

SBA COMMUNICATIONS CORP

Form 10-K

March 01, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2006

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

33487

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Boca Raton, Florida
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (561) 995-7670

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, \$0.01 par value per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-Accelerated filer

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$1.9 billion as of June 30, 2006.

The number of shares outstanding of the Registrant's common stock (as of February 26, 2007): Class A common stock 105,894,292 shares

Documents Incorporated By Reference

Portions of the Registrant's definitive proxy statement for its 2007 annual meeting of shareholders, which proxy statement will be filed no later than 120 days after the close of the Registrant's fiscal year ended December 31, 2006, are hereby incorporated by reference in Part III of this Annual Report on Form 10-K.

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ITEM1. BUSINESS

General

We are a leading independent owner and operator of wireless communications towers in 47 of the 48 contiguous United States, Puerto Rico, and the U.S. Virgin Islands. Our principal business line is our site leasing business, which contributes over 90% of our segment operating profit. In our site leasing business, we lease antenna space to wireless service providers on towers and other structures that we own, manage or lease from others. The towers that we own have been constructed by us at the request of a wireless service provider, built or constructed based on our own initiative or acquired. As of December 31, 2006, we owned 5,551 towers. We also manage or lease over 5,700 actual or potential communications sites, of which 785 are revenue producing. Our second business line is our site development business, through which we assist wireless service providers in developing and maintaining their own wireless service networks.

On April 27, 2006, we completed the acquisition of all of the outstanding shares of common stock of AAT Communications Corp. (AAT) from AAT Holdings, LLC II, which we refer to as the AAT Acquisition. The total consideration paid was (i) \$634.0 million in cash and (ii) 17,059,336 newly issued shares of our Class A common stock. Simultaneously with the closing of the AAT Acquisition, we repurchased 100% of the aggregate outstanding amount of our 9^{3/4}% senior discount notes and 100% of the aggregate outstanding amount of our 8^{1/2}% senior notes pursuant to tender offers and consent solicitations for an aggregate of \$438.2 million, including accrued interest on the 8^{1/2}% senior notes and the accreted amount applicable to the 9^{3/4}% senior discount notes. We funded these repurchases, including the associated premiums and fees, and the cash consideration paid in the AAT Acquisition with a \$1.1 billion bridge loan. On November 6, 2006, we issued \$1.15 billion of Commercial Mortgage Pass Through Certificates, Series 2006-1 (the Additional CMBS Certificates), and used a substantial portion of the proceeds to repay the bridge loan in full.

Site Leasing Services

Our primary focus is the leasing of antenna space on our multi-tenant towers to a variety of wireless service providers under long-term lease contracts. We lease antenna space on the towers we have constructed, the towers we have acquired, the towers we lease, sublease and/or manage for third parties and on other communications sites that we manage. Our site leasing revenue comes from a variety of wireless service provider tenants, including Alltel, Cingular (now AT&T), Sprint Nextel, T-Mobile and Verizon Wireless. We believe our current tower portfolio positions us to take advantage of wireless service providers' antenna and equipment deployment.

As of December 31, 2006, we owned 5,551 towers, up from 3,304 as of December 31, 2005. We are currently pursuing new build and tower acquisition programs within the parameters of our desired long-term leverage ratios. Pursuant to these new initiatives, we built 60 towers and acquired 2,189 towers during 2006, including the 1,850 towers acquired through the AAT Acquisition.

In our new build program we construct towers either under build-to-suit arrangements or in locations chosen by us. In either case, after building a tower, we retain ownership of the tower and the exclusive right to co-locate additional tenants on the tower. Under build-to-suit arrangements, we build towers for wireless service providers at locations that they have identified. When we construct towers in locations chosen by us, we utilize our knowledge of our customer's network requirements to identify locations where, we believe, multiple wireless service providers need, or will need, to locate antennas to meet capacity or service demands. We seek to identify attractive locations for new towers and complete pre-construction procedures necessary to secure the site concurrently with our leasing efforts. Our intent is that substantially all of our new builds will have at least one signed tenant lease on the day that it is completed and we expect that some will have multiple tenants. We intend to build 80 to 100 new towers during 2007.

In our tower acquisition program, we intend to pursue towers that meet or exceed our internal guidelines regarding current and future potential returns within our desired leverage ratios. For each acquisition, we prepare various analyses that include projections of a five-year unlevered internal rate of return, review of available capacity for future lease up projections and a summary of the current and future tenant/technology mix.

