AMERICAN TOWER CORP /MA/
Form 10-Q
October 27, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One):

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the quarterly period ended September 30, 2016.

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 001-14195

AMERICAN TOWER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	65-0723837
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

116 Huntington Avenue
Boston, Massachusetts 02116
(Address of principal executive offices)
Telephone Number (617) 375-7500
(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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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. (Check One):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	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 x

As of October 20, 2016, there were 425,687,843 shares of common stock outstanding.

AMERICAN TOWER CORPORATION
TABLE OF CONTENTS
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$530,358	$320,686
Restricted cash	150,655	142,193
Accounts receivable, net	273,907	227,354
Prepaid and other current assets	415,836	306,235
Total current assets	1,370,756	996,468
PROPERTY AND EQUIPMENT, net	10,452,038	9,866,424
GOODWILL	4,997,224	4,091,805
OTHER INTANGIBLE ASSETS, net	11,557,964	9,837,876
DEFERRED TAX ASSET	197,914	212,041
DEFERRED RENT ASSET	1,265,700	1,166,755
NOTES RECEIVABLE AND OTHER NON-CURRENT ASSETS	813,931	732,903
TOTAL	$30,655,527	$26,904,272
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$105,551	$96,714
Accrued expenses	571,989	516,413
Distributions payable	236,608	210,027
Accrued interest	108,077	115,672
Current portion of long-term obligations	242,992	50,202
Unearned revenue	254,336	211,001
Total current liabilities	1,519,553	1,200,029
LONG-TERM OBLIGATIONS	18,436,144	17,068,807
ASSET RETIREMENT OBLIGATIONS	965,087	856,936
DEFERRED TAX LIABILITY	792,139	106,333
OTHER NON-CURRENT LIABILITIES	1,068,121	959,349
Total liabilities	22,781,044	20,191,454
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE NONCONTROLLING INTERESTS	1,100,202	—
EQUITY:		
Preferred stock: $.01 par value; 20,000,000 shares authorized;		
5.25%, Series A, 6,000,000 shares issued and outstanding; aggregate liquidation value of $600,000	60	60
5.50%, Series B, 1,375,000 shares issued and outstanding, respectively; aggregate liquidation value of $1,375,000	14	14
Common stock: $.01 par value; 1,000,000,000 shares authorized; 428,431,558 and 426,695,279 shares issued; and 425,621,532 and 423,885,253 shares outstanding, respectively	4,284	4,267
Additional paid-in capital	9,817,815	9,690,609
Distributions in excess of earnings	(1,030,663)	(998,535)
Accumulated other comprehensive loss	(1,876,374)	(1,836,996)

Treasury stock (2,810,026 shares at cost)	(207,740)	(207,740)
Total American Tower Corporation equity	6,707,396	6,651,679
Noncontrolling interests	66,885	61,139
Total equity	6,774,281	6,712,818
TOTAL	$30,655,527	$26,904,272

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

1

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES:				
Property	$1,497,936	$1,212,849	$4,191,779	$3,429,264
Services	16,909	25,061	54,340	62,211
Total operating revenues	1,514,845	1,237,910	4,246,119	3,491,475
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below):				
Property (including stock-based compensation expense of $426, $396, $1,325 and $1,218, respectively)	485,525	356,082	1,280,386	929,624
Services (including stock-based compensation expense of $172, $99, $578 and $336, respectively)	5,712	9,307	22,007	22,863
Depreciation, amortization and accretion	397,999	341,096	1,137,398	932,972
Selling, general, administrative and development expense (including stock-based compensation expense of $19,628, $17,850, $68,309 and $70,697, respectively)	131,537	114,832	405,086	354,460
Other operating expenses	14,998	15,668	37,509	40,891
Total operating expenses	1,035,771	836,985	2,882,386	2,280,810
OPERATING INCOME	479,074	400,925	1,363,733	1,210,665
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of $279, $40, $846 and $780, respectively	2,742	2,993	8,206	8,251
Interest income	6,376	4,503	16,378	11,871
Interest expense	(190,160)	(149,787)	(531,076)	(446,228)
Gain (loss) on retirement of long-term obligations	—	—	830	(78,793)
Other expense (including unrealized foreign currency losses of $8,321, $77,864, $3,544 and $107,871, respectively)	(12,260)	(66,659)	(25,894)	(123,291)
Total other expense	(193,302)	(208,950)	(531,556)	(628,190)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	285,772	191,975	832,177	582,475
Income tax provision	(22,037)	(94,235)	(94,671)	(132,063)
NET INCOME	263,735	97,740	737,506	450,412
Net loss (income) attributable to noncontrolling interests	774	5,259	(10,288)	1,960
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION STOCKHOLDERS	264,509	102,999	727,218	452,372
Dividends on preferred stock	(26,781)	(26,781)	(80,344)	(63,382)
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION COMMON STOCKHOLDERS	$237,728	$76,218	$646,874	$388,990
NET INCOME PER COMMON SHARE AMOUNTS:				
Basic net income attributable to American Tower Corporation common stockholders	$0.56	$0.18	$1.52	$0.93
Diluted net income attributable to American Tower Corporation common stockholders	$0.55	$0.18	$1.51	$0.92

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	425,517	423,375	424,831	417,280
DILUTED	429,925	427,227	429,019	421,352
DISTRIBUTIONS DECLARED PER COMMON SHARE	$0.55	$0.46	$1.59	$1.32

