

SBA COMMUNICATIONS CORP  
Form 10-Q  
May 07, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from            to

Commission File Number: 000-30110

**SBA COMMUNICATIONS CORPORATION**

(Exact name of registrant as specified in its charter)

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

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

**5900 Broken Sound Parkway NW**

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

**33487**  
(Zip code)

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

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

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

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

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 121,276,174 shares of Class A common stock outstanding as of May 1, 2012.

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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

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

(in thousands, except par values)

	March 31, 2012 (unaudited)	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 525,554	\$ 47,316
Restricted cash	17,476	22,266
Short term investments	5,749	5,773
Accounts receivable, net of allowance of \$221 and \$135 at March 31, 2012 and December 31, 2011, respectively	23,916	22,100
Costs and estimated earnings in excess of billings on uncompleted contracts	16,993	17,655
Prepaid and other current assets	14,932	14,246
<b>Total current assets</b>	<b>604,620</b>	<b>129,356</b>
Property and equipment, net	1,575,262	1,583,393
Intangible assets, net	1,644,434	1,639,784
Deferred financing fees, net	39,664	42,064
Other assets	222,649	211,802
<b>Total Assets</b>	<b>\$ 4,086,629</b>	<b>\$ 3,606,399</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 13,123	\$ 12,755
Accrued expenses	19,712	23,746
Deferred revenue	47,809	49,779
Accrued interest	24,670	32,351
Current portion of long-term debt	5,000	5,000
Other current liabilities	3,619	3,250
<b>Total current liabilities</b>	<b>113,933</b>	<b>126,881</b>
Long-term liabilities:		
Long-term debt	3,565,226	3,349,485
Other long-term liabilities	135,854	129,282
<b>Total long-term liabilities</b>	<b>3,701,080</b>	<b>3,478,767</b>
Commitments and contingencies		
Redeemable noncontrolling interests	12,044	12,064

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### Shareholders' equity (deficit):

Common stock - Class A, par value \$0.01, 400,000 shares authorized, 115,974 and 109,675 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	1,160	1,097
Additional paid-in capital	2,560,955	2,268,244
Accumulated deficit	(2,303,770)	(2,281,139)
Accumulated other comprehensive income, net	1,227	485
<b>Total shareholders' equity (deficit)</b>	<b>259,572</b>	<b>(11,313)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$ 4,086,629</b>	<b>\$ 3,606,399</b>

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

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

	<b>For the three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>		
Site leasing	\$ 172,923	\$ 146,484
Site development	19,567	21,265
<b>Total revenues</b>	<b>192,490</b>	<b>167,749</b>
<b>Operating expenses:</b>		
Cost of revenues (exclusive of depreciation, accretion and amortization shown below):		
Cost of site leasing	35,407	31,976
Cost of site development	16,786	18,728
Selling, general and administrative	17,215	15,895
Asset impairment	349	
Acquisition related expenses	344	2,373
Depreciation, accretion and amortization	82,100	74,878
<b>Total operating expenses</b>	<b>152,201</b>	<b>143,850</b>
<b>Operating income</b>	<b>40,289</b>	<b>23,899</b>
<b>Other income (expense):</b>		
Interest income	47	30
Interest expense	(42,248)	(37,781)
Non-cash interest expense	(16,991)	(15,393)
Amortization of deferred financing fees	(2,433)	(2,199)
Loss from extinguishment of debt, net		(1,696)
Other income (expense)	12	(545)
<b>Total other expense</b>	<b>(61,613)</b>	<b>(57,584)</b>
<b>Loss before provision for income taxes</b>	<b>(21,324)</b>	<b>(33,685)</b>
Provision for income taxes	(1,327)	(691)
<b>Net loss</b>	<b>(22,651)</b>	<b>(34,376)</b>
Net loss attributable to the noncontrolling interest	20	125
<b>Net loss attributable to SBA Communications Corporation</b>	<b>\$ (22,631)</b>	<b>\$ (34,251)</b>
<b>Net loss per common share attributable to SBA Communications Corporation:</b>		
Basic and diluted	\$ (0.20)	\$ (0.30)
<b>Basic and diluted weighted average number of common shares</b>	<b>111,431</b>	<b>114,416</b>

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

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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**(unaudited) (in thousands)**

	<b>For the three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net loss	\$ (22,651)	\$ (34,376)
Other comprehensive loss associated with derivative instruments:		
Foreign currency translation adjustments	742	184
Comprehensive loss	(21,909)	(34,192)
Comprehensive loss attributable to the noncontrolling interest	20	125
Comprehensive loss attributable to SBA Communications Corporation	\$ (21,889)	\$ (34,067)