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The table below provides information regarding the development and status of our tower portfolio over the past five years.

	For the year ended December 31,				
	2006	2005	2004	2003	2002
Towers owned at beginning of period	3,304	3,066	3,093	3,877	3,734
Towers acquired in AAT Acquisition	1,850				
Other towers acquired	339	208	5		53
Towers constructed	60	36	10	13	141
Towers reclassified/disposed of ⁽¹⁾	(2)	(6)	(42)	(797)	(51)
Towers owned at end of period	5,551	3,304	3,066	3,093	3,877
Towers held for sale at end of period			6	47	837
Towers in continuing operations at end of period	5,551	3,304	3,060	3,046	3,040
Towers owned at end of period	5,551	3,304	3,066	3,093	3,877

(1) Reclassifications reflect the combination for reporting purposes of multiple acquired tower structures on a single parcel of real estate, which we market and customers view as a single location, into a single owned tower site. Dispositions reflect the decommissioning, sale, conveyance or other legal transfer of owned tower sites.

As of December 31, 2006, we had 13,602 tenants on these 5,551 towers, or an average of 2.5 tenants per tower. Our lease contracts typically have terms of five years or more with multiple term tenant renewal options and provide for annual rent escalators.

Our site leasing business generates substantially all of our segment operating profit. As indicated in the chart below, our site leasing business generates 73% of our total revenue and represents 95% of our segment operating profit.

	For the year ended December 31,		
	2006	2005	2004
	(in thousands except for percentages)		
Site leasing revenue	\$ 256,170	\$ 161,277	\$ 144,004
Site leasing segment operating profit ⁽¹⁾	\$ 185,507	\$ 114,018	\$ 96,721
Percentage of total revenue	73.0%	62.0%	62.2%
Site leasing operating profit percentage contribution of total segment operating profit ⁽¹⁾	95.4%	95.0%	94.1%

(1) Site leasing segment operating profit and total segment operating profit are non-GAAP financial measures. We reconcile this measure and provide other Regulation G disclosures later in this annual report in the section titled Non-GAAP Financial Measures.

Site Development Services

Our site development business is complementary to our site leasing business, and provides us the ability to (1) keep in close contact with the wireless service providers who generate substantially all of our site leasing revenue and (2) capture ancillary revenues that are generated by our site leasing activities, such as antenna installation and equipment installation at our tower locations. Our site development business consists of two segments, site development consulting and site development construction, through which we provide wireless service providers a full range of end-to-end services. We principally perform services for third parties in our core, historical areas of wireless expertise, specifically site acquisition, zoning, technical services and construction.

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In the consulting segment of our site development business, we offer clients the following range of services: (1) network pre-design; (2) site audits; (3) identification of potential locations for towers and antennas; (4) support in buying or leasing of the location; and (5) assistance in obtaining zoning approvals and permits. In the construction segment of our site development business we provide a number of services, including, but not limited to the following: (1) tower and related site construction; (2) antenna installation; and (3) radio equipment installation, commissioning and maintenance. Personnel in our site development business also support our leasing and new tower build functions through an integrated plan across the divisions.

For financial information about our operating segments, please see Note 22 to our Consolidated Financial Statements included in this Form 10-K.

Business Strategy

Our primary strategy is to capture the maximum benefits from our position as a leading owner and operator of wireless communications towers. Key elements of our strategy include:

Focusing on Site Leasing Business with Stable, Recurring Revenues. We intend to continue to focus on expanding our site leasing business due to its attractive characteristics such as long-term contracts, built-in rent escalators, high operating margins and low customer churn. The long-term nature of the revenue stream of our site leasing business makes it less volatile than our site development business, which is more reactive to changes in industry conditions. By focusing on our site leasing business, we believe that we can maintain a stable, recurring cash flow stream and reduce our exposure to cyclical changes in customer spending.

Maximizing Use of Tower Capacity. We generally have constructed or acquired towers that accommodate multiple tenants and a substantial majority of our towers are high capacity lattice or guyed towers. Most of our towers have significant capacity available for additional antennas and we believe that increased use of our towers can be achieved at a low incremental cost. We actively market space on our towers through our internal sales force.

Disciplined Growth of Tower Portfolio. We intend to use our available equity free cash flow and available liquidity, including borrowings, to build and/or acquire new towers at prices that we believe will be accretive to our shareholders both short and long-term and which allow us to maintain our long-term target leverage ratios. Furthermore, we believe that our tower operations are highly scaleable. Consequently, we believe that we are able to materially increase our tower portfolio without proportionately increasing selling, general and administrative expenses.

Controlling Expense Base. We have and intend to continue to purchase and/or enter into long-term leases for the land that underlies our towers, to the extent available at commercially reasonable prices. We believe that these purchases and/or long-term leases will increase our margins, improve our cash flow from operations, and minimize our exposure to increases in ground lease rents in the future.

Using our Local Presence to Build Strong Relationships with Major Wireless Service Providers. Given the nature of towers as location specific communications facilities, we believe that substantially all of what we do is done best locally. Consequently, we have a broad field organization that allows us to develop and capitalize on our experience, expertise and relationships in each of our local markets which in turn enhances our customer relationships. Due to our presence in local markets, we believe we are well positioned to capture additional site leasing business and new tower build opportunities in our markets and identify and participate in site development projects across our markets.

Capitalizing on our Management Experience. Our management team has extensive experience in site leasing and site development services. Management believes that its industry expertise and strong relationships with wireless service providers will allow us to expand our position as a leading provider of site leasing and site development services.

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Industry Developments

We believe that growing wireless traffic, the successful recent spectrum auctions and technology developments will require wireless service providers to alter their network structure, increase their network capacity and consequently the number and types of antennae sites that they use. First, consumers continue to push minutes of use higher, whether through wireline to wireless migration, increasing use of broadband services, new data products or simply talking more than they used to. Consumers are demanding quality wireless networks, and have cited network coverage and quality as two of the greatest contributors to their dissatisfaction when terminating or changing service. To decrease subscriber churn rate and drive revenue growth, wireless carriers have made steady capital expenditures on wireless networks to improve service quality and expand coverage. Second, we expect that the roll-out of 3G wireless services, announced plans by a major wireless services provider to deploy a new 4G network, and additional investment by other carriers in their existing networks will require our customers to add a large number of additional cell sites and amend their installations at current cell sites. We expect that the recent FCC advanced wireless service spectrum auction 66 for advanced broadband services will further drive the robust demand for tower space. Much of the spectrum was successfully won by the established nationwide carriers such as T-Mobile, Sprint Nextel, as well as Cingular (now AT&T) and Verizon. With respect to T-Mobile, the auction gives them an opportunity to build new cell sites around the country where they do not have a network, in addition to overlaying a 3G network on top of their existing platform, and this will benefit the wireless tower companies. Finally, the third area of growth in the U.S. market comes from new market launches for emerging carriers to get into traditional wireless or technologies like WiMAX. For example, Leap Wireless and Metro PCS acquired spectrum in auction 66 in new coverage areas that will require brand new networks. Clearwire received a billion dollars of investment capital for purposes of building out a nationwide network and is seeking additional capital through an initial public offering. Based on these factors, we believe that the US wireless industry is growing, well-capitalized, highly competitive and focused on quality and advanced services. Therefore, we expect that we will see a multi-year horizon of strong additional cell site demand from our customers, which we believe will translate into strong leasing revenue growth for SBA.

Company Services

We provide our services on a local basis, through regional offices, territory offices and project offices, some of which are opened and closed on a project-by-project basis. Operationally, we are divided into three regions, each run by a vice president. Each region is divided into geographic territories run by local managers. Within each manager's geographic area of responsibility, he or she is responsible for all site development operations, including hiring employees and opening or closing project offices, and a substantial portion of the sales in such area.

Our executive, corporate development, accounting, finance, human resources, legal and regulatory, information technology and site administration personnel, and our network operations center are located in our headquarters in Boca Raton, Florida. Certain sales, new tower build support and tower maintenance personnel are also located in our Boca Raton office.

