our assets and conduct our operations through an operating partnership, Global Signal Operating Partnership, L.P. ("Global Signal OP"). Global Signal Inc. is the special limited partner of Global Signal OP. Global Signal GP LLC, our wholly owned subsidiary, is the managing general partner and, as such, has the power to manage and conduct the business of Global Signal OP. Global Signal Inc. holds 99% of the partnership interests and Global Signal GP LLC holds 1% of the partnership interests in Global Signal OP. The partnership agreement of Global Signal OP provides that it shall distribute cash flows from its operations to its limited partners and the managing general partner in accordance with their relative percentage interests. The distributions that we receive from Global Signal OP will, among other things, be used to make dividend distributions to our stockholders. We believe that the UPREIT structure may provide flexibility by enabling us to execute certain acquisitions more effectively by giving tax advantages to sellers who accept partnership units in the UPREIT as payment.

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States for interim financial statements and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Certain amounts from the prior year period have been reclassified for consistency with current presentation. These reclassifications were not material to the consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with Global Signal's audited consolidated financial statements and notes thereto for the year ended December 31, 2004 included in Global Signal's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2005.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts



reported in the unaudited condensed consolidated financial statements and accompanying notes. Actual results may differ from those estimates and such differences could be material.

Stock-Based Compensation

As permitted by Statement of Financial Accounting Standard (SFAS) No. 123, Accounting for Stock-Based Compensation, we account for our stock option grants to employees and directors using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and adopted the disclosure-only provisions of SFAS No. 123 and SFAS No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of SFAS Statement No. 123. Under APB No. 25, no compensation costs are recognized relating to the option grants to employees if the exercise price of the options awarded was equal to or greater than the fair value of our common stock on the dates of grant. During the three and nine months ended September 30, 2005, we recognized $0.3 million and $1.6 million of compensation expense related to stock options previously granted with an exercise price below the then-current market value and to restricted stock grants to employees and directors. The unamortized portion of the related compensation expense is recorded as deferred stock-based compensation, a contra account within stockholders' equity. We use the accelerated method to recognize compensation expense of our equity-based awards with graded vesting.

We follow SFAS No. 123 and Emerging Issues Task Force (EITF) Issue No. 9618, Accounting for Equity Investments that are Issued to Other than Employees for Acquiring or in Conjunction with Selling Goods and Services, for our stock option grants to other individuals. As such, we measure compensation expense at the date of grant and recognize the expense ratably over the service period. Prior to vesting or termination, we recognize expense using the fair value of the option at the end of the reporting period. Additional expense due to increases in the value of the options prior to the vesting date would be recognized in the period of the option value increase.

Had compensation costs for employee stock option activity been determined based on the fair value at the dates of grant consistent with the provisions of SFAS No. 123, our net income (loss) would have decreased to the pro forma amounts indicated below (in thousands, except per share data):

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2005 (unaudited) | | 2004 (unaudited) (restated) | |
| Net income (loss) attributable to common stockholders: | | | | |
| Net income (loss) as reported | $ | (15,441) | $ | 5,301 |
| Add: Stock-based compensation costs included in reported net income (loss), net of $0 related tax effect for all periods | | 270 | | 228 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of $0 related tax effect for all periods. | | (610) | | (1,500) |
| Pro forma net income (loss) | $ | (15,781) | $ | 4,029 |
| Basic income (loss) per share attributable to common stockholders: | | | | |
| Net income (loss) per share as reported | $ | (0.23) | $ | 0.10 |
| Pro forma net income (loss) per share | $ | (0.23) | $ | 0.08 |
| Diluted income (loss) per share attributable to common stockholders: | | | | |
| Net income (loss) per share as reported | $ | (0.23) | $ | 0.10 |
| Pro forma net income (loss) per share | $ | (0.23) | $ | 0.08 |

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| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2005 (unaudited) | | 2004 (unaudited) (restated) | |
| Net income (loss) attributable to common stockholders: | | | | |
| Net income (loss) as reported | $ | (20,969) | $ | 2,734 |
| | | 1,560 | | 476 |

| | | | | |
|---|---|---|---|---|
| Add: Stock-based compensation costs included in reported net loss, net of $0 related tax effect for all periods | | | | |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of $0 related tax effect for all periods. | | (2,578) | | (3,420) |
| Pro forma net income (loss) | $ | (21,987) | $ | (210) |
| Basic income (loss) per share attributable to common stockholders: | | | | |
| Net income (loss) per share as reported | $ | (0.35) | $ | 0.06 |
| Pro forma net income (loss) per share | $ | (0.37) | $ | (0.00) |
| Diluted loss per share attributable to common stockholders: | | | | |
| Net income (loss) per share as reported | $ | (0.35) | $ | 0.06 |
| Pro forma net income (loss) per share | $ | (0.37) | $ | (0.00) |

Derivative Financial Instruments Indexed to, and Settled in our Stock

For derivative financial instruments indexed to, and settled in our stock, we follow the accounting as specified in EITF Issue No. 00-19 "Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock". Under this pronouncement, for instruments that meet certain criteria, the instrument is valued at fair value on the day it is created and is not marked to market in subsequent periods. The instrument is recorded in the stockholders' equity section of the balance sheet under the caption "Equity Derivatives". The Investor Agreement and Option Agreement, entered into as part of the transaction with Sprint Corporation described below, created instruments that qualified for this accounting treatment as proscribed under EITF Issue No. 00-19 (See Note 8 – Stockholders' Equity). Since the forward contracts under the Investment Agreement (discussed below) were either fulfilled or expired, the $24.3 million attributable to these equity derivatives at March 31, 2005, were reclassified to additional paid-in capital.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R) Share-Based Payment, which is a revision to SFAS No. 123, Accounting for Stock-Based Compensation. Generally, the approach in the new pronouncement is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values at the date of grant, beginning with the first interim or annual reporting period of the first fiscal year beginning on or after June 15, 2005. The pronouncement is effective for us as of January 1, 2006. As of the required effective date, we will apply this Statement using the modified prospective method. Under that transition method, compensation costs for the portion of awards for which the requisite service has not yet been rendered, and that are outstanding as of the required effective date, shall be recognized as the service is rendered based on the grant date fair value of those awards calculated under SFAS No. 123. In the statement of operations, the effect of the new standard on our statement of operations for previously issued options and restricted stock will be immaterial. The effect of this standard on options and restricted stock that may be granted in the future is not known at this time.

In March 2005, the FASB issued FASB Interpretation No. 47 Accounting for Conditional Asset Retirement Obligations. This interpretation clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation is unconditional even though uncertainty exists about the timing and (or) method of settlement. This interpretation is effective for us as of January 1, 2006. Our asset retirement obligations are within our control as to timing and method as they relate to the removal of our communications towers from leased land; therefore this interpretation will not impact our financial statements.

In October 2005, the FASB issued FASB Staff Position 13-1 Accounting for Rental Costs Incurred during a Construction Period. This staff position concludes that rental costs associated with ground or building operating leases that are incurred during a construction period should be recognized as rental expense. This interpretation is effective for us as of January 1, 2006. We account for such rental costs in the manner proscribed by the staff position, so this staff position will not impact our financial statements.

4. Acquisitions

Sprint Transaction

On May 26, 2005, we, Sprint Corporation ("Sprint") and the certain Sprint subsidiaries (the "Sprint Contributors"), closed on an agreement to contribute, lease and sublease (the "Agreement to Lease"). Under the Agreement to Lease, we will lease or operate, for a period of 32 years approximately 6,600 wireless communications tower sites and the related towers and assets (collectively, the "Sprint Towers") from six newly formed special purpose enti