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



**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY****FOR THE THREE MONTHS ENDED MARCH 31, 2011****(unaudited) (in thousands)**

	Class A Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income, net	Total
	Shares	Amount				
BALANCE, December 31, 2011	109,675	\$ 1,097	\$ 2,268,244	\$ (2,281,139)	\$ 485	\$ (11,313)
Net loss attributable to SBA Communications Corporation				(22,631)		(22,631)
Foreign currency translation adjustments					742	742
Non-cash compensation			3,109			3,109
Common stock issued in connection with option plans/restriction lapse	294	3	5,760			5,763
Proceeds from sale of common stock	6,005	60	283,842			283,902
BALANCE, March 31, 2012	115,974	\$ 1,160	\$ 2,560,955	\$ (2,303,770)	\$ 1,227	\$ 259,572

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

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

	<b>For the three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (22,651)	\$ (34,376)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, accretion and amortization	82,100	74,878
Non-cash interest expense	16,991	15,393
Deferred income tax expense (benefit)	17	(298)
Asset impairment	349	
Non-cash compensation expense	3,057	2,781
Provision for doubtful accounts	149	
Amortization of deferred financing fees	2,433	2,199
Loss from extinguishment of debt, net		1,696
Other non-cash items reflected in the Statements of Operations	(83)	590
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, net	(1,259)	1,260
Prepaid and other assets	(10,143)	(1,319)
Accounts payable and accrued expenses	(3,293)	(1,446)
Accrued interest	(7,681)	(7,631)
Other liabilities	6,054	(539)
<b>Net cash provided by operating activities</b>	<b>66,040</b>	<b>53,188</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions and related earn-outs	(51,148)	(90,297)
Capital expenditures	(24,852)	(20,155)
Purchase of investments	(1,198)	
Proceeds from sales/maturities of investments	1,225	1,686
Proceeds from disposition of fixed assets	54	18
Release of restricted cash relating to tower removal obligations	29	
<b>Net cash used in investing activities</b>	<b>(75,890)</b>	<b>(108,748)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock	283,902	
Repurchase and retirement of common stock		(75,036)
Borrowings under the Revolving Credit Facility	200,000	175,000
Principal payments under capital lease obligations	(291)	
Repayment of Term Loan	(1,250)	
Proceeds from employee stock purchase/stock option plans	5,763	4,919
Payment of deferred financing fees	(33)	(79)
Payment of restricted cash relating to CMBS Certificates		(648)
Purchase of noncontrolling interests		(717)
Repurchase of 1.875% Convertible Notes		(17,038)
<b>Net cash provided by financing activities</b>	<b>488,091</b>	<b>86,401</b>

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Effect of exchange rate changes on cash and cash equivalents	(3)	9
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>478,238</b>	<b>30,850</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>Beginning of period</b>	<b>47,316</b>	<b>64,254</b>
End of period	\$ 525,554	\$ 95,104

*(continued)*

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

	<b>For the three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 49,997	\$ 45,532
Income taxes	\$ 419	\$ 511
<b>SUPPLEMENTAL CASH FLOW INFORMATION OF NON-CASH INVESTING &amp; FINANCING ACTIVITIES:</b>		
Assets acquired through capital leases	\$ 299	\$ 238
Increase in accounts payable and accrued expenses for capital expenditures	\$ 506	\$ 625

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

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

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

**2. FAIR VALUE MEASUREMENTS**

**Items Measured at Fair Value on a Recurring Basis** The Company's earnouts related to acquisitions are measured at fair value on a recurring basis using Level 3 inputs. The Company determines the fair value of acquisition-related contingent consideration, and any subsequent changes in fair value, using a discounted probability-weighted approach, as determined using Level 3 inputs. The fair value of the earnouts is reviewed quarterly and is based on the payments the Company expects to make based on historical internal observations related to the anticipated performance of the underlying assets. The Company's estimate of the fair value of its obligation if the performance targets contained in various acquisition agreements were met was \$3.1 million and \$5.5 million as of March 31, 2012 and December 31, 2011, respectively, which the Company recorded in accrued expenses on its Consolidated Balance Sheet. The maximum potential obligation related to the performance targets was \$9.5 million as of March 31, 2012.