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$263,735	$97,740	$737,506	$450,412
Other comprehensive (loss) income:				
Changes in fair value of cash flow hedges, net of tax benefit of $0, $9, $0 and $18, respectively	(432)	710	(367)	365
Reclassification of unrealized (gains) losses on cash flow hedges to net income, net of tax benefit of $0, $20, $0 and $66, respectively	(108)	158	(173)	2,771
Foreign currency translation adjustments, net of tax (benefit) expense of ($1,495), ($12,863), $5,388 and ($25,275), respectively	(91,608)	(600,798)	(43,282)	(1,077,788)
Other comprehensive loss	(92,148)	(599,930)	(43,822)	(1,074,652)
Comprehensive income (loss)	171,587	(502,190)	693,684	(624,240)
Comprehensive (income) loss attributable to noncontrolling interests	(12,454)	807	(5,844)	37,930
Comprehensive income (loss) attributable to American Tower Corporation stockholders	$159,133	$(501,383)	$687,840	$(586,310)

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$737,506	$450,412
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation, amortization and accretion	1,137,398	932,972
Stock-based compensation expense	70,212	72,251
(Gain) loss on early retirement of long-term obligations	(830)	78,793
Other non-cash items reflected in statements of operations	120,170	143,412
Decrease in restricted cash	4,126	19,971
Increase in net deferred rent balances	(51,762)	(69,019)
Increase in assets	(8,863)	(106,535)
(Decrease) increase in liabilities	(29,526)	21,358
Cash provided by operating activities	1,978,431	1,543,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property and equipment and construction activities	(475,174)	(518,018)
Payments for acquisitions, net of cash acquired	(1,309,915)	(1,616,205)
Payment for Verizon transaction	(4,748)	(5,058,895)
Proceeds from sale of short-term investments and other non-current assets	4,459	1,002,214
Payments for short-term investments	—	(1,011,320)
Deposits, restricted cash, investments and other	(824)	(2,053)
Cash used for investing activities	(1,786,202)	(7,204,277)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayments of) proceeds from of short-term borrowings, net	(7,337)	8,282
Borrowings under credit facilities	1,529,477	5,727,831
Proceeds from issuance of senior notes, net	3,236,383	1,492,298
Proceeds from term loan	—	500,000
Proceeds from other borrowings	70,806	—
Proceeds from issuance of securities in securitization transaction	—	875,000
Repayments of notes payable, credit facilities, senior notes, term loan and capital leases	(4,116,645)	(6,092,710)
(Distributions to) contributions from noncontrolling interest holders, net	(700)	4,449
Proceeds from stock options and ESPP	76,601	29,324
Distributions paid on common stock	(651,966)	(516,012)
Distributions paid on preferred stock	(80,344)	(57,866)
Proceeds from the issuance of common stock, net	—	2,440,327
Proceeds from the issuance of preferred stock, net	—	1,337,946
Payment for early retirement of long-term obligations	(125)	(86,107)
Deferred financing costs and other financing activities	(29,423)	(30,314)
Cash provided by financing activities	26,727	5,632,448
Net effect of changes in foreign currency exchange rates on cash and cash equivalents	(9,284)	2,126
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	209,672	(26,088)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	320,686	313,492
CASH AND CASH EQUIVALENTS, END OF PERIOD	$530,358	$287,404
CASH PAID FOR INCOME TAXES (NET OF REFUNDS OF $16,219 AND $5,206, RESPECTIVELY)	$71,868	$130,231
CASH PAID FOR INTEREST	$516,382	$472,079

NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Decrease in accounts payable and accrued expenses for purchases of property and equipment and construction activities	$(36,609)	$(6,703)
Purchases of property and equipment under capital leases	$37,049	$19,870
Settlement of accounts receivable related to acquisitions	$—	$735

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except share data)

	Preferred Stock - Series A		Preferred Stock - Series B		Common Stock		Treasury Stock		Additional Paid-in Capital	Accumula Other Comprehe Loss
	Issued Shares	Amount	Issued Shares	Amount	Issued Shares	Amount	Shares	Amount		
BALANCE, JANUARY 1, 2015	6,000,000	$60	—	$—	399,508,751	$3,995	(2,810,026)	$(207,740)	$5,788,786	$(794,221
Stock-based compensation related activity	—	—	—	—	904,645	9	—	—	79,878	—
Issuance of common stock—stock purchase plan	—	—	—	—	43,940	—	—	—	3,465	—
Issuance of common stock	—	—	—	—	25,850,000	259	—	—	2,440,068	—
Issuance of preferred stock	—	—	1,375,000	14	—	—	—	—	1,337,932	—
Changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	—	—	—	377
Reclassification of unrealized losses on cash flow hedges to net income, net of tax	—	—	—	—	—	—	—	—	—	2,728
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	—	(1,041,787
Contributions from noncontrolling interest holders	—	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	—	—
Common stock dividends/distributions declared	—	—	—	—	—	—	—	—	—	—
Preferred stock dividends declared	—	—	—	—	—	—	—	—	—	—
Net income (loss)	—	—	—	—	—	—	—	—	—	—
BALANCE, SEPTEMBER 30, 2015	6,000,000	$60	1,375,000	$14	426,307,336	$4,263	(2,810,026)	$(207,740)	$9,650,129	$(1,832,9(
BALANCE, JANUARY 1, 2016	6,000,000	$60	1,375,000	$14	426,695,279	$4,267	(2,810,026)	$(207,740)	$9,690,609	$(1,836,9(
	—	—	—	—	1,691,546	17	—	—	123,359	—

