AMERICAN TOWER CORP /MA/
Form 10-Q
May 10, 2006
Table of Contents

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 March 31, 2006.**

¨ **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 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. (Check One):

Large accelerated filer x 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 x

As of May 3, 2006, there were 419,585,266 shares of Class A Common Stock outstanding.

Table of Contents

AMERICAN TOWER CORPORATION

INDEX

FORM 10-Q

QUARTER ENDED MARCH 31, 2006

Table of Contents

PART 1. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS Unaudited

(In Thousands, Except Share Data)

	March 31, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 85,573	$ 112,701
Accounts receivable, net of allowances of $13,029 and $15,071, respectively	33,216	36,995
Prepaid and other current assets	77,266	44,823
Deferred income taxes	31,359	31,359
Total current assets	227,414	225,878
PROPERTY AND EQUIPMENT, net	3,386,262	3,460,526
GOODWILL	2,142,504	2,142,551
OTHER INTANGIBLE ASSETS, net	2,026,232	2,077,312
DEFERRED INCOME TAXES	500,029	504,659
NOTES RECEIVABLE AND OTHER LONG-TERM ASSETS	384,991	357,294
TOTAL	$ 8,667,432	$ 8,768,220
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 175,010	$ 175,558
Accrued interest	52,652	37,850
Current portion of long-term obligations	277,471	162,153
Unearned revenue	71,090	77,655
Total current liabilities	576,223	453,216
LONG-TERM OBLIGATIONS	3,332,080	3,451,276
OTHER LONG-TERM LIABILITIES	337,578	327,354
Total liabilities	4,245,881	4,231,846
COMMITMENTS AND CONTINGENCIES		

MINORITY INTEREST IN SUBSIDIARIES	9,922	9,794
STOCKHOLDERS EQUITY:		
Preferred Stock: $.01 par value; 20,000,000 shares authorized; no shares issued or outstanding		
Class A Common Stock: $.01 par value; 1,000,000,000 shares authorized; 428,780,174 and 415,636,595 shares issued, and 420,328,652 and 412,654,855 shares outstanding, respectively	4,288	4,156
Additional paid-in capital	7,361,766	7,317,668
Accumulated deficit	(2,713,578)	(2,710,993)
Unearned compensation		(2,497)
Accumulated other comprehensive income (loss)	5,624	(803)
Treasury stock (8,451,522 and 2,981,740 shares at cost)	(246,471)	(80,951)
Total stockholders equity	4,411,629	4,526,580
TOTAL	$ 8,667,432	$ 8,768,220

See notes to condensed consolidated financial statements.

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited

(In Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	2006	**2005**
REVENUES:		
Rental and management	$ 316,259	$ 181,570
Network development services	4,150	2,785
Total operating revenues	320,409	184,355
OPERATING EXPENSES:		
Rental and management	79,541	48,225
Network development services	2,071	1,432
Depreciation, amortization and accretion	133,261	81,971
Selling, general, administrative and development expense (including non-cash stock-based compensation expense in 2006 of $8,954)	34,975	19,698
Impairments, net loss on sale of long-lived assets, restructuring and merger related expense	1,514	2,777
Total operating expenses	251,362	154,103
OPERATING INCOME FROM CONTINUING OPERATIONS	69,047	30,252
OTHER INCOME (EXPENSE):		
Interest income, TV Azteca, net of interest expense of $373 and $373, respectively	3,498	3,498
Interest income	1,358	699
Interest expense	(54,257)	(54,716)
Loss on retirement of long-term obligations	(21,577)	(15,042)
Other income	3,729	670
Total other expense	(67,249)	(64,891)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND INCOME (LOSS) ON EQUITY METHOD INVESTMENTS	1,798	(34,639)
Income tax (provision) benefit	(3,812)	4,338
Minority interest in net earnings of subsidiaries	(257)	(55)
Income (loss) on equity method investments	4	(1,098)
LOSS FROM CONTINUING OPERATIONS	(2,267)	(31,454)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT OF $171 and $57, RESPECTIVELY	(318)	(107)
NET LOSS	$ (2,585)	$ (31,561)

BASIC AND DILUTED LOSS PER COMMON SHARE AMOUNTS:		
Loss from continuing operations	$ (0.01)	$ (0.14)
Loss from discontinued operations		
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.01)	$ (0.14)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	417,379	230,158

See notes to condensed consolidated financial statements.

2

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS Unaudited

(In Thousands)

	Three Months Ended March 31,	
	2006	**2005**
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net loss	$ (2,585)	$ (31,561)
Other non-cash items reflected in statements of operations (primarily depreciation and amortization)	160,603	109,829
Non-cash stock-based compensation expense	8,954	
(Increase) decrease in assets	(30,762)	13,606
Increase in liabilities	15,486	681
Cash provided by operating activities	151,696	92,555
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Payments for purchase of property and equipment and construction activities	(28,376)	(15,881)
Payments for acquisitions	(724)	(932)
Payments for acquisition of Mexico minority interest		(7,270)
Proceeds from sale of businesses and other long-term assets	1,636	910
Deposits, investments and other long-term assets	(50)	(310)
Cash used for investing activities	(27,514)	(23,483)
CASH FLOWS USED FOR FINANCING ACTIVITIES:		
Borrowings under credit facilities	179,000	
Repayment of notes payable, credit facilities and capital leases	(182,024)	(169,086)
Purchases of Class A common stock	(162,680)	
Net proceeds from stock options and warrants	16,179	7,500
Deferred financing costs and other financing activities	(1,785)	(246)
Cash used for financing activities	(151,310)	(161,832)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,128)	(92,760)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,701	215,557
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 85,573	$ 122,797
CASH PAID FOR INCOME TAXES	$ 7,333	$ 3,911
CASH PAID FOR INTEREST	$ 34,971	$ 37,255
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Conversion of convertible notes (excluding loss on retirement)	$ 22,004	

Increase in fair value of cash flow hedges (net of a tax provision of $3,460)	6,427	
Assets acquired through capital leases	544	
Issuance of Class A common stock in connection with the acquisition of Mexico minority interest		2,831

See notes to condensed consolidated financial statements.