Customers

Since commencing operations, we have performed site leasing and site development services for all of the large wireless service providers. The majority of our contracts have been for Personal Communications Systems, or PCS, enhanced specialized mobile radio, or ESMR, and cellular providers of wireless telephony services. We also serve wireless data and Internet, paging, PCS narrowband, specialized mobile radio, multi-channel multi-point distribution service, and multi-point distribution service, wireless providers. In both our site development and site leasing businesses, we work with large national providers and smaller local, regional or private operators. We depend on a relatively small number of customers for our site leasing and site development revenues. The following customers represented at least 10% of our total revenues during at least one of the last three years:

	Percentage of Total Revenues		
	For the year ended December 31,		
	2006	2005	2004
Sprint Nextel	27.6%	30.9%	31.0%
Cingular (now AT&T)	21.4%	25.5%	22.7%

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During the past two years, we provided services for a number of customers, including:

Alltel	Metro PCS
Bechtel Corporation	Motorola
Cellular South	Movistar
Centennial	Nortel
Cingular (now AT&T)	NYSEG
Clearwire	Nokia
Dobson Cellular Systems	RCC
Fibertower	Siemens
General Dynamics	Southern LINC
iPCS	Sprint Nextel
Leap Wireless	T-Mobile
Lucent	USA Mobility
M/A-COM	U.S. Cellular
	Verizon Wireless

Sales and Marketing

Our sales and marketing goals are to:

use existing relationships and develop new relationships with wireless service providers to lease antenna space on and sell related services with respect to our owned or managed towers, enabling us to grow our site leasing business; and

successfully bid and win those site development services contracts that will contribute to our operating margins and/or provide a financial or strategic benefit to our site leasing business.

We approach sales on a company-wide basis, involving many of our employees. We have a dedicated sales force that is supplemented by members of our executive management team. Our dedicated salespeople are based regionally as well as in the corporate office. We also rely on our regional vice presidents, general managers and other operations personnel to sell our services and cultivate customers. Our strategy is to delegate sales efforts to those employees of ours who have the best relationships with our customers. Most wireless service providers have national corporate headquarters with regional and local offices. We believe that providers make most decisions for site development and site leasing services at the regional and local levels with input from their corporate headquarters. Our sales representatives work with provider representatives at the regional and local levels and at the national level when appropriate. Our sales staff compensation is heavily weighted to incentive-based goals and measurements. A substantial number of our operations personnel have revenue and gross profit-based incentive components in their compensation plans.

In addition to our marketing and sales staff, we rely upon our executive and operations personnel at the regional and territory office levels to identify sales opportunities within existing customer accounts.

Our primary marketing and sales support is centralized and directed from our headquarters office in Boca Raton, Florida and is supplemented by our regional and territory offices. We have a full-time staff dedicated to our marketing efforts. The marketing and sales support staff is charged with implementing our marketing strategies, prospecting and producing sales presentation materials and proposals.

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Competition

We compete with:

other large independent tower companies;

smaller local independent tower operators; and

wireless service providers that own and operate their own towers and lease, or may in the future decide to lease, antenna space to other providers.

There has been significant consolidation among the large independent tower companies in the past three years. Specifically, American Tower Corporation completed its merger with SpectraSite, Inc. in 2005, we completed our acquisition of AAT in 2006 and Crown Castle International completed its merger with Global Signal, Inc. in 2007. As a result of these consolidations, American Tower and Crown Castle are substantially larger and have greater financial resources than us which provides them advantages with respect to leasing terms with wireless services providers or ability to acquire available towers. Wireless service providers that own and operate their own tower networks are also generally substantially larger and have greater financial resources than we do. We believe that tower location and capacity, quality of service, density within a geographic market and, to a lesser extent, price have been and will continue to be the most significant competitive factors affecting the site leasing business.

Our primary competitors for our site leasing activities and building and/or acquiring new tower assets are the large independent tower companies, American Tower Corporation and Crown Castle International Corp., and a large number of smaller independent tower owners. In addition, we compete with wireless service providers who currently market excess space on their owned towers to other wireless service providers.

The site development business is extremely competitive and price sensitive. We believe that the majority of our competitors in the site development business operate within local market areas exclusively, while some firms appear to offer their services nationally, including Alcoa Fujikura Ltd., Bechtel Corporation, Black & Veach Corporation, General Dynamics Corporation, and Wireless Facilities, Inc. The market includes participants from a variety of market segments offering individual, or combinations of, competing services. The field of competitors includes site development consultants, zoning consultants, real estate firms, right-of-way consulting firms, construction companies, tower owners/managers, radio frequency engineering consultants, telecommunications equipment vendors, which provide end-to-end site development services through multiple subcontractors, and wireless service providers' internal staff. We believe that providers base their decisions for site development services on a number of criteria, including a company's experience, track record, local reputation, price and time for completion of a project. We believe that our experience base and our established relationships with wireless service providers have allowed us to favorably compete for higher margin site development contracts, which has resulted in increasing margins in this segment during 2006 as compared to prior years.

Employees

As of December 31, 2006, we had 615 employees, none of whom are represented by a collective bargaining agreement. We consider our employee relations to be good.

Regulatory and Environmental Matters

Federal Regulations. Both the Federal Communications Commission (the "FCC") and the Federal Aviation Administration (the "FAA") regulate antenna towers and structures that support wireless communications and radio or television antennas. Many FAA requirements are implemented in FCC regulations. These regulations govern the construction, lighting and painting or other marking of towers and structures and may, depending on the characteristics of particular towers or structures, require prior approval and registration of towers or structures. Wireless communications equipment and radio or television stations operating on towers or structures are separately regulated and may require independent licensing depending upon the particular frequency or frequency band used.

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Pursuant to the requirements of the Communications Act of 1934, as amended, the FCC, in conjunction with the FAA, has developed standards to consider proposals involving new or modified antenna towers or structures.

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These standards mandate that the FCC and the FAA consider the height of the proposed tower or structure, the relationship of the tower or structure to existing natural or man-made obstructions and the proximity of the tower or structure to runways and airports. Proposals to construct or to modify existing towers or structures above certain heights must be reviewed by the FAA to ensure the structure will not present a hazard to air navigation. The FAA may condition its issuance of a no-hazard determination upon compliance with specified lighting and/or painting requirements. Antenna towers that meet certain height and location criteria must also be registered with the FCC. A tower or structure that requires FAA clearance will not be registered by the FCC until it is cleared by the FAA. Upon registration, the FCC may also require special lighting and/or painting. Owners of wireless communications antenna towers and structures may have an obligation to maintain painting and lighting or other marking in conformance with FAA and FCC standards. Antenna tower and structure owners and licensees that operate on those towers or structures also bear the responsibility of monitoring any lighting systems and notifying the FAA of any lighting outage or malfunction. In addition, any applicant for an FCC antenna tower or structure registration must certify that, consistent with the Anti-Drug Abuse Act of 1988, neither the applicant nor its principals are subject to a denial of Federal benefits because of a conviction for the possession or distribution of a controlled substance. We generally indemnify our customers against any failure to comply with applicable regulatory standards relating to the construction, modification, or placement of antenna towers or structures. Failure to comply with the applicable requirements may lead to civil penalties.

The Telecommunications Act of 1996 amended the Communications Act of 1934 by preserving state and local zoning authorities' jurisdiction over the construction, modification and placement of towers. The law, however, limits local zoning authority by prohibiting any action that would (1) discriminate among different providers of personal wireless services or (2) ban altogether the construction, modification or placement of radio communication towers. Finally, the Telecommunications Act of 1996 requires the federal government to help licensees for wireless communications services gain access to preferred sites for their facilities. This may require that federal agencies and departments work directly with licensees to make federal property available for tower facilities.

Owners and operators of antenna towers and structures may be subject to, and therefore must comply with, environmental laws. Any licensed radio facility on an antenna tower or structure is subject to environmental review pursuant to the National Environmental Policy Act of 1969, among other statutes, which requires federal agencies to evaluate the environmental impact of their decisions under certain circumstances. The FCC has issued regulations implementing the National Environmental Policy Act. These regulations place responsibility on applicants to investigate potential environmental effects of their operations and to disclose any potential significant effects on the environment in an environmental assessment prior to constructing or modifying an antenna tower or structure and prior to commencing certain operation of wireless communications or radio or television stations from the tower or structure. In the event the FCC determines the proposed structure or operation would have a significant environmental impact based on the standards the FCC has developed, the FCC would be required to prepare an environmental impact statement, which will be subject to public comment. This process could significantly delay the registration of a particular tower or structure.

As an owner and operator of real property, we are subject to certain environmental laws that impose strict, joint and several liability for the cleanup of on-site or off-site contamination and related personal or property damage. We are also subject to certain environmental laws that govern tower or structure placement, including pre-construction environmental studies. Operators of towers or structures must also take into consideration certain radio frequency (RF) emissions regulations that impose a variety of procedural and operating requirements. Certain proposals to operate wireless communications and radio or television stations from antenna towers and structures are also reviewed by the FCC to ensure compliance with requirements relating to human exposure to RF emissions. Exposure to high levels of RF energy can produce negative health effects. The potential connection between low-level RF energy and certain negative health effects, including some forms of cancer, has been the subject of substantial study by the scientific community in recent years. We believe that we are in substantial compliance with and we have no material liability under any applicable environmental laws. These costs of compliance with existing or future environmental laws and liability related thereto may have a material adverse effect on our prospects, financial condition or results of operations.

State and Local Regulations. Most states regulate certain aspects of real estate acquisition, leasing activities and construction activities. Where required, we conduct the site acquisition portions of our site development services business through licensed real estate brokers' agents, who may be our employees or hired as independent contractors, and conduct the construction portions of our site development services through licensed contractors, who may be our employees or independent contractors.

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Local regulations include city and other local ordinances, zoning restrictions and restrictive covenants imposed by community developers. These regulations vary greatly from jurisdiction to jurisdiction, but typically require tower and structure owners to obtain approval from local officials or community standards organizations, or certain other entities prior to tower or structure construction and establish regulations regarding maintenance and removal of towers or structures. In addition, many local zoning authorities require tower and structure owners to post bonds or cash collateral to secure their removal obligations. Local zoning authorities generally have been unreceptive to construction of new antenna towers and structures in their communities because of the height and visibility of the towers or structures, and have, in some instances, instituted moratoria.

Backlog

Backlog related to our site leasing business consists of lease agreements and amendments, which have been signed, but have not yet commenced. As of December 31, 2006, we had 179 new leases which had been executed with customers but which had not begun generating revenue. These leases contractually provided for approximately \$3.7 million of annual revenue. By comparison, at December 31, 2005 we had 122 new leases which had been executed with customers but which had not begun generating revenue. These leases contractually provided for approximately \$2.6 million of annual revenue.

Our backlog for site development services was approximately \$37.4 million of contractually committed revenue as of December 31, 2006 as compared to approximately \$47.5 million as of December 31, 2005. The decrease in 2006 is attributable to a 2003 contract signed with Sprint for site development work that is expected to be completed by early 2008. This contract represented approximately \$11.7 million in backlog as of December 31, 2006 and approximately \$25.8 million in backlog as of December 31, 2005.

Availability of Reports and Other Information

Our corporate website is www.sbasite.com. We make available, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 on our website under Investor Relations SEC Filings, as soon as reasonably practicable after we file electronically such material with, or furnish it to, the United States Securities and Exchange Commission (the Commission). In addition, the Commission's website is www.sec.gov. The Commission makes available on this website, free of charge, reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the Commission. Additionally, our reports, proxy and information statements may be read and copied at the Commission's public reference room at 100 F Street, NE, Washington, DC 20549. Information on our website or the Commission's website is not part of this document.

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ITEM 1A. RISK FACTORS

Risks Related to Our Business

We may not secure as many site leasing tenants as planned or our lease rates for new tenant leases may decline.

If tenant demand for tower space or our lease rates on new leases decrease, we may not be able to successfully grow our site leasing business. This may have a material adverse effect on our strategy, revenue growth and our ability to satisfy our financial and other contractual obligations. Our plan for the growth of our site leasing business largely depends on our management's expectations and assumptions concerning future tenant demand and potential lease rates for independently owned towers.

If our wireless service provider customers combine their operations to a significant degree, our growth, our revenue and our ability to service our indebtedness could be adversely affected.

Demand for our services may decline if there is significant consolidation among our wireless service provider customers as they may then reduce capital expenditures in the aggregate because many of their existing networks and expansion plans overlap. As a result of regulatory changes in January 2003 which removed prior restrictions on wireless service providers from owning more than 45 MHz of spectrum in any given geographical area, there have been significant consolidations of the large wireless service providers. Specifically, Cingular acquired AT&T Wireless in October 2004 and Sprint PCS and Nextel merged to form Sprint Nextel Corporation in August 2005. To the extent that our customers have consolidated or that other customers may consolidate in the future, they may not renew any duplicative leases that they have on our towers and/or may not lease as much space on our towers in the future. This would adversely affect our growth, our revenue and our ability to service our indebtedness.

As of December 31, 2006, Cingular and the former AT&T Wireless both had leases on an aggregate of 290 of the 5,551 towers that we owned on such date. The annualized contractual revenue generated by these leases at December 31, 2006 was approximately \$14.9 million. Consequently, if Cingular were not to renew duplicate leases, we could lose 50% or more of such revenue. As of December 31, 2006, the average remaining contractual life of such duplicate leases was approximately 2.9 years. Our risk of revenue loss from the integration of Cingular and AT&T Wireless is not limited to leases on the same tower. We expect Cingular (now AT&T) to terminate or not renew some leases on our towers where they have other antenna sites in close proximity. During the second half of 2006, we began experiencing some decommissioning of antennae sites and non-renewal of leases from the Cingular and AT&T Wireless acquisition. Cingular terminated lease agreements during 2006 with total annualized revenue of \$1.5 million. In addition, we have received termination or non-renewal notices for leases expiring in the twenty-four months after December 31, 2006 with total annualized revenue of \$4.4 million. In addition, we have received notifications from Cingular that it expects to non-renew other leases with lease terms expiring in three or more years and we may receive additional notifications in the future. Such terminations or non-renewals could have a material adverse impact on our growth rate.

As of December 31, 2006, Sprint Nextel and affiliated entities had multiple leases on 555 of the 5,551 towers that we owned on such date. The annualized contractual revenue generated by these leases at December 31, 2006 was approximately \$27.1 million. During the second half of 2006, Sprint Nextel extended by seven years the term of each duplicate lease. Consequently, as of December 31, 2006, the average remaining contractual life of such duplicate leases was approximately 9.6 years. However, our risk of revenue loss from the integration of Sprint and Nextel is not limited to leases on the same tower. Sprint Nextel could terminate or not renew some leases on our towers where they have other antenna sites in close proximity. Furthermore at the end of such lease extensions, Sprint Nextel may terminate the duplicate leases. Such terminations or non-renewals could have a material adverse impact on our growth rate.

Similar consequences may occur if wireless service providers engage in extensive sharing or roaming or resale arrangements as an alternative to leasing our antenna space. Wireless voice service providers frequently

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enter into roaming agreements with competitors allowing them to use another's wireless communications facilities to accommodate customers who are out of range of their home provider's services. Wireless voice service providers may view these roaming agreements as a superior alternative to leasing antenna space on communications sites owned or controlled by us or others. The proliferation of these roaming agreements could have a material adverse effect on our revenue.

New technologies and their use by carriers may have a material adverse effect on our growth rate and results of operations.

The emergence of new technologies could reduce the demand for space on our towers. For example, the increased use by wireless service providers of signal combining and related technologies and products that allow two or more wireless service providers to provide services on different transmission frequencies using the communications antenna and other facilities normally used by only one wireless service provider could reduce the demand for our tower space. Additionally, the use of technologies that enhance spectral capacity, such as beam forming or smart antennae, that can increase the range and capacity of an antenna could reduce the number of additional sites a wireless service provider needs to adequately serve a certain subscriber base and therefore reduce demand for our tower space. The development and growth of communications and other new technologies that do not require ground-based sites, such as the growth in delivery of video, voice and data services by satellites or other technologies, could also adversely affect the demand for our tower space. In addition, the deployment of WiFi and WiMax technologies could impact the network needs of our existing customers providing wireless telephony services. This could have a material adverse effect on our growth rate and results of operations.

We depend on a relatively small number of customers for most of our revenue.

We derive a significant portion of our revenue from a small number of customers, particularly in our site development services business. The loss of any significant customer could have a material adverse effect on our revenue.

The following is a list of significant customers and the percentage of our total revenues for the specified time periods derived from these customers:

Percentage of Total Leasing Revenues

	for the year ended December 31,		
	2006	2005	2004
Sprint Nextel	27.6%	30.9%	31.0%
Cingular (now AT&T)	21.4%	25.5%	22.7%

We also have client concentrations with respect to revenues in each of our financial reporting segments:

Percentage of Site Leasing Revenue

	for the year ended December 31,		
	2006	2005	2004
Cingular (now AT&T)	26.7%	28.0%	27.5%
Sprint Nextel	26.2%	30.7%	29.4%
Verizon	9.7%	10.1%	9.5%

Table of Contents**Percentage of Site Development****Consulting Revenue**

	for the year ended December 31,		
	2006	2005	2004
Sprint Nextel	38.0%	1.9%	2.6%
Verizon Wireless	26.6%	32.4%	26.1%
Bechtel Corporation*	10.0%	23.3%	24.7%
Cingular (now AT&T)	6.8%	28.3%	26.7%

Percentage of Site Development**Construction Revenue**

	for the year ended December 31,		
	2006	2005	2004
Sprint Nextel	30.0%	36.0%	39.7%
Bechtel Corporation*	17.4%	11.6%	14.5%
Cingular (now AT&T)	6.9%	20.3%	12.5%