Stock-based compensation related activity										
Issuance of common stock—stock purchase plan	—	—	—	—	44,733	—	—	—	3,847	—
Changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	—	—	—	(367
Reclassification of unrealized gains on cash flow hedges to net income	—	—	—	—	—	—	—	—	—	(173
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	—	(38,838
Contributions from noncontrolling interest holders	—	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	—	—
Common stock dividends/distributions declared	—	—	—	—	—	—	—	—	—	—
Preferred stock dividends declared	—	—	—	—	—	—				
Net income	—	—	—	—	—	—	—	—	—	—
BALANCE, SEPTEMBER 30, 2016	6,000,000	$60	1,375,000	$14	428,431,558	$4,284	(2,810,026)	$(207,740)	$9,817,815	$(1,876,3

See accompanying notes to unaudited consolidated and condensed consolidated financial statements.

5

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
American Tower Corporation (together with its subsidiaries, "ATC" or the "Company") is one of the largest global real estate investment trusts and a leading independent owner, operator and developer of multitenant communications real estate. The Company's primary business is the leasing of space on communications sites to wireless service providers, radio and television broadcast companies, wireless data providers, government agencies and municipalities and tenants in a number of other industries, which the Company refers to as its property operations. Additionally, the Company offers tower-related services, referred to as its services operations, in the United States, including site acquisition, zoning and permitting and structural analysis, which primarily support its site leasing business, including the addition of new tenants and equipment on its sites.
The Company's portfolio primarily consists of towers it owns and towers it operates pursuant to long-term lease arrangements, as well as distributed antenna system ("DAS") networks, which provide seamless coverage solutions for in-building and certain outdoor wireless environments. In addition to the communications sites in its portfolio, the Company manages rooftop and tower sites for property owners under various contractual arrangements. The Company also holds property interests that it leases to communications service providers and third-party tower operators.

ATC is a holding company that conducts its operations through its directly and indirectly owned subsidiaries and its joint ventures. ATC's principal domestic operating subsidiaries are American Towers LLC and SpectraSite Communications, LLC. ATC conducts its international operations primarily through its subsidiary, American Tower International, Inc., which in turn conducts operations through its various international holding and operating subsidiaries and joint ventures.

On April 21, 2016, the Company significantly expanded its Asia segment portfolio by acquiring a 51% controlling ownership interest in Viom Networks Limited ("Viom"), a telecommunications infrastructure company that owns and operates over 42,000 wireless communications towers and 200 indoor DAS networks in India (the "Viom Acquisition"). Subsequent to the closing, Viom was renamed ATC Telecom Infrastructure Private Limited ("ATC TIPL").

The Company operates as a real estate investment trust for U.S. federal income tax purposes ("REIT"). Accordingly, the Company generally is not subject to U.S. federal income taxes on income generated by its REIT operations, including the income derived from leasing space on its towers, as the Company receives a dividends paid deduction for distributions to stockholders that generally offsets its income and gains. However, the Company remains obligated to pay U.S. federal income taxes on earnings from its domestic taxable REIT subsidiaries ("TRSs"). In addition, the Company's international assets and operations, regardless of their designation for U.S. tax purposes, continue to be subject to taxation in the foreign jurisdictions where those assets are held or those operations are conducted.

The use of TRSs enables the Company to continue to engage in certain businesses while complying with REIT qualification requirements. The Company may, from time to time, change the election of previously designated TRSs to be included as part of the REIT. As of September 30, 2016, the Company's REIT-qualified businesses included its U.S. tower leasing business, most of its operations in Costa Rica, Germany and Mexico and a majority of its services segment and indoor DAS networks business.

The accompanying consolidated and condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The financial information included herein is unaudited. However, the Company believes that all adjustments considered necessary for a fair presentation of its financial position and results of operations for such periods have been included herein. The consolidated and condensed consolidated financial statements and related notes should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K"). The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the entire year.

Principles of Consolidation and Basis of Presentation—The accompanying consolidated and condensed consolidated financial statements include the accounts of the Company and those entities in which it has a controlling interest. Investments in entities that the Company does not control are accounted for using the equity or cost method, depending upon the Company's ability to exercise significant influence over operating and financial policies. All intercompany accounts and transactions have been eliminated. As of September 30, 2016, the Company has a controlling interest in two joint ventures in Ghana and Uganda with MTN Group Limited ("MTN Group"). The joint ventures are controlled by a holding company of which a wholly owned subsidiary of the Company holds a 51% interest and a wholly owned subsidiary of MTN Group holds a 49% interest. In addition, the Company holds an approximate 75% controlling interest in a subsidiary of the Company in South Africa and the South African investors hold an approximate 25% noncontrolling interest. The Company also holds a 51% controlling interest in ATC TIPL.

Significant Accounting Policies—The Company's significant accounting policies are described in note 1 to the Company's consolidated financial statements included in the 2015 Form 10-K. There have been no material changes to the Company's significant accounting policies during the nine months ended September 30, 2016.
Accounting Standards Updates—In May 2014, the Financial Accounting Standards Board (the "FASB") issued new revenue recognition guidance, which requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance and will become effective for the Company on January 1, 2018. Early adoption is permitted for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. Leases are not included in the scope of this standard. The Company is evaluating the impact this standard will have on its financial statements.

In January 2016, the FASB issued new guidance on the recognition and measurement of financial assets and financial liabilities. The guidance amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material effect on its financial statements.