3

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

1. Description of Business, Basis of Presentation and Accounting Policies

American Tower Corporation and subsidiaries (collectively, ATC or the Company) is an independent owner, operator and developer of wireless and broadcast communications sites in the United States, Mexico and Brazil. The Company s primary business, as discussed in note 7, is the leasing of antenna space on multi-tenant communications towers to wireless service providers and radio and television broadcast companies. The Company also operates distributed antenna systems within buildings and provides limited network development services that support its rental and management operations and the addition of new tenants and equipment on its sites.

ATC is a holding company which conducts its operations in the United States, Mexico and Brazil through operating subsidiaries. ATC s principal United States operating subsidiaries are American Towers, Inc. (ATI) and SpectraSite Communications, Inc. (SpectraSite). ATC s principal international operating subsidiary is American Tower International, Inc., which conducts operations in Mexico through its subsidiary ATC Mexico Holding Corp. (ATC Mexico) and in Brazil through its subsidiary ATC South America Holding Corp. (ATC South America).

The Company completed its merger with SpectraSite, Inc. in August 2005, as more fully described in note 3. The merger was approved by the stockholders of the Company and SpectraSite, Inc. on August 3, 2005, and the results of operations of SpectraSite have been included in the Company s accompanying condensed consolidated financial statements as of August 3, 2005.

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The financial information included herein is unaudited; however, the Company believes such information and the disclosures herein are adequate to make the information presented not misleading and reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair presentation of the Company s financial position and results of operations for such periods. Results of interim periods may not be indicative of results for the full year. These 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, 2005.

Significant Accounting Policies and Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ from those estimates, and such differences could be material to the accompanying condensed consolidated financial statements.

Except for the adoption of Statement of Financial Accounting Standards (SFAS) No. 123R Share-Based Payment (SFAS 123R) on January 1, 2006, the Company s significant accounting policies and estimates for the three months ended March 31, 2006 have not changed from December 31, 2005, as detailed in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. (See note 2.)

Loss Per Common Share Basic and diluted net loss per common share have been computed by dividing the Company s net loss by the weighted average number of common shares outstanding during the period. For the three months ended March 31, 2006 and 2005, potential common shares, including shares issuable upon exercise of options and warrants and upon conversion of the Company s convertible notes, have been excluded from the computation of diluted loss per common share, as their effect is anti-dilutive. Potential common shares excluded from the calculation of net loss per share were approximately 64.0 million and 67.9 million for the three months ended March 31, 2006 and 2005, respectively.

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

Income Taxes The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate 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 effective rate is determined.

Other Comprehensive Income (Loss) The Company s other comprehensive income (loss) is comprised of unrealized gains/losses on derivative cash flow hedges. During the three months ended March 31, 2006, the Company recorded an unrealized gain of approximately $6.3 million (net of a tax provision of approximately $3.4 million) in other comprehensive income (loss) for the change in fair value of cash flow hedges and reclassified $0.1 million (net of a tax benefit of approximately $0.1 million) into results of operations.

Reclassifications Certain reclassifications have been made to the accompanying 2005 condensed consolidated financial statements and related notes to conform to the 2006 presentation. The Company changed its classification to aggregate all segment and corporate selling, general, administrative and development expenses previously included in rental and management expense, network development services expense and corporate, general, administrative and development expense into one line item entitled selling, general, administrative and development expense. The change in classification for the three months ended March 31, 2005 resulted in decreases in rental and management expense and network development services expense of $12.0 million and $0.8 million, respectively, with a corresponding increase in selling, general, administrative and development expense of $12.8 million from amounts previously reported. The Company made this change in classification to better allow investors to evaluate the Company s rental and management segment gross margin, which is calculated based on direct tower-level expenses and does not include selling, general, administrative and development expense related to the rental and management segment. (See note 7.) The Company also believes this presentation is more consistently used by its peers in the communications site leasing industry.

2. Stock-Based Compensation

Change in Accounting for Stock-Based Compensation In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS 123R, which supersedes Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees and amends SFAS No. 95, Statement of Cash Flows. SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under this new standard, companies are no longer permitted to account for share-based compensation transactions using the intrinsic method in accordance with APB No. 25. Instead, companies are required to account for such transactions using a fair value method and recognize the related expense associated with share-based payments in the statement of operations. The Company adopted SFAS 123R as of January 1, 2006 under the modified prospective method, pursuant to which compensation expense for all share-based payments granted or modified after the effective date is recognized based upon the requirements of SFAS 123R. Accordingly, prior period amounts have not been restated. SFAS 123R requires companies to recognize stock-based compensation awards granted to employees as compensation expense on a fair value method. Under the fair value recognition provisions of SFAS 123R, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the service period, which generally represents the vesting period. The grant date fair value of stock options is calculated using the Black-Scholes option pricing model. The expense recognized over the service period is required to include an estimate of the awards that will be forfeited. Under APB No. 25, the Company previously recorded the impact of forfeitures as they occurred. The adoption of SFAS 123R resulted in incremental stock-based compensation expense of $9.0 million, which is reflected in selling, general, administrative and development expense in the accompanying statement of operations for the three months ended March 31, 2006. For the three months ended March 31, 2006, this incremental stock-based compensation expense caused income (loss) from continuing operations before income taxes, minority interest and income (loss) on equity method investments to decrease by $9.0 million, net loss to increase by $6.5 million (net of a $2.5 million tax benefit) and basic and diluted net loss per common

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

share remained unchanged. The Company did not capitalize any stock-based compensation during the three months ended March 31, 2006.

Under the provisions of SFAS 123R, the Company is no longer required to recognize unearned compensation, a contra-equity account representing the amount of unrecognized stock-based compensation expense that is reduced as expense is recognized, at the date employee stock-based awards are granted. Accordingly, as of January 1, 2006 the Company reclassified $2.5 million of unearned compensation related to unvested options assumed in the merger with SpectraSite, Inc. to additional paid-in capital.