**Items Measured at Fair Value on a Nonrecurring Basis** The Company's intangibles, certain long-lived assets, and asset retirement obligations are measured at fair value on a nonrecurring basis using Level 3 inputs. Level 3 valuations rely on unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The Company considers many factors and makes certain assumptions when making this assessment, including but not limited to: general market and economic conditions, historical operating results, geographic location, lease-up potential and expected timing of lease-up. The fair value of the long-lived assets, intangibles and asset retirement obligations is calculated using a discounted cash flow model. During the three months ended March 31, 2012, the Company recognized an impairment charge of \$0.3 million, related to its long-lived assets resulting from the Company's analysis that the future cash flows from certain tower sites would not recover the carrying value of the investment in those tower sites. During the three months ended March 31, 2011, the Company did not record any impairment charges.

**Fair Value of Financial Instruments** The carrying values of cash and cash equivalents, accounts receivable, restricted cash, accounts payable, and short-term investments, which consist of \$5.6 million in certificate of deposits, as of each of March 31, 2012 and December 31, 2011, approximate their related estimated fair values due to the short maturity of those instruments. The Company's estimate of the fair value of its held-to-maturity investments in treasury and corporate bonds, including current portion, are based primarily upon Level 1 reported market values. As of each of the dates ending March 31, 2012 and December 31, 2011, the carrying value and fair value of the held-to-maturity investments, including current portion, was \$1.4 million and \$1.6 million, respectively.

The Company determines fair value of its debt instruments utilizing various Level 2 sources including quoted prices and indicative quotes (non-binding quotes) from brokers that require judgment to interpret market information including implied credit spreads for similar borrowings on recent trades or bid/ask prices. The fair value of the Revolving Credit Facility is considered to be equal to the carrying value because the interest payments are based on Eurodollar rates that reset every month. The Company does not believe its credit risk has changed materially from the date the applicable Eurodollar Rate plus 187.5 basis points was set. The following table reflects fair values, principal values and carrying values of the Company's debt instruments (see Note 8).



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	As of March 31, 2012			As of December 31, 2011		
	Fair Value	Principal Value	Carrying Value	Fair Value	Principal Value	Carrying Value
	(in millions)					
1.875% Convertible Senior Notes due 2013	\$ 673.8	\$ 535.0	\$ 493.9	\$ 605.2	\$ 535.0	\$ 485.0
4.0% Convertible Senior Notes due 2014	\$ 880.3	\$ 500.0	\$ 405.5	\$ 761.6	\$ 500.0	\$ 397.6
8.0% Senior Notes due 2016	\$ 403.1	\$ 375.0	\$ 373.3	\$ 405.0	\$ 375.0	\$ 373.2
8.25% Senior Notes due 2019	\$ 413.9	\$ 375.0	\$ 372.4	\$ 407.8	\$ 375.0	\$ 372.4
4.254% 2010-1C Tower Securities	\$ 708.4	\$ 680.0	\$ 680.0	\$ 699.0	\$ 680.0	\$ 680.0
5.101% 2010-2C Tower Securities	\$ 594.4	\$ 550.0	\$ 550.0	\$ 579.0	\$ 550.0	\$ 550.0
Revolving Credit Facility	\$ 200.0	\$ 200.0	\$ 200.0	\$	\$	\$
Term Loan	\$ 495.0	\$ 496.3	\$ 495.1	\$ 494.4	\$ 497.5	\$ 496.3

**3. RESTRICTED CASH**

Restricted cash consists of the following:

	As of March 31, 2012	As of December 31, 2011	Included on Balance Sheet
	(in thousands)		
Securitization escrow accounts	\$ 16,553	\$ 21,378	Restricted cash - current asset
Payment and performance bonds	923	888	Restricted cash - current asset
Surety bonds and workers compensation	11,466	11,495	Other assets - noncurrent
Total restricted cash	\$ 28,942	\$ 33,761	

Securitization escrow accounts relate to funds that are required to be in escrow pursuant to the terms of the Secured Tower Revenue Securities Series 2010-1 (the 2010-1 Tower Securities) and the Secured Tower Revenue Securities Series 2010-2 (the 2010-2 Tower Securities) and together with the 2010-1 Tower Securities, the 2010 Tower Securities) (see Note 8). Pursuant to the terms of the 2010 Tower Securities, the Company is required to establish a controlled deposit account, held by the indenture trustee, into which all rents and other sums due on the towers that secure the 2010 Tower Securities are directly deposited by the lessees. These restricted cash amounts are used to fund reserve accounts for the payment of (1) debt service costs, (2) ground rents, real estate and personal property taxes and insurance premiums related to tower sites, (3) trustee and servicing expenses, (4) management fees, and (5) to reserve a portion of advance rents from tenants. The restricted cash in the controlled deposit account in excess of required reserve balances is subsequently released to the Borrowers (as defined below) monthly, provided that the Borrowers are in compliance with their debt service coverage ratio and that no event of default has occurred. All monies held by the indenture trustee are classified as restricted cash on the Company's Consolidated Balance Sheets.