In February 2016, the FASB issued new guidance on the accounting for leases. The guidance amends the existing accounting standards for lease accounting, including the requirement that lessees recognize assets and liabilities for leases with terms greater than twelve months in the statement of financial position. Under the new guidance, lessor accounting is largely unchanged. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. The standard is required to be applied using a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest comparative period presented. The Company is evaluating the impact this standard will have on its financial statements.

In March 2016, the FASB issued new guidance on the accounting for share-based payment transactions. The guidance amends the accounting for taxes related to stock-based compensation, including how excess tax benefits and a company's payments for tax withholdings should be classified. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. The Company early adopted this standard in the second quarter of 2016 and elected to account for forfeitures as they occur, effective January 1, 2016. The adoption of this guidance was not material to the Company's consolidated financial statements. Additionally, the Company elected to apply the prospective transition method to the amendments related to the presentation of excess tax benefits in the statements of cash flows.

In August 2016, the FASB issued new guidance on certain classifications within the statement of cash flows. The guidance addresses, among other things, how cash receipts and cash payments are presented and classified in the statement of cash flows, including payments for costs related to debt prepayments or extinguishment, as well as payments of contingent consideration after an acquisition. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption within an interim period. The Company is evaluating the impact this standard will have on its financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PREPAID AND OTHER CURRENT ASSETS

Prepaid and other current assets consisted of the following (in thousands):

	As of September 30, 2016	December 31, 2015
Prepaid operating ground leases	$129,515	$ 128,542
Prepaid income tax	109,949	45,056
Unbilled receivables	59,928	34,173
Prepaid assets	54,584	32,892
Value added tax and other consumption tax receivables	24,519	30,239
Other miscellaneous current assets	37,341	35,333
Total	$415,836	$ 306,235

3. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying value of goodwill for the Company’s business segments were as follows (in thousands):

	Property					
	U.S.	Asia (1)	EMEA	Latin America	Services	Total
Balance as of January 1, 2016	$3,379,163	$170,719	$132,570	$407,365	$ 1,988	$4,091,805
Additions (2)	—	826,735	42,297	5,008	—	874,040
Effect of foreign currency translation	—	(2,890)	(19,703)	53,972	—	31,379
Balance as of September 30, 2016	$3,379,163	$994,564	$155,164	$466,345	$ 1,988	$4,997,224

(1) Includes approximately $826.7 million of goodwill assumed in the Viom Acquisition (see note 13).
(2) Balances have been revised to reflect purchase accounting measurement period adjustments.

The Company’s other intangible assets subject to amortization consisted of the following:

		As of September 30, 2016			As of December 31, 2015		
	Estimated Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
	(years)	(in thousands)					
Acquired network location intangibles (1)	Up to 20	$4,626,477	$(1,229,177)	$3,397,300	$3,980,281	$(1,052,393)	$2,927,888
Acquired customer-related intangibles	15-20	10,242,624	(2,115,242)	8,127,382	8,640,554	(1,763,853)	6,876,701
Acquired licenses and other intangibles	3-20	28,332	(4,283)	24,049	28,293	(5,486)	22,807
Economic Rights, TV Azteca	70	19,376	(10,143)	9,233	21,688	(11,208)	10,480

Total other intangible assets	$14,916,809	$(3,358,845)	$11,557,964	$12,670,816	$(2,832,940)	$9,837,876

(1) Acquired network location intangibles are amortized over the shorter of the term of the corresponding ground lease taking into consideration lease renewal options and residual value or up to 20 years, as the Company considers these intangibles to be directly related to the tower assets.

8

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The acquired network location intangibles represent the value to the Company of the incremental revenue growth that could potentially be obtained from leasing the excess capacity on acquired communications sites. The acquired customer-related intangibles typically represent the value to the Company of customer contracts and relationships in place at the time of an acquisition or similar transaction, including assumptions regarding estimated renewals.
The Company amortizes its acquired network location intangibles and customer-related intangibles on a straight-line basis over their estimated useful lives. As of September 30, 2016, the remaining weighted average amortization period of the Company’s intangible assets, excluding the TV Azteca Economic Rights detailed in note 5 to the Company’s consolidated financial statements included in the 2015 Form 10-K, was 16 years. Amortization of intangible assets for the three and nine months ended September 30, 2016 was $183.9 million and $521.0 million, respectively, and amortization of intangible assets for the three and nine months ended September 30, 2015 was $154.4 million and $412.5 million, respectively. Based on current exchange rates, the Company expects to record amortization expense as follows over the remaining current year and the five subsequent years (in millions):

Fiscal Year	
Remainder of 2016	$179.6
2017	716.2
2018	714.0
2019	711.1
2020	692.3
2021	682.8

4. ACCRUED EXPENSES
Accrued expenses consisted of the following (in thousands):

	As of September 30, 2016	December 31, 2015
Accrued property and real estate taxes	$114,839	$ 75,827
Payroll and related withholdings	63,848	62,334
Accrued rent	52,926	54,732
Accrued construction costs	19,517	19,857
Accrued income tax payable	2,480	11,704
Other accrued expenses	318,379	291,959
Total	$571,989	$ 516,413

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS

Outstanding amounts under the Company's long-term obligations, reflecting discounts, premiums and debt issuance costs, consisted of the following (in thousands):

