

CROWN CASTLE INTERNATIONAL CORP
Form 10-Q/A
May 06, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended September 30, 2004

OR

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

For the transition period _____ to _____

Commission File Number 001-16441

CROWN CASTLE INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	76-0470458 (I.R.S. Employer Identification No.)
510 Bering Drive Suite 500 Houston, Texas (Address of principal executive offices)	77057-1457 (Zip Code)
(713) 570-3000 (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

Number of shares of common stock outstanding at October 31, 2004: 223,591,172

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EXPLANATORY NOTE REGARDING RESTATEMENT

The Company has restated its consolidated balance sheet as of December 31, 2003, and consolidated statements of operations and comprehensive income (loss) and stockholders' equity for the years ended December 31, 2002 and 2003. The restatement affected periods prior to 2002. The impact of the restatement on such prior periods was reflected as an adjustment to opening accumulated deficit as of January 1, 2002. The restatement was reported in our Annual Report on Form 10-K for the year ended December 31, 2004 and is now being reported in this amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2004. The restatement has also been reported in amendments to our Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2004 and June 30, 2004.

The consolidated financial statements have been restated to reflect the correction of errors for certain non-cash items relating to the Company's lease accounting practices. On February 7, 2005, the Securities and Exchange Commission issued a public letter to the American Institute of Certified Public Accountants to clarify the interpretation of existing accounting literature applicable to certain leases and leasehold improvements. As a result, the Company has adjusted its method of accounting for tenant leases, ground leases and depreciation.

The corrections to the Company's consolidated financial statements consist of non-cash adjustments primarily attributable to increases in site rental revenues, ground lease expense (included in site rental costs of operations) and depreciation expense. Since the adjustments affected results of operations at the Company's majority owned Australian subsidiary (CCAL) and the Company's two joint ventures with Verizon Communications, they also resulted in changes to minority interests and the purchase price allocation for the acquisition of a minority interest in 2003. The adjustments for depreciation expense also affected the discontinued operations of its UK subsidiary (CCUK), resulting in a change to the net gain on disposal. These adjustments have no effect on the Company's credit (provision) for income taxes since the net impact on deferred tax assets and liabilities is offset by changes in valuation allowances. The adjustments do not affect historical net cash flows from operating, investing or financing activities, future cash flows or the timing of payments under related leases. Moreover, the corrections do not have any impact on cash balances, compliance with any financial covenants or debt instruments, or the current economic value of the Company's leaseholds and its tower assets. The net impact of the accounting correction will generally be to accelerate ground lease expense (as such expenses are straight-lined over a period that equals or exceeds the remaining depreciable life of the tower, along with periods covered by tenant renewal options) and depreciation expense and, to a lesser extent, site rental revenues (as such revenues are only straight-lined over the current lease term, without regard to renewal options that may be exercised by a tenant).

The restatement adjustments increased the Company's net loss and net loss per share for the three and nine months ended September 30, 2003 by approximately \$19.3 million or \$0.09 per share and \$43.1 million or \$0.21 per share, respectively, and decreased the net income and net income per share for the three and nine months ended September 30, 2004 by approximately \$10.7 million or \$0.04 per share and \$33.5 million or \$0.15 per share, respectively.

For a discussion of the individual restatement adjustments, see Note 1 of the Company's condensed notes to consolidated financial statements in Item 1. Financial Statements. Additionally, see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. For more information on the impact of the restatement on other periods, see our Annual Report on Form 10-K for the year ended December 31, 2004.

The Company did not amend its Annual Report on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement that ended prior to March 31, 2004. The financial statements and related financial information contained in the Company's previously filed reports should no longer be relied upon.

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All referenced amounts in this Quarterly Report for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

For the convenience of the reader, this Form 10-Q/A sets forth the original filing in its entirety. However, this Form 10-Q/A only (1) amends and restates Items 1, 2, and 4 of Part I of the original filing, in each case solely as a result of, and to reflect, the restatement and certain balance sheet reclassifications (as discussed in Note 1 of the condensed notes to consolidated financial statements), and (2) adds Item 2 of Part II to the original filing. No other information in the original filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the original filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the Securities and Exchange Commission, Item 6 of Part II of the original filing has been amended to contain the currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1.

Except for the foregoing amended information, this Form 10-Q/A retains the information as of the date of the original filing, and the Company has not updated the information contained herein to reflect events that occurred at a later date. Other events occurring after the date of the original filing or other disclosures necessary to reflect subsequent events have been addressed in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, or will be addressed in the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, and reports filed with the Securities and Exchange Commission subsequent to the date of this filing.