Payment and performance bonds relate primarily to collateral requirements for tower construction currently in process by the Company. Cash is pledged as collateral related to surety bonds issued for the benefit of the Company or its affiliates in the ordinary course of business and primarily related to the Company's tower removal obligations. As of March 31, 2012, the Company had \$21.6 million in surety, payment and performance bonds for which it was required to post \$10.5 million in collateral. As of December 31, 2011, the Company had \$20.6 million in surety, payment and performance bonds for which it was required to post \$10.1 million in collateral. The Company

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periodically evaluates the collateral posted for its bonds to ensure that it meets the minimum requirements. The Company had pledged \$2.3 million as of each date of March 31, 2012 and December 31, 2011, as collateral related to its workers compensation policy.

**4. ACQUISITIONS**

During the first quarter of 2012, the Company acquired 78 completed towers and related assets and liabilities. These acquisitions were not significant to the Company and, accordingly, pro forma financial information has not been presented. The Company evaluates all acquisitions after the applicable closing date of each transaction to determine whether any additional adjustments are needed to the allocation of the purchase price paid for the assets acquired and liabilities assumed by major balance sheet caption, as well as the separate recognition of intangible assets from goodwill if certain criteria are met.

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

	<b>For the three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(in thousands)</b>	
Towers and related intangible assets	\$ 43,715	\$ 81,793
Ground lease land purchases	5,671	7,189
Earnouts	1,762	1,315
Total acquisition capital expenditures	\$ 51,148	\$ 90,297

The Company paid, as part of the ground lease purchase program, \$1.5 million and \$1.2 million for ground lease extensions during the three months ended March 31, 2012 and 2011, respectively.

*Earnouts*

The Company recorded \$1.4 million of income, net, related to contingent consideration adjustments in the three months ended March 31, 2012. During the same period of the prior year, the Company recorded \$0.6 million of expense, net, related to contingent consideration adjustments. As of March 31, 2012 the Company's estimate of its potential obligation if the performance targets contained in various acquisition agreements were met was \$3.1 million which the Company recorded in accrued expenses.



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

	As of March 31, 2012			As of December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net book value (in thousands)	Gross carrying amount	Accumulated amortization	Net book value
Current contract intangibles	\$ 1,415,820	\$ (356,843)	\$ 1,058,977	\$ 1,391,001	\$ (333,522)	\$ 1,057,479
Network location intangibles	788,759	(203,302)	585,457	772,467	(190,162)	582,305
<b>Intangible assets, net</b>	<b>\$ 2,204,579</b>	<b>\$ (560,145)</b>	<b>\$ 1,644,434</b>	<b>\$ 2,163,468</b>	<b>\$ (523,684)</b>	<b>\$ 1,639,784</b>

All intangible assets noted above are included in our site leasing segment. The Company amortizes its intangible assets using the straight-line method over fifteen years. Amortization expense relating to the intangible assets above was \$36.4 million and \$32.0 million for the three months ended March 31, 2012 and 2011, respectively. These amounts are subject to changes in estimates until the preliminary allocation of the purchase price is finalized for all acquisitions.

**6. PROPERTY AND EQUIPMENT, NET**

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

	As of March 31, 2012	As of December 31, 2011
	(in thousands)	
Towers and related components	\$ 2,606,894	\$ 2,587,897
Construction-in-process	33,371	23,076
Furniture, equipment and vehicles	30,233	29,711
Land, buildings and improvements	174,542	168,988
	2,845,040	2,809,672
Less: accumulated depreciation	(1,269,778)	(1,226,279)
<b>Property and equipment, net</b>	<b>\$ 1,575,262</b>	<b>\$ 1,583,393</b>

Construction-in-process represents costs incurred related to towers that are under development and will be used in the Company's operations. Depreciation expense was \$45.6 million and \$42.8 million for the three months ended March 31, 2012 and 2011, respectively. At March 31, 2012 and December 31, 2011, non-cash capital expenditures that are included in accounts payable and accrued expenses were \$7.9 million and \$7.2 million, respectively.

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

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

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	<b>As of March 31, 2012</b>	<b>As of December 31, 2011</b>
	(in thousands)	
Cost incurred on uncompleted contracts	\$ 38,907	\$ 37,790
Estimated earnings	14,560	14,268