	As of September 30, 2016	December 31, 2015	Maturity Date
Series 2013-1A securities (1)	$498,351	$497,478	March 15, 2018
Series 2013-2A securities (2)	1,289,872	1,288,689	March 15, 2023
Series 2015-1 notes (3)	346,897	346,262	June 15, 2020
Series 2015-2 notes (4)	519,271	518,776	June 16, 2025
2012 GTP notes (5)	180,846	281,902	March 15, 2019
Unison notes (6)	200,616	201,930	Various
Viom indebtedness (7)	593,491	—	Various
Viom preference shares (8)	25,021	—	Various
Shareholder loans (9)	151,723	145,540	Various
BR Towers debentures (10)	103,194	85,219	October 15, 2023
Colombian credit facility (11)	60,131	59,640	April 24, 2021
South African facility (12)	50,911	53,175	December 17, 2020
Brazil credit facility (13)	38,900	21,868	January 15, 2022
Indian working capital facility (14)	662	8,752	October 31, 2016
Total American Tower subsidiary debt	4,059,886	3,509,231	
2013 Credit Facility	137,692	1,225,000	June 28, 2019
Term Loan	994,553	1,993,601	January 29, 2021
2014 Credit Facility	1,840,000	1,980,000	January 29, 2021
4.500% senior notes	998,357	997,693	January 15, 2018
3.40% senior notes	999,661	999,769	February 15, 2019
7.25% senior notes	296,665	296,242	May 15, 2019
2.800% senior notes	744,557	743,557	June 1, 2020
5.050% senior notes	697,165	697,216	September 1, 2020
3.300% senior notes	744,465	—	February 15, 2021
3.450% senior notes	643,529	642,786	September 15, 2021
5.900% senior notes	497,203	497,188	November 1, 2021
2.250% senior notes	594,903	—	January 15, 2022
4.70% senior notes	695,821	695,374	March 15, 2022
3.50% senior notes	988,820	987,966	January 31, 2023
5.00% senior notes	1,002,816	1,003,453	February 15, 2024
4.000% senior notes	739,717	739,057	June 1, 2025
4.400% senior notes	495,102	—	February 15, 2026
3.375% senior notes	983,007	—	October 15, 2026
3.125% senior notes	396,702	—	January 15, 2027
Total American Tower Corporation debt	14,490,735	13,498,902	
Other debt, including capital lease obligations	128,515	110,876	
Total	18,679,136	17,119,009	

Less current portion of long-term obligations	(242,992)	(50,202)
Long-term obligations	$18,436,144	$17,068,807

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(1) Maturity date represents anticipated repayment date; final legal maturity is March 15, 2043.
(2) Maturity date represents anticipated repayment date; final legal maturity is March 15, 2048.
(3) Maturity date represents anticipated repayment date; final legal maturity is June 15, 2045.
(4) Maturity date represents anticipated repayment date; final legal maturity is June 15, 2050.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(5) Secured debt assumed by the Company in connection with its acquisition of MIP Tower Holdings LLC. Maturity date represents anticipated repayment date; final legal maturity is March 15, 2042. During the nine months ended September 30, 2016, the Company repaid the $94.1 million outstanding under the Secured Tower Cellular Site Revenue Notes, Series 2012-1 Class A and released 472 sites in connection with this repayment.

(6) Secured debt assumed by the Company in connection with its acquisition of certain legal entities from Unison Holdings LLC and Unison Site Management II, L.L.C (together, “Unison”). In October 2016, the Company repaid the $67.0 million outstanding under the Secured Cellular Site Revenue Notes, Series 2010-1, Class C. The anticipated repayment date for the remaining series is April 15, 2020; final legal maturity date is April 15, 2040.

(7) Debt primarily assumed by the Company in connection with the Viom Acquisition. Maturity dates begin March 31, 2017. Denominated in Indian Rupees (“INR”). In October 2016, ATC TIPL refinanced 3.6 billion INR ($53.5 million as of September 30, 2016) of Viom assumed indebtedness with borrowings under a new short-term committed loan facility with a borrowing capacity of 5.8 billion INR ($87.1 million as of September 30, 2016) and repaid an additional 1.4 billion INR ($21.0 million as of September 30, 2016) of Viom assumed indebtedness with cash on hand.

(8) Mandatorily redeemable preference shares (the “Preference Shares”) classified as debt, assumed by the Company in connection with the Viom Acquisition. The shares are to be redeemed in equal parts on March 26, 2017 and March 26, 2018.

(9) Reflects balances owed to the Company’s joint venture partners in Ghana and Uganda. The Ghana loan is denominated in Ghanaian Cedi and the Uganda loan is denominated in U.S. Dollars.

(10) Publicly issued debentures assumed by the Company in connection with its acquisition of BR Towers S.A. Denominated in Brazilian Reais (“BRL”).

(11) Denominated in Colombian Pesos and amortizes through April 24, 2021.

(12) Denominated in South African Rand and amortizes through December 17, 2020.

(13) Denominated in BRL.

(14) Denominated in INR. This agreement provides that the maturity date may be extended for additional 30-day periods.

Current portion of long-term obligations—The Company’s current portion of long-term obligations includes (i) 7.2 billion INR ($108.4 million) of indebtedness primarily assumed by the Company in connection with the Viom Acquisition, (ii) 0.8 billion INR ($12.5 million) related to Preference Shares and (iii) $67.4 million outstanding under the Secured Cellular Site Revenue Notes, Series 2010-1, Class C (included in the Unison notes) assumed in connection with the acquisition of Unison.