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(In thousands of dollars, except share amounts)

	December 31, 2003	September 30, 2004
	(As restated)	(As restated) (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 409,584	\$ 757,005
Short-term investments	26,600	151,500
Receivables:		
Trade, net of allowance for doubtful accounts of \$7,603 and \$6,763 at December 31, 2003 and September 30, 2004, respectively	37,289	29,977
Other	930	10,479
Inventories	9,615	8,368
Deferred site rental receivable	2,332	3,250
Prepaid expenses and other current assets	27,940	28,127
Assets of discontinued operations (Notes 1 and 3)	2,052,510	
	<u>2,566,800</u>	<u>988,706</u>
Total current assets	2,566,800	988,706
Property and equipment, net of accumulated depreciation of \$1,081,891 and \$1,282,435 at December 31, 2003 and September 30, 2004, respectively	3,593,570	3,395,320
Goodwill	270,438	270,438
Deferred site rental receivable	76,333	83,666
Deferred financing costs and other assets, net of accumulated amortization of \$39,692 and \$33,189 at December 31, 2003 and September 30, 2004, respectively	105,092	85,483
	<u>\$ 6,612,233</u>	<u>\$ 4,823,613</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 9,785	\$ 8,963
Accrued interest	49,063	32,559
Accrued compensation and related benefits	13,397	9,989
Deferred rental revenues and other accrued liabilities	106,384	128,303
Liabilities of discontinued operations (Notes 1 and 3)	353,544	
Long-term debt, current maturities	267,142	
	<u>799,315</u>	<u>179,814</u>
Total current liabilities	799,315	179,814
Long-term debt, less current maturities	3,182,850	1,898,847
Deferred ground lease payable	98,524	111,375
Other liabilities	53,844	43,411
	<u>4,134,533</u>	<u>2,233,447</u>
Total liabilities	4,134,533	2,233,447
Commitments and contingencies		
Minority interests	176,645	176,362

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Redeemable preferred stock	506,702	507,706
Stockholders' equity:		
Common stock, \$.01 par value; 690,000,000 shares authorized; shares issued:		
December 31, 2003 220,758,321 and September 30, 2004 223,641,905	2,208	2,236
Additional paid-in capital	3,349,459	3,379,191
Accumulated other comprehensive income (loss)	247,249	40,763
Unearned stock compensation	(8,122)	(14,026)
Accumulated deficit	(1,796,441)	(1,502,066)
	<u>1,794,353</u>	<u>1,906,098</u>
Total stockholders' equity	<u>\$ 6,612,233</u>	<u>\$ 4,823,613</u>

See condensed notes to consolidated financial statements.

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2004	2003	2004
	(As restated)	(As restated)	(As restated)	(As restated)
Net revenues:				
Site rental	\$ 121,785	\$ 135,229	\$ 355,451	\$ 397,916
Network services and other	17,396	14,956	53,944	48,172
	<u>139,181</u>	<u>150,185</u>	<u>409,395</u>	<u>446,088</u>
Operating expenses:				
Costs of operations (exclusive of depreciation, amortization and accretion):				
Site rental	44,160	45,754	132,888	135,682
Network services and other	10,178	10,786	34,608	34,054
General and administrative	21,422	22,641	64,160	66,936
Corporate development	1,039	211	3,577	1,021
Restructuring charges (credits)	(1,058)	(445)	1,291	(478)
Asset write-down charges	6,137		7,517	3,816
Non-cash general and administrative compensation charges	6,205	1,442	13,933	9,860
Depreciation, amortization and accretion	70,276	70,030	210,942	211,449
	<u>158,359</u>	<u>150,419</u>	<u>468,916</u>	<u>462,340</u>
Operating income (loss)	(19,178)	(234)	(59,521)	(16,252)
Other income (expense):				
Interest and other income (expense)	(43,382)	(13,590)	(57,342)	(40,353)
Interest expense, amortization of deferred financing costs and dividends on preferred stock	(62,408)	(52,281)	(189,928)	(166,171)
	<u>(124,968)</u>	<u>(66,105)</u>	<u>(306,791)</u>	<u>(222,776)</u>
Loss from continuing operations before income taxes, minority interests and cumulative effect of change in accounting principle	(124,968)	(66,105)	(306,791)	(222,776)
Provision for income taxes	(585)	6,856	(1,828)	5,519
Minority interests	1,496	(544)	3,908	(952)
	<u>(124,057)</u>	<u>(59,793)</u>	<u>(304,711)</u>	<u>(218,209)</u>
Loss from continuing operations before cumulative effect of change in accounting principle	(124,057)	(59,793)	(304,711)	(218,209)
Discontinued operations (Notes 1 and 3):				
Income from operations of CCUK, net of tax	5,076	15,400	12,617	46,399
Net gain on disposal of CCUK, net of tax		495,049		495,049
	<u>5,076</u>	<u>510,449</u>	<u>12,617</u>	<u>541,448</u>
Income from discontinued operations, net of tax	5,076	510,449	12,617	541,448

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Income (loss) before cumulative effect of change in accounting principle	(118,981)	450,656	(292,094)	323,239
Cumulative effect of change in accounting principle for asset retirement obligations			(551)	
Net income (loss)	(118,981)	450,656	(292,645)	323,239
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(9,496)	(9,836)	(45,900)	(28,864)
Net income (loss) after deduction of dividends on preferred stock, net of gains (losses) on purchases of preferred stock	\$ (128,477)	\$ 440,820	\$ (338,545)	\$ 294,375
Net income (loss)	\$ (118,981)	\$ 450,656	\$ (292,645)	\$ 323,239