

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)

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

For the quarterly period ended June 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)

Delaware
(State or other jurisdiction of

incorporation or organization)

510 Bering Drive

Suite 500

Houston, Texas
(Address of principal executive offices)

76-0470458
(I.R.S. Employer

Identification No.)

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 July 30, 2004: 225,375,924

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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 June 30, 2004. The restatement has also been reported in an amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2004, and will also be reported in an amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended September 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 six months ended June 30, 2003 by approximately \$13.8 million or \$0.07 per share and \$23.8 million or \$0.12 per share, respectively, and increased the net loss and net loss per share for the three and six months ended June 30, 2004 by approximately \$11.2 million or \$0.05 per share and \$22.9 million or \$0.10 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 | June 30, 2004 |
|--|-------------------------|------------------------------|
| | (As restated) | (As restated) (Unaudited) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 409,584 | \$ 192,657 |
| Short-term investments | 26,600 | |
| Receivables: | | |
| Trade, net of allowance for doubtful accounts of \$7,603 and \$6,866 at December 31, 2003 and June 30, 2004, respectively | 37,289 | 34,116 |
| Other | 930 | 1,536 |
| Inventories | 9,615 | 9,308 |
| Deferred site rental receivable | 2,332 | 2,475 |
| Prepaid expenses and other current assets | 27,940 | 27,208 |
| Assets of discontinued operations (Notes 1 and 3) | 2,052,510 | 2,060,474 |
| | <u>2,566,800</u> | <u>2,327,774</u> |
| Total current assets | 2,566,800 | 2,327,774 |
| Property and equipment, net of accumulated depreciation of \$1,081,891 and \$1,209,282 at December 31, 2003 and June 30, 2004, respectively | 3,593,570 | 3,446,238 |
| Goodwill | 270,438 | 270,438 |
| Deferred site rental receivable | 76,333 | 80,604 |
| Deferred financing costs and other assets, net of accumulated amortization of \$39,692 and \$42,247 at December 31, 2003 and June 30, 2004, respectively | 105,092 | 106,296 |
| | <u>\$ 6,612,233</u> | <u>\$ 6,231,350</u> |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 9,785 | \$ 9,060 |
| Accrued interest | 49,063 | 43,705 |
| Accrued compensation and related benefits | 13,397 | 10,392 |
| Deferred rental revenues and other accrued liabilities | 106,384 | 97,043 |
| Liabilities of discontinued operations (Notes 1 and 3) | 353,544 | 355,072 |
| Long-term debt, current maturities | 267,142 | 1,275,385 |
| | <u>799,315</u> | <u>1,790,657</u> |
| Total current liabilities | 799,315 | 1,790,657 |
| Long-term debt, less current maturities | 3,182,850 | 1,898,752 |
| Deferred ground lease payable | 98,524 | 106,602 |
| Other liabilities | 53,844 | 49,992 |
| | <u>4,134,533</u> | <u>3,846,003</u> |
| Total liabilities | 4,134,533 | 3,846,003 |
| Commitments and contingencies | | |
| Minority interests | 176,645 | 174,587 |

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| | | |
|--|---------------------|---------------------|
| Redeemable preferred stock | 506,702 | 507,371 |
| Stockholders' equity: | | |
| Common stock, \$.01 par value; 690,000,000 shares authorized; shares issued: | | |
| December 31, 2003 220,758,321 and June 30, 2004 225,296,483 | 2,208 | 2,253 |
| Additional paid-in capital | 3,349,459 | 3,396,236 |
| Accumulated other comprehensive income (loss) | 247,249 | 264,469 |
| Unearned stock compensation | (8,122) | (16,683) |
| Accumulated deficit | (1,796,441) | (1,942,886) |
| | <u>1,794,353</u> | <u>1,703,389</u> |
| Total stockholders' equity | <u>\$ 6,612,233</u> | <u>\$ 6,231,350</u> |

See condensed notes to consolidated financial statements.

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(In thousands of dollars, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------------|------------------|----------------|
| | June 30, | | June 30, | |
| | 2003 | 2004 | 2003 | 2004 |
| | (As restated) | (As restated) | (As restated) | (As restated) |
| Net revenues: | | | | |
| Site rental | \$ 118,276 | \$ 132,507 | \$ 233,666 | \$ 262,687 |
| Network services and other | 19,629 | 18,513 | 36,548 | 33,216 |
| | <u>137,905</u> | <u>151,020</u> | <u>270,214</u> | <u>295,903</u> |
| Operating expenses: | | | | |
| Costs of operations (exclusive of depreciation, amortization and accretion): | | | | |
| Site rental | 44,070 | 45,403 | 88,728 | 89,928 |
| Network services and other | 12,819 | 12,272 | 24,430 | 23,268 |
| General and administrative | 22,220 | 22,685 | 42,738 | 44,295 |
| Corporate development | 918 | 371 | 2,538 | 810 |
| Restructuring charges (credits) | 2,349 | | 2,349 | (33) |
| Asset write-down charges | 1,380 | 1,868 | 1,380 | 3,816 |
| Non-cash general and administrative compensation charges | 5,834 | 6,203 | 7,728 | 8,418 |
| Depreciation, amortization and accretion | 70,099 | 70,575 | 140,666 | 141,419 |
| | <u>159,689</u> | <u>159,377</u> | <u>310,557</u> | <u>311,921</u> |
| Operating income (loss) | (21,784) | (8,357) | (40,343) | (16,018) |
| Other income (expense): | | | | |
| Interest and other income (expense) | (11,397) | (1,349) | (13,960) | (26,763) |
| Interest expense and amortization of deferred financing costs | (63,809) | (56,568) | (127,520) | (113,890) |
| Loss from continuing operations before income taxes, minority interests and cumulative effect of change in accounting principle | (96,990) | (66,274) | (181,823) | (156,671) |
| Provision for income taxes | (627) | (684) | (1,243) | (1,337) |
| Minority interests | 869 | (277) | 2,412 | (408) |
| Loss from continuing operations before cumulative effect of change in accounting principle | (96,748) | (67,235) | (180,654) | (158,416) |
| Income from discontinued operations, net of tax (Notes 1 and 3) | 2,099 | 16,455 | 7,541 | 30,999 |
| Loss before cumulative effect of change in accounting principle | (94,649) | (50,780) | (173,113) | (127,417) |
| Cumulative effect of change in accounting principle for asset retirement obligations | | | (551) | |
| Net loss | (94,649) | (50,780) | (173,664) | (127,417) |

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| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Dividends on preferred stock, net of gains (losses) on purchases of preferred stock | (21,446) | (9,332) | (36,404) | (19,028) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net loss after deduction of dividends on preferred stock, net of gains (losses) on purchases of preferred stock | \$ (116,095) | \$ (60,112) | \$ (210,068) | \$ (146,445) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net loss | \$ (94,649) | \$ (50,780) | \$ (173,664) | \$ (127,417) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 78,420 | | | |