Viom indebtedness—Amounts outstanding and key terms of the Viom indebtedness consisted of the following as of September 30, 2016 (in millions, except percentages):

	Amount Outstanding (INR)	Amount Outstanding (USD)	Interest Rate (Range)	Maturity Date (Range)
Term loans	33,533	$ 503.4	10.50% - 11.20%	March 31, 2017 - November 30, 2024
Debenture	6,000	$ 90.1	9.90 %	April 28, 2020
Working capital facilities		—	9.85% - 11.80%	October 23, 2016 - March 18, 2017

The Viom indebtedness includes several term loans, ranging from one to ten years, which are generally secured by the borrower's short-term and long-term assets. Each of the term loans bear interest at the applicable bank's Marginal Cost of Funds based Lending Rate or base rate, plus a spread. Interest rates on the term loans are fixed until certain annual reset dates. Generally, the term loans can be repaid without penalty on the annual reset dates; earlier repayments require notice to the lenders and are subject to prepayment penalties, typically of 1% to 2%. Scheduled repayment terms include either ratable or staggered amortization with repayments typically commencing between six and 36 months after the initial disbursement of funds.

The debenture is secured by the borrower's long-term assets, including property and equipment and intangible assets. The debenture bears interest at a base rate plus a spread of 0.6%. The base rate is set in advance for each quarterly coupon period. Should the actual base rate be between 9.75% and 10.25%, the revised base rate is assumed to be 10.00% for purposes of the reset. Additionally, the spread is subject to reset 36 and 48 months from the issuance date of April 27, 2015. The holders of the debenture must reach a consensus on the revised spread and the borrower must redeem all of the debentures held by holders from whom consensus is not achieved. Additionally, the debenture is required to be redeemed by the borrower if it does not maintain a minimum credit rating.

The Viom indebtedness includes several working capital facilities, most of which are subject to annual renewal, which are generally secured by the borrower's short-term and long-term assets. The working capital facilities bear interest at rates that are comprised of base rates plus spreads. Generally, the working capital facilities are payable on demand prior to maturity.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Viom preference shares—As of September 30, 2016, ATC TIPL had 166,666,666 Preference Shares outstanding, which are required to be redeemed in cash. Accordingly, the Company recognized debt of 1.67 billion INR ($25.0 million) related to the Preference Shares outstanding on the consolidated balance sheet.
Unless redeemed earlier, the Preference Shares will be redeemed in two equal installments on March 26, 2017 and March 26, 2018 in an amount equal to ten INR per share along with a redemption premium, as defined in the investment agreement, which equates to a compounded return of 13.5% per annum. ATC TIPL, at its option, may redeem the Preference Shares prior to the aforementioned dates, subject to an additional 2% redemption premium.
Senior Notes Offerings
3.300% Senior Notes and 4.400% Senior Notes Offering—On January 12, 2016, the Company completed a registered public offering of $750.0 million aggregate principal amount of 3.300% senior unsecured notes due 2021 (the “3.300% Notes”) and $500.0 million aggregate principal amount of 4.400% senior unsecured notes due 2026 (the “4.400% Notes”). The net proceeds from this offering were approximately $1,237.2 million, after deducting commissions and estimated expenses. The Company used the proceeds to repay existing indebtedness under its multicurrency senior unsecured revolving credit facility entered into in June 2013, as amended (the “2013 Credit Facility”), and for general corporate purposes.

The 3.300% Notes will mature on February 15, 2021 and bear interest at a rate of 3.300% per annum. The 4.400% Notes will mature on February 15, 2026 and bear interest at a rate of 4.400% per annum. Accrued and unpaid interest on the notes will be payable in U.S. Dollars semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2016. Interest on the notes is computed on the basis of a 360-day year comprised of twelve 30-day months and commenced accruing on January 12, 2016.
3.375% Senior Notes Offering—On May 13, 2016, the Company completed a registered public offering of $1.0 billion aggregate principal amount of 3.375% senior unsecured notes due 2026 (the “3.375% Notes”). The net proceeds from this offering were approximately $981.5 million, after deducting commissions and estimated expenses. The Company used the proceeds to repay existing indebtedness under the 2013 Credit Facility.

The 3.375% Notes will mature on October 15, 2026 and bear interest at a rate of 3.375% per annum. Accrued and unpaid interest on the notes will be payable in U.S. Dollars semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2016. Interest on the notes is computed on the basis of a 360-day year comprised of twelve 30-day months and commenced accruing on May 13, 2016.

2.250% Senior Notes and 3.125% Senior Notes Offering—On September 30, 2016, the Company completed a registered public offering of $600.0 million aggregate principal amount of 2.250% senior unsecured notes due 2022 (the “2.250% Notes”) and $400.0 million aggregate principal amount of 3.125% senior unsecured notes due 2027 (the “3.125% Notes”). The net proceeds from this offering were approximately $990.6 million, after deducting commissions and estimated expenses. The Company used the proceeds to repay existing indebtedness under the Company’s unsecured term loan entered into in October 2013, as amended (the “Term Loan”).

The 2.250% Notes will mature on January 15, 2022 and bear interest at a rate of 2.250% per annum. The 3.125% Notes will mature on January 15, 2027 and bear interest at a rate of 3.125% per annum. Accrued and unpaid interest on the notes will be payable in U.S. Dollars semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2017. Interest on the notes is computed on the basis of a 360-day year comprised of twelve 30-day months and commenced accruing on September 30, 2016. The Company entered into interest rate swaps, which were designated as fair value hedges at inception, to hedge against changes in fair value of the debt under the 2.250% Notes resulting from changes in interest rates. As of September 30, 2016, the interest rate on the 2.250%

Notes, after giving effect to the interest rate swap agreements, was 1.75%.