Prior to the adoption of SFAS 123R, the Company complied with the provisions of APB No. 25 to account for equity grants and awards to employees, officers and directors and the disclosure-only provisions of SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure an amendment of SFAS No. 123, which provided optional transition guidance for those companies electing to voluntarily adopt the accounting provisions of SFAS No. 123 Accounting for Stock-Based Compensation (SFAS 123). In accordance with APB No. 25, the Company had recognized compensation expense based on the excess, if any, of the quoted stock price at the grant date of the award or other measurement date over the amount an employee must pay to acquire the stock. As such, with the exception of options that were modified after the grant date, the Company generally has not recognized compensation expense for options granted to employees.

The following table illustrates the effect on net loss and net loss per common share if the Company had recorded compensation expense for stock-based compensation in the three months ended March 31, 2005 based on the fair value recognition provisions of SFAS 123. As set forth in the table below, the pro forma net loss and pro forma net loss per share for the three months ended March 31, 2006, when calculated in accordance with the provisions of SFAS 123, is the same as when calculated in accordance with the provisions of SFAS 123R. The amounts for the three months ended March 31, 2006 are included below only to provide the detail for comparative presentation to the three months ended March 31, 2005 (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2006	2005
Net loss as reported	$ (2,585)	$ (31,561)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	6,492	133
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(6,492)	(4,187)
Pro-forma net loss	$ (2,585)	$ (35,615)
Basic and diluted net loss per share as reported	$ (0.01)	$ (0.14)
Basic and diluted net loss per share pro forma	$ (0.01)	$ (0.15)

Summary of Stock-Based Compensation Plans The Company maintains a stock option plan for directors, officers and employees (the ATC Plan), which provides for non-qualified and incentive stock options. Exercise prices in the case of incentive stock options are not less than the fair market value of the underlying common stock on the date of grant. Exercise prices in the case of non-qualified stock options are set at the discretion of the Company s Board of Directors (which to date has not been less than the fair market value on the date of grant). Option grants generally vest ratably over various periods, typically four years, commencing one year from the date of grant. Option grants generally expire ten years from the date of grant. The Company uses newly issued shares to settle option exercises. In August 2005, in connection with the merger with SpectraSite, Inc., the Company assumed stock options granted under the SpectraSite, Inc. 2003 Equity Incentive Plan (the SpectraSite

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

Plan). Upon completion of the merger, the assumed SpectraSite, Inc. stock options were exercisable for an aggregate of 9.9 million shares of the Company s Class A common stock. Of these options, options to purchase approximately 8.3 million shares were fully vested as of the merger date and the remaining unvested options to purchase 1.6 million shares vest monthly through the first quarter of 2008. As of March 31, 2006, options to purchase approximately 1.3 million shares of Class A common stock remained outstanding under the SpectraSite Plan. The Company does not plan to grant any additional options under the SpectraSite Plan. In addition, the Company maintains stock option plans in ATC Mexico (ATC Mexico Plan) and ATC South America (ATC South America Plan), as more fully described in note 14 to the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. No options were granted during the three months ended March 31, 2006 and no options were outstanding as of March 31, 2006 under the ATC Mexico Plan and the ATC South America Plan. During the three months ended March 31, 2005, 6,024 unvested options to purchase common stock of ATC South America were outstanding under the ATC South America Plan and no options were outstanding under the ATC Mexico Plan.

Stock Options The following table summarizes the Company s option activity for the three months ended March 31, 2006:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2006	20,403,027	$ 14.48		
Granted	4,565,725	31.49		
Exercised	(1,581,891)	9.76		
Cancelled	(300,054)	14.41		
Outstanding as of March 31, 2006	23,086,807	$ 18.19	7.45	$ 12.37
Exercisable as of March 31, 2006	9,641,042	$ 13.80	5.24	$ 16.56

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. The risk-free treasury rate is based on the U.S. Treasury yield in effect at the time of the grant. The expected life (estimated period of time outstanding) was estimated using the vesting term and historical exercise behavior of employees. The expected volatility was based on historical volatility for a period equal to the expected life of the stock options. During the year ended December 31, 2005, the Company reevaluated the assumptions used to estimate the fair value of option grants to employees. As a result, the Company lowered its expected volatility assumption for option grants to approximately 30% and increased the expected life of option grants to 6.25 years using the simplified method permitted by SEC Staff Accounting Bulletin No. 107. Key assumptions used in the pricing model for the three months ended March 31, 2006 and 2005 are as follows:

	January 1, 2006 March 31, 2006	January 1, 2005 March 31,2005

Approximate risk-free interest rate	4.36% 4.72%	4.17%
Expected life of option grants	6.25 years	4 years
Expected volatility of underlying stock	29.60%	79.20%
Expected volatility of underlying stock (ATC South America Plan)		N/A
Expected dividends	N/A	N/A

The weighted average fair values for the stock options granted during the three months ended March 31, 2006 and 2005 was $12.50 and $11.27, respectively. As of March 31, 2006, total unrecognized compensation expense

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

related to unvested share-based compensation awards granted under the option plans was approximately $107.3 million, and that cost is expected to be recognized over a weighted average period of approximately three years. The total intrinsic value for stock options exercised during the three months ended March 31, 2006 and March 31, 2005 was approximately $32.3 million and $8.7 million, respectively. The amount of cash received from the exercise of stock options was approximately $15.9 million during the three months ended March 31, 2006.

Employee Stock Purchase Plan The Company also maintains an employee stock purchase plan (ESPP) for all eligible employees. Under the ESPP, shares of the Company s Class A common stock may be purchased at six-month intervals at 85% of the lower of the fair market value on the first or the last day of each offering period. Employees may purchase shares having a value not exceeding 15% of their gross compensation during an offering period and may not purchase more than $25,000 worth of stock in a calendar year (based on market values at the beginning of each offering period). The bi-annual offering periods are in May and November of each year, and accordingly, no shares were purchased by employees during the three months ended March 31, 2006 and 2005. The fair value of the ESPP offerings is estimated on the offering period commencement date using a Black-Scholes pricing model with the expense recognized over the expected life, which is the six month offering period over which employees accumulate payroll deductions to purchase the Company s Class A common stock. The weighted average fair value for the ESPP shares for the December 2005 and December 2004 offering periods was $6.35 and $6.20, respectively.

3. Acquisition

Merger with SpectraSite, Inc. As described in note 2 to the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005, the Company completed its merger with SpectraSite, Inc. in August 2005, which the Company has accounted for under the purchase method of accounting in accordance with SFAS No. 141 Business Combinations (SFAS No. 141). Under this method of accounting, assets acquired and liabilities assumed were recorded on the Company s balance sheet at their estimated fair values as of the date of acquisition. The excess of the purchase price paid by the Company over the estimated fair value of net assets acquired has been recorded as goodwill. During the three months ended March 31, 2006, the total preliminary purchase price of approximately $3.1 billion and the preliminary allocation included in note 2 to the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 did not change significantly.

The Company is in the process of obtaining a third-party valuation of SpectraSite, Inc. s property, plant and equipment, intangible assets and certain other assets and liabilities and expects to finalize the valuation and the final purchase price allocation in the second quarter of 2006. Given the size of the SpectraSite, Inc. transaction, the values of certain assets and liabilities are based on preliminary valuations and are subject to adjustment as additional information is obtained and the third-party valuation is finalized. The primary areas of the purchase price allocation which are not yet finalized relate to the fair values of property and equipment, intangibles, restructuring and merger related liabilities, other assumed liabilities, deferred income taxes and residual goodwill. Changes to the valuation of these items may result in adjustments to depreciation and amortization and associated income taxes.

Pro Forma Financial Information The following table presents the unaudited pro forma consolidated results of operations of the Company for the three months ended March 31, 2005, as if the merger with SpectraSite, Inc. was completed as of January 1, 2005 (in thousands, except per share data):

Revenues	$ 283,302
Loss from continuing operations	(27,458)
Net loss	(27,315)
Basic and diluted net loss per common share	(0.07)

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

The pro forma amounts include the historical operating results of the Company and SpectraSite, Inc. with appropriate adjustments that give effect to depreciation, amortization and accretion, interest expense, amortization of unearned compensation relating to unvested stock options assumed, income taxes and certain conforming accounting policies of the Company. The pro forma amounts are not necessarily indicative of the operating results that would have occurred if the acquisition and related transactions had been completed at the beginning of the period presented. In addition, the pro forma amounts are not necessarily indicative of operating results in future periods.

4. Goodwill and Other Intangible Assets

The Company s net carrying amount of goodwill was approximately $2.1 billion as of March 31, 2006 and December 31, 2005, all of which related to its rental and management segment.

The following table presents summary information about the Company s intangible assets subject to amortization (in thousands):

	March 31, 2006	December 31, 2005
Acquired customer base and network location intangibles	$ 2,605,239	$ 2,606,546
Deferred financing costs	59,567	65,623
Acquired licenses and other intangibles	51,703	51,703
Total	2,716,509	2,723,872
Less accumulated amortization	(690,277)	(646,560)
Other intangible assets, net	$ 2,026,232	$ 2,077,312

The Company amortizes its intangible assets over periods ranging from three to fifteen years. Amortization of intangible assets for the three months ended March 31, 2006 was approximately $45.5 million (excluding amortization of deferred financing costs, which is included in interest expense). The Company expects to record estimated amortization expense of approximately $181.9 million for the year ended December 31, 2006, and $179.5 million, $175.3 million, $173.6 million, $170.8 million and $167.1 million, for the years ended December 31, 2007, 2008, 2009, 2010 and 2011, respectively. These amounts are subject to changes in estimates until the preliminary allocation of the SpectraSite, Inc. purchase price is finalized. (See note 3.)

5. Financing Transactions

ATI 12.25% Notes Redemption In December 2005, the Company issued a notice for the redemption on February 1, 2006 of all outstanding ATI 12.25% senior subordinated discount notes due 2008 (ATI 12.25% Notes). On February 1, 2006, the Company redeemed $227.7 million face amount ($162.1 million accreted value, net of $7.0 million fair value allocated to warrants) of ATI 12.25% Notes in accordance with the indenture at 106.125% of their accreted value for an aggregate of $179.5 million. The Company used $0.5 million in cash on hand and $179.0 million in borrowings under the Delayed Draw Term Loan component of the American Tower credit facility to fund the redemption. The Company recorded a charge of $19.9 million related to the amounts paid in excess of carrying value and write-off of deferred financing fees, which is reflected in loss on retirement of long-term obligations in the accompanying condensed consolidated statement of operations for the three months ended March 31, 2006. Upon completion of this redemption, no ATI 12.25% Notes remained outstanding.

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

3.25% Convertible Notes In March 2006, the Company issued an aggregate of 1,840,025 shares of Class A common stock upon conversion of $22.5 million principal amount of 3.25% convertible notes due August 1, 2010 (3.25% Notes). Pursuant to the terms of the indenture, the holders of the 3.25% Notes received 81.808 shares of Class A common stock for every $1,000 principal amount of notes converted. In connection with the conversion, the Company paid such holders an aggregate of $1.7 million, calculated based on the accrued and unpaid interest on the notes and the discounted value of the future interest payments on the notes. The Company recorded a charge of $1.7 million related to amounts paid in excess of carrying value, which is reflected in loss on retirement of long-term obligations in the condensed consolidated statement of operations for the three months ended March 31, 2006. As of March 31, 2006, $130.4 million principal amount of 3.25% Notes remained outstanding.

5.0% Convertible Notes The holders of the Company s 5.0% convertible notes due 2010 (5.0% Notes) have the right to require the Company to repurchase their notes prior to maturity, in February 2007. Based on the principal amount of the 5.0% Notes outstanding as of March 31, 2006, the Company may be required to repurchase up to $275.7 million principal amount of 5.0% Notes in February 2007. If this right is exercised, the Company may pay the purchase price in cash or by issuing shares of its Class A common stock, subject to certain conditions. As the noteholders have the right to require the Company to repurchase their notes in February 2007, the $275.7 million outstanding on the 5.0% Notes has been reflected in the current portion of long-term debt in the accompanying condensed consolidated balance sheet as of March 31, 2006.

Stock Repurchase Program In November 2005, the Company announced that its Board of Directors had approved a stock repurchase program for the repurchase of up to $750.0 million of the Company s Class A common stock through December 2006. The Company currently expects to complete this stock repurchase program in the second half of 2006, and upon completion, expects that it will continue its stock repurchase activity by extending or supplementing the current program with additional repurchases. The Company expects to utilize cash from operations, borrowings under its credit facilities, proceeds from stock plans, proceeds from future financings and cash on hand to fund repurchases of its Class A common stock. Under the current program, the Company s management is authorized to purchase shares from time to time in open market purchases or privately negotiated transactions at prevailing prices as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. To facilitate repurchases, the Company entered into a trading plan under Rule 10b5-1 of the Securities Exchange Act of 1934, which allows the Company to repurchase its shares during periods when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. The program may be discontinued at any time. During the three months ended March 31, 2006, the Company repurchased 5.5 million shares of its Class A common stock for an aggregate of $165.5 million, of which $155.0 million was paid in cash prior to March 31, 2006 and $10.5 million was included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet as of March 31, 2006. As of March 31, 2006, the Company had repurchased an aggregate of 8.3 million shares of its Class A common stock for an aggregate of $242.1 million pursuant to its stock repurchase program.

Credit Facilities In October 2005, the Company refinanced the two existing credit facilities of its principal operating subsidiaries. The Company replaced the existing American Tower $1.1 billion senior secured credit facility with a new $1.3 billion senior secured credit facility and replaced the existing SpectraSite $900.0 million senior secured credit facility with a new $1.15 billion senior secured credit facility.

During the three months ended March 31, 2006, the Company drew down $179.0 million of the Delayed Draw Term Loan component of the new American Tower credit facility to finance the redemption of the remaining outstanding ATI 12.25% Notes. The American Tower credit facility provides that any portion of the Delayed Draw Term Loan component that is not drawn as of October 27, 2006 will be canceled.

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

As of March 31, 2006, the American Tower credit facility consists of the following:

- a $300.0 million revolving credit facility, against which approximately $17.8 million of undrawn letters of credit are outstanding at March 31, 2006, maturing on October 27, 2010;
- a $750.0 million Term Loan A, which is fully drawn, maturing on October 27, 2010; and
- a $250.0 million Delayed Draw Term Loan, of which $222.0 million was drawn at March 31, 2006, maturing on October 27, 2010.

The borrowers under the American Tower credit facility include ATI, American Tower, L.P., American Tower International, Inc. and American Tower LLC. The Company and the borrowers restricted subsidiaries (as defined in the loan agreement) have guaranteed all of the loans under the credit facility. These loans are secured by liens on and security interests in substantially all assets of the borrowers and the restricted subsidiaries, with a carrying value aggregating approximately $4.5 billion at March 31, 2006. For more information regarding the American Tower credit facility, see note 7 to the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

As of March 31, 2006, the SpectraSite credit facility consists of the following:

- a $250.0 million revolving credit facility, against which approximately $4.6 million of undrawn letters of credit were outstanding at March 31, 2006, maturing on October 27, 2010;
- a $700.0 million Term Loan A, which is fully drawn, maturing on October 27, 2010; and
- a $200.0 million Delayed Draw Term Loan, none of which was drawn at March 31, 2006, maturing on October 27, 2010.

The borrower under the SpectraSite credit facility is SpectraSite Communications, Inc. (SpectraSite). SpectraSite, its parent company (SpectraSite, LLC), and its restricted subsidiaries (as defined in the loan agreement) have guaranteed all of the loans under the credit facility. These loans are secured by liens on and security interests in substantially all assets of the borrower and the restricted subsidiaries, with a carrying value aggregating approximately $4.0 billion at March 31, 2006. The SpectraSite credit facility provides that any portion of the Delayed Draw Term Loan component that is not drawn as of October 27, 2006 will be canceled. For more information regarding the SpectraSite credit facility, see note 7 to the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

6. Merger Related Costs and Restructuring

Merger Related Costs In connection with the Company s merger with SpectraSite, Inc., the Company assumed certain obligations related to employee separation costs of former SpectraSite, Inc. employees. Severance payments made to former SpectraSite, Inc. employees were subject to plans and agreements established by SpectraSite, Inc. and assumed by the Company in connection with the merger. These costs were recognized as an assumed liability in the preliminary purchase price allocation. In addition, the Company also incurred certain merger related costs for additional employee retention and separation costs incurred during the three months ended March 31, 2006. The following table displays the activity with respect to this accrued liability for the three months ended March 31, 2006 (in thousands):

	Liability as of January 1, 2006	Expense	Cash Payments	Liability as of March 31, 2006
Employee separations	$ 20,963	$ 488	$ (5,040)	$ 16,411

11

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

As described in note 3, there have been and may be additional changes in estimates of the assumed liability until the allocation of the preliminary purchase price is finalized. The current portion of the liability for both restructuring and merger related expenses of $10.9 million is reflected in accounts payable and accrued expenses, and the long-term portion of the liability of $5.5 million is reflected in other long-term liabilities, in the accompanying consolidated balance sheets as of March 31, 2006 and December 31, 2005, respectively. The Company expects to pay the long-term portion of the merger related liabilities through the third quarter of 2008.

7. Business Segments

The Company operates in two business segments: rental and management (R&M) and network development services (Services). The R&M segment provides for the leasing and subleasing of antenna space on multi-tenant communications towers and other properties and licensing of distributed antenna systems within buildings for a diverse range of customers primarily in the wireless communications and broadcast industries. The Services segment offers services activities that support the Company s rental and management operations and the addition of new tenants and equipment on the Company s towers, including site acquisition, zoning, permitting and structural analysis.

The accounting policies applied in compiling segment information below are similar to those described in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. In evaluating financial performance, management focuses on segment gross margin and segment operating profit (loss). The Company defines segment gross margin as segment revenue less segment operating expenses excluding depreciation, amortization and accretion; selling, general, administrative and development expense; and impairments, net loss on sale of long-lived assets, restructuring and merger related expense. The Company s definition of segment operating profit is the same as segment gross margin, but includes selling, general, administrative and development expense attributable to the segment and excludes stock-based compensation expense and corporate expenses. These measures of segment gross margin and segment operating profit (loss) are also before interest income, interest expense, loss on retirement of long-term obligations, other income (expense), minority interest in net earnings of subsidiaries, income (loss) on equity method investments, income taxes and discontinued operations. For reporting purposes, the rental and management segment includes interest income, TV Azteca, net.

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

The Company s reportable segments are strategic business units that offer different services. They are managed separately because each segment requires different resources, skill sets and marketing strategies. Summarized financial information concerning the Company s reportable segments for the three months ended March 31, 2006 and 2005 is shown in the tables below. The Other column below represents amounts excluded from specific segments, such as depreciation, amortization and accretion expense; non-cash stock-based compensation expense and corporate expenses included in selling, general, administrative and development expense; impairments, net loss on sale of long-lived assets, restructuring and merger related expense; interest income; interest expense; loss on retirement of long-term obligations; and other income (expense).

Three months ended March 31,	R&M	Services	Other	Total
		(in thousands)		
2006				
Segment revenues	$ 316,259	$ 4,150		$ 320,409
Segment operating expenses	79,541	2,071		81,612
Interest income, TV Azteca, net	3,498			3,498
Segment gross margin	240,216	2,079		242,295
Selling, general, administrative and development expenses	15,746	1,053	$ 18,176	34,975
Other expenses			205,522	205,522
Operating profit (loss)	$ 224,470	$ 1,026	$ (223,698)	$ 1,798

Three months ended March 31,	R&M	Services	Other	Total
		(in thousands)		
2005				
Segment revenues	$ 181,570	$ 2,785		$ 184,355
Segment operating expenses	48,225	1,432		49,657
Interest income, TV Azteca, net	3,498			3,498
Segment gross margin	136,843	1,353		138,196
Selling, general, administrative and development expenses	11,955	770	$ 6,973	19,698
Other expenses			153,137	153,137
Operating profit (loss)	$ 124,888	$ 583	$ (160,110)	$ (34,639)

8. Commitments and Contingencies

Verestar Verestar, Inc., a subsidiary of the Company (Verestar), filed for protection under Chapter 11 of the federal bankruptcy laws in December 2003. In connection with the bankruptcy filing, the Company asserted certain claims against Verestar as an unsecured creditor. If Verestar fails to honor certain of its contractual obligations because of its bankruptcy filing or otherwise, claims may be made against the Company for breaches by Verestar of those contracts as to which the Company is primarily or secondarily liable as a guarantor. The Company accrued its initial estimate of costs to settle these obligations and the remaining liability of $3.2 million is included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets as of March 31, 2006 and December 31, 2005.

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

In June 2004, the Bankruptcy Court approved a stipulation between Verestar and the Official Committee of Unsecured Creditors appointed in the bankruptcy proceeding (the Committee) that permits the Committee to file claims on behalf of Verestar against the Company, its affiliates and certain current and former officers and directors of Verestar and the Company. The Committee requested and received authorization from the Bankruptcy Court to take discovery of the Company and certain of Verestar s current and former officers and directors. The Company produced various documents and a limited number of depositions were conducted by the Committee. In July 2005, the Committee filed a complaint in the U.S. District Court for the Southern District of New York against the Company and certain of its and Verestar s current and former officers, directors and advisors, and also filed a complaint in the Bankruptcy Court against the Company. (The case initially filed in the District Court has since been transferred to the Bankruptcy Court, and both cases are now pending as a single, consolidated case before the same Bankruptcy judge.) The Company may be obligated or may agree to indemnify certain of the defendants named in the litigation. The complaint originally filed in the District Court asserts various causes of action against the defendants, including declaratory judgment for alter ego, breach of fiduciary duty, conversion, conspiracy, tortious interference with contract and business relations, deepening insolvency, and avoidance and recovery of fraudulent transfers and preferential transfers. In connection with those claims, the Committee is seeking unspecified compensatory damages of not less than $150.0 million, punitive damages and various costs and fees. The complaint originally filed in the Bankruptcy Court includes an objection to the Company s claims against Verestar and seeks to recharacterize and equitably subordinate those claims. The complaint also seeks substantive consolidation of the Company s assets and liabilities with Verestar s assets and liabilities. During 2005, the Company, together with the individual defendants, filed motions to dismiss certain claims asserted in the complaints. In February 2006, the Bankruptcy Court heard oral arguments on the motions to dismiss, but has not yet decided any of the motions. The outcome of this complex litigation cannot be predicted by the Company with certainty, is dependent upon many factors beyond the Company s control, and could take several years to resolve. In the opinion of management, the resolution of the claims made against the Company by the Committee will not likely have a material adverse effect on the Company s consolidated financial position, results of operations or liquidity. Finally, the Company will incur additional costs in connection with its involvement in the Verestar bankruptcy proceedings. Such costs will be recorded as incurred and reflected within discontinued operations in the accompanying condensed consolidated financial statements.

SBC Transactions SpectraSite entered into an agreement with SBC Communications Inc. (SBC) for the lease or sublease of approximately 2,500 towers from SBC between December 2000 and August 2004. The average term of the lease or sublease for all sites at the inception of the agreement was approximately 27 years, assuming renewals or extensions of the underlying ground leases for the sites. SpectraSite has the option to purchase the sites subject to the lease or sublease upon their expiration. Each of the towers is assigned into an annual tranche, ranging from 2013 to 2032, which represents the outside expiration date for the sublease rights to that tower. The purchase price for each site is a fixed amount stated in the sublease for that site plus the fair market value of certain alterations made to the related tower by SBC. The aggregate purchase option price for the towers leased and subleased was approximately $289.1 million as of March 31, 2006, and will accrete at a rate of 10% per year to the applicable expiration of the lease or sublease of a site. For all such sites purchased by SpectraSite at the expiration of the lease or sublease, SBC has the right to continue to lease the reserved space for successive one year terms at a rent equal to the lesser of the agreed upon market rate and the then current monthly fee, which is subject to an annual increase based on changes in the Consumer Price Index.

ALLTEL Transaction In December 2000, the Company entered into an agreement with ALLTEL Communications, Inc. (ALLTEL) to acquire communications towers from ALLTEL through a 15-year sublease agreement. Pursuant to the agreement with ALLTEL, as amended, the Company acquired rights to a total of 1,776 towers in tranches between April 2001 and March 2002. The Company has the option to purchase these towers at the expiration of the sublease period, which will occur between April 2016 and March 2017 based on the original closing date for such tranche of towers. The purchase price per tower as of the original closing date

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

was $27,500 and will accrete at a rate of 3% per annum through the expiration of the sublease period. The aggregate purchase option price for the subleased towers was approximately $56.6 million as of March 31, 2006. At ALLTEL s option, at the expiration of the sublease period the purchase price will be payable in cash or with 769 shares of the Company s Class A common stock per tower.

Litigation The Company periodically becomes involved in various claims and lawsuits that are incidental to its business. In the opinion of Company management, after consultation with counsel, other than the litigation related to the Verestar bankruptcy discussed above, there are no matters currently pending which would, in the event of adverse outcome, have a material impact on the Company s consolidated financial position, results of operations or liquidity.

Build-to-Suit Agreements As of March 31, 2006, the Company was party to various arrangements relating to the construction of tower sites under existing build-to-suit agreements. During the three months ended March 31, 2006, the Company completed construction on 30 towers in Mexico pursuant to these build-to-suit agreements for an aggregate cost of approximately $4.7 million. As of March 31, 2006, the Company had completed construction on a total 197 towers in Mexico under the terms of these agreements, and the Company is obligated over a two-year remaining period to construct approximately 110 additional towers in Mexico for an aggregate cost of approximately $18.3 million.

9. ATC International Transactions

ATC South America In October 2005, J. Michael Gearon (Mr. Gearon), an executive officer of the Company, exercised his previously disclosed right to require the Company to repurchase his 1.6% interest in ATC South America. In April 2006, the Company completed the purchase of Mr. Gearon s interest in ATC South America. (See note 10.)

In October 2005, in connection with the exercise by Mr. Gearon of his right to require the Company to repurchase his interest in ATC South America, all 6,024 options granted pursuant to the ATC South America Plan vested in full and were exercised. Upon exercise of these options, the holders received 4,428 shares of ATC South America, net of 1,596 shares retained by the Company to satisfy employee tax withholding obligations. These holders, who include William H. Hess (Mr. Hess), an executive officer of the Company, and Mr. Gearon, could require the Company to purchase their shares of ATC South America at their then fair market value six months following their issuance. In April 2006, this repurchase right was exercised, and the Company completed the purchase of these interests in ATC South America. (See note 10.)

The 1,596 shares retained by the Company were treated as a repurchase of a minority interest in accordance with SFAS No. 141. As a result, the Company has recorded a preliminary purchase price allocation adjustment of $5.6 million as an increase to intangible assets and a corresponding increase in minority interest as of the date of acquisition. The preliminary purchase price will be finalized in the second quarter of 2006, but is not expected to significantly impact depreciation and amortization expense when finalized.

10. Subsequent Events

Issuer Purchases of Equity Securities Between April 1, 2006 and May 3, 2006, the Company repurchased 2.2 million shares of its Class A common stock for an aggregate of $70.8 million pursuant to its stock repurchase program. The Company funded these repurchases using cash on hand, cash from operations and by drawing down $28.0 million of the Delayed Draw Term Loan component of the American Tower credit facility. As discussed in note 5 above, the Company s Board of Directors approved a stock repurchase program in November 2005 for the repurchase of up to $750.0 million of the Company s Class A common stock. As of May 3, 2006,

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

the Company had repurchased a total of 10.5 million shares of its Class A common stock for an aggregate of $312.9 million pursuant to its stock repurchase program.

ATC South America In April 2006, the Company repurchased from stockholders of ATC South America the remaining interest in ATC South America that it did not own. Giving effect to the repurchases described below, the Company owns 100% of ATC South America. In April 2006, the Company paid Mr. Gearon $3.8 million in cash, including interest, in consideration for his 1.6% interest in ATC South America, which was the fair market value of Mr. Gearon s interest on the date of exercise of his repurchase right, as determined by the Company s Board of Directors with the assistance of an independent financial advisor. Also in April 2006, the Company repurchased 4,428 shares of ATC South America common stock held by employees, including Messrs. Gearon and Hess, as a result of exercises of options to purchase ATC South America common stock granted pursuant to the ATC South America Plan. The Company paid these employees an aggregate of $18.9 million in cash in consideration for their interests in ATC South America, which was the fair market value of their interests on the date of exercise of their repurchase right, as determined by the Company s Board of Directors with the assistance of an independent financial advisor.

Sale of Office Facility In April 2006, the Company entered into an agreement to sell its office facility in Cary, North Carolina, consisting of an office building of approximately 110,000 square feet and approximately 20 acres of land, for approximately $14.8 million in cash. The Company expects to receive approximately $13.1 million at the initial closing for the sale, which will likely take place in the second quarter of 2006, and approximately $1.7 million one year from the date of the initial closing. In connection with the sale of the facility, the Company expects to enter into a lease agreement with the new owner for approximately 27,000 square feet of space in the facility.

11. Subsidiary Guarantees

The ATI 7.25% Notes are fully and unconditionally guaranteed on a joint and several basis by ATI, American Tower L.P., American Tower LLC, American Tower International, Inc. and substantially all of their wholly owned domestic subsidiaries (collectively, the Guarantor Subsidiaries), as well as by American Tower Corporation (the Parent). Prior to the Company s redemption of the ATI 12.25% Notes in February 2006, the ATI 12.25% Notes were likewise fully and unconditionally guaranteed on a joint and several basis by ATI, the Guarantor Subsidiaries and the Parent. The ATI 7.25% Notes and the subsidiary guarantees under the ATI 7.25% Notes are subordinated to all indebtedness under the American Tower credit facility and the SpectraSite credit facility.

The following condensed consolidating financial data illustrates the composition of the Parent, ATI and the combined Guarantor Subsidiaries, as well as the non-guarantor subsidiaries. As SpectraSite is not a Guarantor Subsidiary under the ATI 7.25% Notes, financial data for SpectraSite and its subsidiaries is included with the information for the non-guarantor subsidiaries. These statements have been prepared in accordance with the rules and requirements of the SEC and the requirements contained in the ATI 7.25% Notes indenture. The Company believes that separate complete financial statements of the respective guarantors would not provide additional material information that would be useful in assessing the financial composition of the guarantors. No single guarantor has any significant legal restrictions on the ability of investors or creditors to obtain access to its assets in event of default on the subsidiary guarantee other than its subordination to the American Tower credit facility and the SpectraSite credit facility.

Investments in subsidiaries are accounted for by the Company under the equity method for purposes of the supplemental consolidating presentation. In addition, ATI and the Guarantor Subsidiaries account for their subsidiaries that are not guarantors under the equity method. (Earnings) losses of subsidiaries accounted for

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

under the equity method are therefore reflected in their parents investment accounts. In addition, for presentation purposes, the Company has reflected its net deferred tax asset in the Parent column in the following condensed consolidating financial data. Intercompany receivables and payables related to deferred taxes are reflected in investments in and advances to subsidiaries in the following condensed consolidating financial data. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

Subsequent to the issuance of the Company s condensed consolidated financial statements for the quarter ended March 31, 2005, management determined that the previously presented condensed consolidating financial data did not reflect certain intercompany loans, related interest and management fees. The current presentation has been restated to reflect all intercompany activity related to these entities. The changes in presentation did not effect the Company s consolidated financial position or results of operations, nor did the changes adversely impact the Company s compliance with debt covenants or ratios.

The following schedule reconciles net (loss) income previously reported in the Company s condensed consolidating statements of operations for the three months ended March 31, 2005, to the restated amounts (in thousands):

	Parent	ATI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
As previously reported:						
Net (loss) income	$ (31,561)	$ (21,558)	$ 12,456	$ 12,454	$ (3,352)	$ (31,561)
As restated:						
Net (loss) income	$ (31,561)	$ (34,472)	$ 25,370	$ (2,085)	$ 11,187	$ (31,561)

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET

MARCH 31, 2006

(in thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
ASSETS						
CURRENT ASSETS:						
Cash & cash equivalents	$ 780	$ 40,647	$ 111	$ 44,035		$ 85,573
Accounts receivable, net		19,436	1,802	11,978		33,216
Prepaid & other current assets	4,445	26,050		46,771		77,266
Deferred income taxes	8,119			23,240		31,359
Total current assets	13,344	86,133	1,913	126,024		227,414
PROPERTY AND EQUIPMENT, NET		1,775,660	17,581	1,593,021		3,386,262
INTANGIBLE ASSETS, NET	24,322	1,260,837	48,481	2,835,096		4,168,736
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES	5,226,159	24,709	55,709		$ (5,306,577)	
INTERCOMPANY NOTES (PAYABLE) RECEIVABLE		(1,347,118)	1,733,461	(386,343)		
OTHER LONG-TERM ASSETS	663,459	201,988	25	19,548		885,020
TOTAL	$ 5,927,284	$ 2,002,209	$ 1,857,170	$ 4,187,346	$ (5,306,577)	$ 8,667,432
LIABILITIES AND STOCKHOLDERS EQUITY						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 40,907	$ 96,339	$ 266	$ 90,150		$ 227,662
Current portion of long-term obligations	275,727	1,153		591		277,471
Other current liabilities		36,403	231	34,456		71,090
Total current liabilities	316,634	133,895	497	125,197		576,223
LONG-TERM OBLIGATIONS	1,201,559	1,395,289		735,232		3,332,080
OTHER LONG-TERM LIABILITIES	3,086	169,402	98	164,992		337,578
Total liabilities	1,521,279	1,698,586	595	1,025,421		4,245,881

MINORITY INTEREST IN SUBSIDIARIES				9,922		9,922
STOCKHOLDERS EQUITY	4,406,005	303,623	1,856,575	3,152,003	(5,306,577)	4,411,629
TOTAL	$ 5,927,284	$ 2,002,209	$ 1,857,170	$ 4,187,346	$ (5,306,577)	$ 8,667,432

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2006

(in thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
Operating revenues		$ 165,575	$ 1,580	$ 153,254		$ 320,409
Operating expenses		126,321	1,664	123,377		251,362
Operating income from continuing operations		39,254	(84)	29,877		69,047
Other income (expense):						
Interest income, TV Azteca, net				3,498		3,498
Interest (expense) income, net	$ (21,292)	(48,673)	36,406	(19,340)		(52,899)
Other (expense) income	(1,664)	(19,896)	(2,381)	6,093		(17,848)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND EQUITY METHOD INVESTMENTS	(22,956)	(29,315)	33,941	20,128		1,798
Income tax benefit (provision)	7,452	8,187	(11,880)	(7,571)		(3,812)
Minority interest in net earnings of subsidiaries				(257)		(257)
Income on equity method investments		4				4
Equity in income (loss) of subsidiaries, net of income taxes recorded at the subsidiary level	13,237	569	5,981		$ (19,787)	
(LOSS) INCOME FROM CONTINUING OPERATIONS	(2,267)	(20,555)	28,042	12,300	(19,787)	(2,267)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT	(318)					(318)
NET (LOSS) INCOME	$ (2,585)	$ (20,555)	$ 28,042	$ 12,300	$ (19,787)	$ (2,585)

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2006

(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated Totals
CASH FLOWS (USED FOR) PROVIDED BY OPERATING ACTIVITIES	$ (16,507)	$ 62,034	$ 37,680	$ 68,489	$ 151,696
CASH FLOWS USED FOR INVESTING ACTIVITIES:					
Payments for purchase of property and equipment and construction activities		(13,256)	(38)	(15,082)	(28,376)
Payments for acquisitions	(322)			(402)	(724)
Proceeds from sale of businesses and other long-term assets		1,506		130	1,636
Deposits and other investing activities		180		(230)	(50)
Cash used for investing activities	(322)	(11,570)	(38)	(15,584)	(27,514)
CASH FLOWS USED FOR FINANCING ACTIVITIES:					
Borrowings under credit facilities		179,000			179,000
Repayment of notes payable, credit facilities and capital leases	(1,664)	(179,938)		(422)	(182,024)
Purchases of Class A common stock	(162,680)				(162,680)
Net proceeds from stock options and warrants	16,179				16,179
Deferred financing costs and other financing activities		(1,171)		(614)	