The Company may redeem each series of notes at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes plus a make-whole premium, together with accrued interest to the redemption date. If the Company redeems the 3.300% Notes on or after January 15, 2021, the 4.400% Notes on or after November 15, 2025, the 3.375% Notes on or after July 15, 2026 or the 3.125% Notes on or after October 15, 2026, it will not be required to pay a make-whole premium. In addition, if the Company undergoes a change of control and corresponding ratings

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

decline, each as defined in the applicable supplemental indenture, it may be required to repurchase all of the applicable notes at a purchase price equal to 101% of the principal amount of such notes, plus accrued and unpaid interest (including additional interest, if any), up to but not including the repurchase date. The notes rank equally with all of the Company's other senior unsecured debt and are structurally subordinated to all existing and future indebtedness and other obligations of its subsidiaries.

The supplemental indentures contain certain covenants that restrict the Company's ability to merge, consolidate or sell assets and its (together with its subsidiaries') ability to incur liens. These covenants are subject to a number of exceptions, including that the Company, and its subsidiaries, may incur certain liens on assets, mortgages or other liens securing indebtedness if the aggregate amount of such liens does not exceed 3.5x Adjusted EBITDA, as defined in the applicable supplemental indenture.

Bank Facilities
2013 Credit Facility—During the nine months ended September 30, 2016, the Company borrowed an aggregate of $1.4 billion and repaid an aggregate of $2.5 billion of revolving indebtedness under the 2013 Credit Facility. The Company primarily used the borrowings to fund the Viom Acquisition.

2014 Credit Facility—During the nine months ended September 30, 2016, the Company borrowed an aggregate of $80.0 million and repaid an aggregate of $220.0 million of revolving indebtedness under its senior unsecured revolving credit facility entered into in January 2012 and amended and restated in September 2014, as further amended (the "2014 Credit Facility"). On October 17, 2016, the Company borrowed an additional $140.0 million under the 2014 Credit Facility.

Term Loan—During the nine months ended September 30, 2016, the Company repaid $1.0 billion of indebtedness under the Term Loan.

As of September 30, 2016, the key terms under the 2013 Credit Facility, the 2014 Credit Facility and the Term Loan were as follows:

	Outstanding Principal Balance (in millions)	Undrawn letters of credit (in millions)	Maturity Date	Current margin over LIBOR (1)	Current commitment fee (2)
2013 Credit Facility	$ 137.7	$ 3.2	June 28, 2019 (3)	1.250 %	0.150 %
2014 Credit Facility	$ 1,840.0	$ 7.4	January 29, 2021 (3)	1.250 %	0.150 %
Term Loan	$ 1,000.0	$ —	January 29, 2021	1.250 %	N/A

(1) LIBOR means the London Interbank Offered Rate.
(2) Fee on undrawn portion of each credit facility.
(3) Subject to two optional renewal periods.

6. FAIR VALUE MEASUREMENTS

The Company determines the fair value of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Below are the three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Items Measured at Fair Value on a Recurring Basis—The fair values of the Company's financial assets and liabilities that are required to be measured on a recurring basis at fair value were as follows (in thousands):

	September 30, 2016 Fair Value Measurements Using		December 31, 2015 Fair Value Measurements Using	
	Level 2	Level 3	Level 2	Level 3
Assets:				
Interest rate swap agreements	$212	—	$692	—
Embedded derivative in lease agreement	—	$13,513	—	$14,176
Liabilities:				
Acquisition-related contingent consideration	—	$21,575	—	$12,436

On September 30, 2016, the Company entered into interest rate swap agreements with an aggregate notional value of $600.0 million related to the 2.250% Notes. The interest rate swap agreements require the Company to pay interest at a variable interest rate of one-month LIBOR plus applicable spreads and to receive fixed interest at a rate of 2.250% through January 15, 2022.

During the nine months ended September 30, 2016, the Company has made no changes to the methods described in note 11 to the Company's consolidated financial statements in the 2015 Form 10-K that it used to measure the fair value of its interest rate swap agreements, the embedded derivative in one of its lease agreements and acquisition-related contingent consideration. The changes in fair value during the nine months ended September 30, 2016 and 2015 were not material to the consolidated financial statements. As of September 30, 2016, the Company estimated the value of all potential acquisition-related contingent consideration required payments to be between zero and $47.7 million, which includes $22.2 million related to an acquisition in South Africa that occurred during the three months ended September 30, 2016.

Redeemable Noncontrolling Interests
In connection with the Viom Acquisition, the Company entered into a shareholders' agreement that provides for put options held by certain noncontrolling shareholders. The fair value of the Company's noncontrolling interests reflected on the consolidated balance sheet are determined using a discounted cash flow approach, which takes into consideration Level 3 unobservable inputs and applies a discount factor.

The fair value of the redeemable noncontrolling interests was $1.1 billion at the date of acquisition and was recorded in
Redeemable noncontrolling interests in the consolidated balance sheet.

See notes 9 and 13 for more information.

Items Measured at Fair Value on a Nonrecurring Basis

Assets Held and Used—The Company's long-lived assets are recorded at amortized cost and, if impaired, are adjusted to fair value using Level 3 inputs. During the three and nine months ended September 30, 2016 and 2015, the Company did not record any material asset impairment charges.

There were no other items measured at fair value on a nonrecurring basis during the nine months ended September 30, 2016 and 2015.

Fair Value of Financial Instruments—The Company's financial instruments for which the carrying value reasonably approximates fair value at September 30, 2016 and December 31, 2015 include cash and cash equivalents, restricted cash, accounts receivable and accounts payable. The Company's estimates of fair value of its long-term obligations, including the current portion, are based primarily upon reported market values. For long-term debt not actively traded, fair value is estimated using either indicative price quotes or a discounted cash flow analysis using rates for debt with similar terms and maturities. As of September 30, 2016 and December 31, 2015, the carrying value of long-term obligations, including the current portion, was $18.7 billion and $17.1 billion, respectively. As of September 30, 2016, the fair value of long-term obligations, including the current portion, was $19.5 billion, of which $12.3 billion was measured using Level 1 inputs and $7.2 billion was measured using Level 2 inputs. As of December 31, 2015, the fair value of long-term obligations, including the current portion, was $17.4 billion, of which $8.7 billion was measured using Level 1 inputs and $8.7 billion was measured using Level 2 inputs.

7. INCOME TAXES

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate ("ETR") for the full fiscal year. Cumulative adjustments to the Company's estimate are recorded in the interim period in which a change in the estimated annual ETR is determined. As a REIT, the Company continues to be subject to income taxes on the income of its TRSs and income taxes in foreign jurisdictions where it conducts operations. Under the provisions of the Internal Revenue Code of 1986, as amended, the Company may deduct amounts distributed to stockholders against the income generated by its REIT operations. In addition, the Company is able to offset certain income by utilizing its net operating losses, subject to specified limitations.

The Company provides valuation allowances if, based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets.

As described in note 1, effective January 1, 2016, the Company adopted new guidance on the accounting for share-based payment transactions. As part of this new guidance, excess windfall tax benefits and tax deficiencies related to the Company's stock option exercises and restricted stock unit vestings are recognized as an income tax benefit or expense in the consolidated statements of operations in the period in which the deduction occurs. Excess windfall tax benefits and tax deficiencies are, therefore, not anticipated when determining the annual ETR and are instead recognized in the interim period in which those items occur.

As of September 30, 2016 and December 31, 2015, the total unrecognized tax benefits that would impact the ETR, if recognized, were approximately $74.7 million and $28.1 million, respectively. The amount of unrecognized tax benefits during the three and nine months ended September 30, 2016 includes additions to the Company's existing tax positions of $8.4 million and $47.7 million (including $23.8 million assumed through acquisition), respectively, and reductions due to the expiration of the statute of limitations in certain jurisdictions of $1.8 million during each of the three and nine months ended September 30, 2016. The Company expects the unrecognized tax benefits to change over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this time frame, as described in note 12 to the Company's consolidated financial statements included in the 2015 Form 10-K. The impact of the amount of these changes to previously recorded uncertain tax positions could range from zero to $12.4 million.

The Company recorded penalties and income tax-related interest expense during the three and nine months ended September 30, 2016 of $1.8 million and $7.0 million, respectively, and during the three and nine months ended September 30, 2015 of $0.7 million and $2.3 million, respectively. In addition, due to the expiration of the statute of limitations in certain jurisdictions, the Company reduced its liability for penalties and income tax-related interest expense related to uncertain tax positions during the three and nine months ended September 30, 2016 by $1.6 million and during the three and nine months ended September 30, 2015 by $3.1 million. As of September 30, 2016 and December 31, 2015, the total amount of accrued income tax related interest and penalties included in the consolidated balance sheets was $24.5 million and $20.2 million, respectively.

8. STOCK-BASED COMPENSATION

Summary of Stock-Based Compensation Plans—The Company maintains equity incentive plans that provide for the grant of stock-based awards to its directors, officers and employees. The 2007 Equity Incentive Plan (the "2007 Plan") provides for the grant of non-qualified and incentive stock options, as well as restricted stock units, restricted stock and other stock-based awards. Exercise prices in the case of non-qualified and incentive stock options are not less than the fair value of the underlying common stock on the date of grant. Equity awards typically vest ratably, generally over four years for time-based restricted stock units (“RSUs”) and stock options and three years for performance-based restricted stock units (“PSUs”). Stock options generally expire ten years from the date of grant. As of September 30, 2016, the Company had the ability to grant stock-based awards with respect to an aggregate of 9.5 million shares of common stock

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

under the 2007 Plan. In addition, the Company maintains an employee stock purchase plan ("ESPP") pursuant to which eligible employees may purchase shares of the Company's common stock on the last day of each bi-annual offering period at a 15% discount of the lower of the closing market value on the first or last day of such offering period. The offering periods run from June 1 through November 30 and from December 1 through May 31 of each year.
During the three and nine months ended September 30, 2016 and 2015, the Company recorded and capitalized the following stock-based compensation expenses (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Stock-based compensation expense	$20,226	$18,345	$70,212	$72,251
Stock-based compensation expense capitalized as property and equipment	$353	$495	$1,115	$1,554

Stock Options—The fair value of each option granted during the nine months ended September 30, 2016 was estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions noted in the table below. The expected life of stock options (estimated period of time outstanding) was estimated using the vesting term and historical exercise behavior of the Company's employees. The risk-free interest rate was based on the U.S. Treasury yield with a term that approximated the estimated life in effect at the accounting measurement date. The expected volatility of the underlying stock price was based on historical volatility for a period equal to the expected life of the stock options. The expected annual dividend yield was the Company's best estimate of expected future dividend yield.

Key assumptions used to apply this pricing model during the nine months ended September 30, 2016 were as follows: