AMERICAN TOWER CORP /MA/
Form 10-Q
August 06, 2008
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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 June 30, 2008**

¨ **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, 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 July 25, 2008, there were 393,942,013 shares of Class A Common Stock outstanding.

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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)

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 152,130	$ 33,123
Restricted cash	51,160	53,684
Short-term investments and available-for-sale securities	11,786	7,224
Accounts receivable, net of allowances	40,774	40,316
Prepaid and other current assets	63,177	71,264
Deferred income taxes	40,124	40,063
Total current assets	359,151	245,674
PROPERTY AND EQUIPMENT, net	3,010,919	3,045,186
GOODWILL	2,188,312	2,188,312
OTHER INTANGIBLE ASSETS, net	1,637,334	1,686,434
DEFERRED INCOME TAXES	519,404	479,854
NOTES RECEIVABLE AND OTHER LONG-TERM ASSETS	550,420	484,997
TOTAL	$ 8,265,540	$ 8,130,457
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 138,017	$ 175,464
Accrued interest	30,591	33,702
Current portion of long-term obligations	1,699	1,817
Unearned revenue	108,863	106,395
Total current liabilities	279,170	317,378
LONG-TERM OBLIGATIONS	4,419,017	4,283,467
OTHER LONG-TERM LIABILITIES	539,621	504,178
Total liabilities	5,237,808	5,105,023
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARIES	3,231	3,342
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, 456,642,665 and 452,759,969 shares issued, and 396,197,782 and 399,518,542 shares outstanding, respectively	4,566	4,527
Additional paid-in capital	7,856,784	7,772,382
Accumulated deficit	(2,502,432)	(2,703,373)

Accumulated other comprehensive income (loss)	806	(3,626)
Treasury stock (60,444,883 and 53,241,427 shares at cost, respectively)	(2,335,223)	(2,047,818)
Total stockholders equity	3,024,501	3,022,092
TOTAL	$ 8,265,540	$ 8,130,457

See notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
REVENUES:				
Rental and management	$ 384,343	$ 350,775	$ 758,326	$ 696,804
Network development services	9,385	7,648	17,586	14,093
Total operating revenues	393,728	358,423	775,912	710,897
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below)				
Rental and management	91,952	85,910	178,883	169,671
Network development services	4,922	4,132	8,549	7,654
Depreciation, amortization and accretion	99,697	131,637	196,769	261,831
Selling, general, administrative and development expense (including stock-based compensation expense of $13,597, $11,546, $29,862 and $28,214, respectively)	41,784	42,063	90,693	90,706
Impairments, net loss on sale of long-lived assets	583	1,385	1,372	1,629
Total operating expenses	238,938	265,127	476,266	531,491
OPERATING INCOME	154,790	93,296	299,646	179,406
OTHER (EXPENSE) INCOME:				
Interest income, TV Azteca, net of interest expense of $372, $372, $745 and $745, respectively	3,584	3,584	7,125	7,082
Interest income	979	3,224	1,942	6,841
Interest expense	(62,508)	(58,384)	(128,022)	(111,658)
Loss on retirement of long-term obligations	(211)	(28,908)	(236)	(33,060)
Other (expense) income	(1,326)	13,874	(2,104)	16,872
Total other expense	(59,482)	(66,610)	(121,295)	(113,923)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND INCOME ON EQUITY METHOD INVESTMENTS	95,308	26,686	178,351	65,483
Income tax provision	(44,535)	(14,566)	(85,336)	(32,197)
Minority interest in net earnings of subsidiaries	(98)	(96)	(171)	(184)
Income on equity method investments	8	6	13	8
INCOME FROM CONTINUING OPERATIONS	50,683	12,030	92,857	33,110
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT (PROVISION) OF $104,926, $11, $104,938 and $(607), RESPECTIVELY	108,103	(32,021)	108,084	(30,873)
NET INCOME (LOSS)	$ 158,786	$ (19,991)	$ 200,941	$ 2,237
NET INCOME (LOSS) PER COMMON SHARE AMOUNTS:				
BASIC:				
Income from continuing operations	$ 0.13	$ 0.03	$ 0.23	$ 0.08
Income (loss) from discontinued operations	0.27	(0.08)	0.27	(0.07)
Net income (loss)	$ 0.40	$ (0.05)	$ 0.51	$ 0.01

DILUTED:				
Income from continuing operations	$ 0.12	$ 0.03	$ 0.23	$ 0.08
Income (loss) from discontinued operations	0.26	(0.08)	0.26	(0.07)
Net income (loss)	$ 0.38	$ (0.05)	$ 0.48	$ 0.01
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	396,935	417,682	397,031	419,644
DILUTED	421,617	429,846	422,488	435,464

See notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS Unaudited

(in thousands)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 200,941	$ 2,237
Stock-based compensation expense	29,862	28,214
Depreciation, amortization and accretion	196,769	261,831
Deferred income taxes related to discontinued operations	(104,938)	607
Other non-cash items reflected in statements of operations	70,574	97,031
Increase in net deferred rent asset	(12,983)	(24,006)
Increase in restricted cash	(1,341)	(21,608)
(Increase) decrease in assets	(5,402)	56,894
Decrease in liabilities	(14,349)	(19,036)
Cash provided by operating activities	359,133	382,164
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchase of property and equipment and construction activities	(97,318)	(67,586)
Payments for acquisitions	(32,135)	(13,996)
Proceeds from sale of available-for-sale securities and other long-term assets	2,354	16,281
Deposits, restricted cash and investments	(1,849)	(26,236)
Cash used for investing activities	(128,948)	(91,537)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Certificates in securitization transaction		1,750,000
Borrowings under credit facilities	475,000	1,350,000
Repayments of notes payable, credit facilities and capital leases	(326,326)	(2,611,686)
Purchases of Class A common stock	(296,566)	(913,237)
Proceeds from stock options, warrants and stock purchase plan	40,376	101,863
Deferred financing costs and other financing activities	(3,662)	(35,810)
Cash used for financing activities	(111,178)	(358,870)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,007	(68,243)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,123	281,264
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 152,130	$ 213,021
CASH PAID FOR INCOME TAXES	$ 21,806	$ 14,979
CASH PAID FOR INTEREST	$ 126,402	$ 126,134

See notes to unaudited condensed consolidated financial statements.

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, Brazil and India. The Company s primary business is the leasing of antenna space on multi-tenant communications sites to wireless service providers and radio and television broadcast companies. The Company also manages rooftop and tower sites for third parties, operates distributed antenna systems, and provides network development services that are complementary to its rental and management operations and that facilitate the addition of new tenants and equipment on its sites.

ATC is a holding company that conducts its operations through its directly and indirectly owned subsidiaries. ATC s principal United States operating subsidiaries are American Towers, Inc. (ATI) and SpectraSite Communications, LLC (SpectraSite). ATC conducts its international operations through its subsidiary, American Tower International, Inc., which in turn conducts operations through its international operating subsidiaries. The Company s international operations consist primarily of its operations in Mexico and Brazil, which it conducts in Mexico through ATC Mexico Holding Corp. (ATC Mexico) and in Brazil through ATC South America Holding Corp. (ATC South America).

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, 2007.

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.

Estimated Useful Lives of Assets During the second half of 2007, the Company undertook a review of the estimated useful lives of its tower assets to determine if it should modify its estimates for asset lives based on its historical operating experience. The Company retained an independent consultant to assist it in completing this review and received a report from the consultant in the first quarter of 2008. Through December 31, 2007, the Company depreciated its towers on a straight-line basis over the shorter of the term of the underlying ground lease (including renewal options) or the estimated useful life of the tower, which the Company had historically estimated to be 15 years. Additionally, certain of the Company s intangible assets are amortized on a similar basis to the tower assets, as the estimated useful lives of such intangibles correlate to the useful life of the towers.

The Company completed the review of the estimated useful lives of its tower assets in the first quarter of 2008. Based on this review, the Company revised the estimated useful lives of its towers and certain related intangible assets from its historical estimate of 15 years to a revised estimate of 20 years, effective January 1, 2008. The Company accounted for the change in estimated useful lives as a change in estimate under Statement of Financial Accounting Standards (SFAS) No. 154 Accounting Changes and Error Corrections. The impact of the change in estimate was accounted for prospectively effective January 1, 2008, which, for the three and six months ended June 30, 2008, resulted in a reduction in depreciation and amortization expense of approximately

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

$30.8 million and $61.0 million, respectively, and an increase in net income, net of tax, of approximately $19.2 million and $38.1 million, respectively. The Company also expects the change in estimate to decrease depreciation and amortization expense for the year ended December 31, 2008 by approximately $122.0 million as compared to the year ended December 31, 2007.

Stock-Based Compensation: Expected Life of Stock Options As described in note 5, the Company adopted SEC Staff Accounting Bulletin (SAB) No. 110 Share Based Payment (SAB No. 110) effective January 1, 2008 and changed the expected life of stock options granted after January 1, 2008.

Restricted Cash The Company classifies as restricted cash all cash pledged as collateral to secure obligations and all cash whose use is otherwise limited by contractual provisions, including cash on deposit in reserve accounts relating to the Commercial Mortgage Pass-Through Certificates, Series 2007-1 described in note 3 to the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

Short-Term Investments and Available-For-Sale Securities As of June 30, 2008, short-term investments and available-for-sale securities includes government bonds of approximately $11.2 million with remaining maturities (when purchased) in excess of three months and approximately $0.6 million of available-for-sale securities.

Fair Value Measurements Effective January 1, 2008, the Company adopted Financial Accounting Standards Board (FASB) SFAS No. 157 Fair Value Measurements (SFAS No. 157) for all financial assets and liabilities. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. This statement requires quantitative disclosures about fair value measurements for each major category of assets and liabilities measured at fair value on a recurring and non-recurring basis during a period. In February 2008, the FASB issued FASB Staff Positions (FSP) 157-1 and 157-2. FSP 157-1 amends SFAS No. 157 to exclude SFAS No. 13, Accounting for Leases, (SFAS No. 13) and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of the application to January 1, 2009 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis (that is, at least annually). The adoption had no impact on the condensed consolidated results of operations or financial position included herein, but requires that the Company provide additional required disclosures in the notes to its consolidated financial statements issued after the effective date. For more information see note 7.

Earnings Per Common Share Basic and Diluted Basic income from continuing operations per common share for the three and six months ended June 30, 2008 and 2007 represents income from continuing operations divided by the weighted average number of common shares outstanding during the period. Diluted income from continuing operations per common share for the three and six months ended June 30, 2008 and 2007 represents income from continuing operations divided by the weighted average number of common shares outstanding during the period and any dilutive common share equivalents, including shares issuable upon exercise of stock options and warrants as determined under the treasury stock method and upon conversion of the Company s convertible notes, as determined under the if-converted method. For the three and six months ended June 30, 2008, the weighted average number of common shares outstanding excludes shares issuable upon conversion of the Company s convertible notes of 1.2 million and shares issuable upon exercise of the Company s stock options of 6.2 million and 6.0 million, respectively, as the effect would be anti-dilutive. For the three and six months ended June 30, 2007, the weighted average number of common shares outstanding excludes shares issuable upon conversion of the Company s convertible notes of 18.0 million and 19.0 million, respectively, and

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

shares issuable upon exercise of the Company s stock options of 6.8 million and 7.7 million, respectively, as the effect would be anti-dilutive.

The following table sets forth basic and diluted income from continuing operations per common share computational data for the three and six months ended June 30, 2008 and 2007 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Income from continuing operations	$ 50,683	$ 12,030	$ 92,857	$ 33,110
Effect of convertible notes	1,606	129	3,328	494
Income available to common shareholders, as adjusted for diluted earnings	$ 52,289	$ 12,159	$ 96,185	$ 33,604
Basic weighted average common shares outstanding	396,935	417,682	397,031	419,644
Dilutive securities:				
Stock options, warrants and convertible notes	24,682	12,164	25,457	15,820
Diluted weighted average common shares outstanding	421,617	429,846	422,488	435,464
Basic income from continuing operations per common share	$ 0.13	$ 0.03	$ 0.23	$ 0.08
Diluted income from continuing operations per common share	$ 0.12	$ 0.03	$ 0.23	$ 0.08

Total Comprehensive Income (Loss) Total comprehensive income (loss) for the three and six months ended June 30, 2008 and 2007 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Total comprehensive income (loss)	$ 170,729	$ (24,657)	$ 205,373	$ (10,653)

Total comprehensive income (loss) is comprised of net income (loss) and changes in the fair value of available-for-sale securities and derivative instruments.

Recent Accounting Pronouncements In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Liabilities Including an amendment of FASB Statement No. 115 (SFAS No. 159). This statement provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 was effective for the Company as of January 1, 2008. The Company did not elect the fair value option allowed under SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141R changes the accounting for acquisitions by eliminating the step acquisition model, providing that contingent consideration be recognized at the time of acquisition (instead of being recognized when it is probable), disallowing the capitalization of transaction costs, and changing when restructurings related to acquisitions can be recognized. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective for the Company for acquisitions made after the January 1, 2009 effective date. The Company is in the process of evaluating the impact of the adoption of SFAS No. 141R.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS No. 160 establishes consolidating parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for the Company as of January 1, 2009. The Company is in the process of evaluating the impact the adoption of SFAS No. 160 will have on its consolidated results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS No. 161). This statement changes disclosure requirements and requires entities to provide enhanced disclosures about how and why entities use derivative financial instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 Accounting for Derivative Financial Instruments and Hedging Activities and related interpretations, and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. SFAS No. 161 is effective for the Company as of January 1, 2009. The Company is in the process of evaluating the impact the adoption of SFAS No. 161 will have on its disclosures.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS No. 162). This statement identifies the sources of accounting principles and the framework for selecting the principles used in preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 is effective for the Company 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company is in the process of evaluating the impact, if any, the adoption of SFAS No. 162 will have on its consolidated results of operation and financial position.

2. 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.

As of June 30, 2008 and December 31, 2007, the total amount of unrecognized tax benefits that would affect the effective tax rate, if recognized, was $23.5 million and $23.0 million, respectively. 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 timeframe, 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,

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

2007. However, based on the status of these items and the amount of uncertainty associated with the outcome and timing of audit settlements, the Company is unable to estimate the impact of the amount of such changes, if any, to its recorded uncertain tax positions.

In accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109 (FIN 48), the Company recorded penalties and tax-related interest expense during the three and six months ended June 30, 2008 of $1.7 million and $2.1 million, respectively. The Company recorded penalties and tax-related interest expense during the three and six months ended June 30, 2007 of $1.1 million and $2.8 million, respectively. The Company recognized interest income from tax refunds of $1.5 million for the six months ended June 30, 2007. As of June 30, 2008 and December 31, 2007, the total amount of accrued income tax-related interest and penalties included in other long-term liabilities in the condensed consolidated balance sheets was $32.8 million and $30.7 million, respectively. In accordance with FIN 48, the Company also recorded a $36.5 million increase in the amount of unrecognized tax benefits related to uncertain tax positions during the three months ended June 30, 2008, which is reflected as a reduction to the deferred income tax asset in the condensed consolidated balance sheets.

The Company files numerous consolidated and separate income tax returns, including U.S. federal and state tax returns and foreign tax returns in Mexico and Brazil. As a result of the Company s ability to carry forward federal and state net operating losses, the applicable tax years remain open to examination until three years after the applicable loss carry forwards have been used or expired. However, the Company has completed U.S. federal income tax examinations for tax years up to and including 2002. The Company is currently undergoing U.S. federal income tax examinations for tax years 2004 and 2005. Additionally, it is subject to examinations in various U.S. state jurisdictions for certain tax years, and is under examination in Brazil for the 2001 through 2006 tax years and Mexico for the 2002 tax year.

As described in note 9 to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007, the Company expected that it would be able to recognize a tax benefit associated with its investment in Verestar, Inc. (Verestar), which filed for protection under Chapter 11 of the federal bankruptcy laws in December 2003. In April 2008, the Bankruptcy Court approved Verestar s plan of liquidation. The Company recorded an income tax benefit of $106.1 million related to losses associated with its investment in Verestar as income from discontinued operations during the three months ended June 30, 2008.

3. Financing Transactions

Term Loan Credit Facility On March 24, 2008, the Company entered into a Notice of Incremental Facility Commitment with respect to an additional $325.0 million of term loan commitments (Term Loan) pursuant to the Company s existing $1.25 billion senior unsecured revolving credit facility of American Tower Corporation (Revolving Credit Facility). At closing, the Company received net proceeds of approximately $321.7 million from the Term Loan, which, together with available cash was used to repay $325.0 million of existing indebtedness under the Revolving Credit Facility.

The basis for determining interest rates for the Term Loan is determined at the option of the Company with the margin ranging between 0.50% to 1.50% above the LIBOR rate for LIBOR based borrowings or between 0.00% to 0.50% above the defined base rate for base rate borrowings, in each case based upon the Company s debt ratings.

The Term Loan contains certain financial ratios and operating covenants and other restrictions applicable to the Company and its subsidiaries designated as restricted subsidiaries on a consolidated basis that are consistent with the Revolving Credit Facility, which are described in note 3 to the Company s consolidated financial

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. Any failure to comply with the financial and operating covenants of the Term Loan would constitute a default, which could result in, among other things, the amounts outstanding, including all accrued interest, becoming immediately due and payable.

The Term Loan lenders include JPMorgan Chase Bank, N.A., Toronto Dominion (Texas) LLC, The Royal Bank of Scotland, plc, Calyon, New York Branch, Bank of Tokyo-Mitsubishi UFJ Trust Company, Union Bank of California, N.A, Morgan Stanley Bank, Mizuho Corporate Bank, Ltd. and Credit Suisse, Cayman Islands Branch. The borrower under the Term Loan is American Tower Corporation. The Term Loan matures on June 8, 2012. All amounts will be due and payable in full at maturity. The Term Loan does not require amortization of principal and may be paid prior to maturity in whole or in part at the Company s option without penalty or premium.

Revolving Credit Facility During the six months ended June 30, 2008, the Company drew down and repaid amounts under the Revolving Credit Facility in the ordinary course, and also repaid $325.0 million of borrowings under the Revolving Credit Facility using net proceeds from the Term Loan, as discussed above. As of June 30, 2008, the Company had $650.0 million outstanding under its Revolving Credit Facility and had approximately $6.9 million of undrawn letters of credit outstanding.

For more information regarding the Revolving Credit Facility, please see note 3 to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

Interest Rate Swap Agreements During the six months ended June 30, 2008, the Company entered into twelve additional interest rate swap agreements to manage exposure to variability in cash flows related to forecasted interest payments under its Revolving Credit Facility and Term Loan. As of June 30, 2008, the Company held fifteen interest rate swap agreements, all of which have been designated as cash flow hedges, and which have an aggregate notional amount of $775.0 million, interest rates ranging from 2.86% to 4.08% and expiration dates through March 2011.

Stock Repurchase Programs During the six months ended June 30, 2008, the Company repurchased an aggregate of approximately 7.2 million shares of its Class A common stock for an aggregate of approximately $285.9 million pursuant to its publicly announced stock repurchase programs, as described below.

In February 2007, the Company announced a $1.5 billion stock repurchase program (2007 Buyback), which the Company ended in February 2008. In March 2008, the Company announced a new $1.5 billion stock repurchase program (2008 Buyback), as discussed below. Pursuant to the 2007 Buyback, the Company repurchased 4.3 million shares of its Class A common stock for an aggregate of $163.7 million during the three months ended March 31, 2008, and 31.1 million shares of its Class A common stock for an aggregate of $1.3 billion during the year ended December 31, 2007. As of December 31, 2007, $17.0 million was included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets for stock repurchases pursuant to the 2007 Buyback. Under the 2007 Buyback, the Company repurchased a total of 35.3 million shares of its Class A common stock for an aggregate of $1.45 billion.

In March 2008, the Company announced that its Board of Directors approved the 2008 Buyback, pursuant to which the Company is authorized to purchase up to $1.5 billion of its Class A common stock. The Company expects to fund repurchases through a combination of cash on hand, cash provided by operations, borrowings under its Revolving Credit Facility and future financing transactions, and purchases under this stock repurchase program are subject to the Company having available cash to fund repurchases. Under the program, the Company

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

is authorized to purchase shares from time to time through 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 makes purchases pursuant to trading plans under Rule 10b5-1 of the Exchange Act, which allows the Company to repurchase shares during periods when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. During the six months ended June 30, 2008, pursuant to the 2008 Buyback, the Company repurchased 2.9 million shares of its Class A common stock for an aggregate of $122.1 million, of which $114.9 million was paid in cash prior to June 30, 2008 and $7.2 million was included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet as of June 30, 2008. Between July 1, 2008 and July 25, 2008, the Company repurchased an additional 2.5 million shares of its Class A common stock for an aggregate of $100.7 million. As of July 25, 2008, the Company had repurchased a total of 5.4 million shares of its Class A common stock for an aggregate of $222.8 million pursuant to the 2008 Buyback.

3.25% Convertible Notes Conversions During the six months ended June 30, 2008, the Company issued 1,115,452 shares of its Class A common stock upon conversion of approximately $13.6 million principal amount of the Company s 3.25% convertible notes due August 1, 2010 (3.25% Notes). Pursuant to the terms of the indenture for the 3.25% Notes, the holders of the 3.25% Notes are entitled to receive 81.808 shares of Class A common stock for every $1,000 principal amount of notes converted. In connection with the conversions, the Company paid the holder an aggregate of approximately $0.2 million, calculated based on the discounted value of the future interest payments on the notes. As of June 30, 2008, $4.7 million principal amount of 3.25% Notes remained outstanding. Subsequent to June 30, 2008, holders of all outstanding 3.25% Notes converted their notes into shares of the Company s Class A common stock. (See note 9.)

4. Goodwill and Other Intangible Assets

The Company s net carrying amount of goodwill was approximately $2.2 billion as of June 30, 2008 and December 31, 2007, 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):

	June 30, 2008	December 31, 2007
Acquired customer base and network location intangibles	$ 1,783,311	$ 1,760,707
Acquired customer relationship intangible	775,000	775,000
Deferred financing costs	78,840	75,934
Acquired licenses and other intangibles	51,867	53,866
Total	2,689,018	2,665,507
Less accumulated amortization	(1,051,684)	(979,073)
Other intangible assets, net	$ 1,637,334	$ 1,686,434

The Company amortizes its intangible assets over periods ranging from three to twenty years. Amortization of intangible assets for the three and six months ended June 30, 2008 was approximately $33.7 million and $68.0 million, respectively (excluding amortization of deferred financing costs, which is included in interest expense). Based on the revised estimated useful lives of the Company s towers and related intangible assets effective as of January 1, 2008 described in note 1 above, the Company expects to record amortization expense (excluding amortization of deferred financing costs) of approximately $133.4 million for the year ended December 31, 2008, and $125.0 million, $122.7 million, $119.9 million, $118.4 million and $118.1 million for the years ended December 31, 2009, 2010, 2011, 2012 and 2013, respectively.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

5. Stock-Based Compensation

The Company recognized stock-based compensation expense during the three and six months ended June 30, 2008 of approximately $13.6 million and $29.9 million, respectively, and stock-based compensation expense during the three and six months ended June 30, 2007 of approximately $11.5 million and $28.2 million, respectively. Stock-based compensation expense for the six months ended June 30, 2007 includes $7.6 million related to the modification of certain stock option awards to revise vesting and exercise terms for certain terminated employees. The Company did not capitalize any stock-based compensation during the six months ended June 30, 2008 and 2007.

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. In May 2007, the Company s stockholders approved the 2007 Equity Incentive Plan (2007 Plan), which provides for the grant of non-qualified and incentive stock options, as well as restricted stock units, restricted stock and other stock-based awards. In addition, the Company has outstanding options that were granted under its 1997 Stock Option Plan (1997 Plan) and the SpectraSite, Inc. 2003 Equity Incentive Plan (SpectraSite Plan), which was assumed by the Company in connection with the Company s merger with SpectraSite, Inc. in August 2005. The 1997 Plan expired in November 2007, and the Company does not intend to grant any additional options under the SpectraSite Plan.

Stock Options During the six months ended June 30, 2008, the Company granted stock options to purchase 1.6 million shares of its Class A common stock pursuant to the 2007 Plan. Option grants generally vest ratably over various periods, generally four years, and expire ten years from the date of grant.

The following table summarizes the Company s option activity for the six months ended June 30, 2008:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding as of January 1, 2008	17,392,583	$ 26.42		
Granted	1,599,700	37.78		
Exercised	(2,331,631)	17.16		
Cancelled	(949,249)	30.64		
Outstanding as of June 30, 2008	15,711,403	$ 28.69	7.44	$ 215.3
Exercisable as of June 30, 2008	7,045,935	$ 22.74	6.31	$ 138.2
Vested or expected to vest, net of estimated forfeitures, as of June 30, 2008	15,270,480	$ 28.51	7.42	$ 212.1

The Company estimates the fair value of each option grant on the date of grant using the Black-Scholes option pricing model based on the assumptions listed below. For further discussion on the option pricing model and how assumptions are determined, please see note 13 to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

Key assumptions used to apply the Black-Scholes pricing model for the Company s stock options are as follows:

	January 1, 2008 June 30, 2008	January 1, 2007 June 30, 2007
Range of risk-free interest rate	1.88% - 3.05%	4.47% - 4.92%
Weighted average risk-free interest rate	1.90%	4.49%
Expected life of option grants	4.00 years	6.25 years
Range of expected volatility of underlying stock price	28.51% - 28.66%	27.53% - 28.11%
Weighted average expected volatility of underlying stock price	28.65%	28.04%
Expected annual dividends	N/A	N/A

In December 2007, the SEC issued SAB No. 110. SAB No. 110 expresses the views of the SEC staff regarding the use of a simplified method, as discussed in SAB No. 107 Share-Based Payment (SAB No. 107), in developing an estimate of the expected term of plain vanilla share options in accordance with SFAS No. 123R. SAB No. 110 allows companies, under certain circumstances, to use the simplified method beyond December 31, 2007. Prior to the adoption of SAB No. 110, the Company used the simplified method under SAB No. 107 since July 1, 2005 to determine the 6.25 year expected life of its stock options. In connection with the January 1, 2008 adoption of SFAS No. 110, the Company reexamined its historical pattern of option exercises in an effort to determine if there were any discernable patterns of employee activity. The expected life computation is now based on historical exercise patterns and post-vesting termination behavior within the employee population. Based on its examination, the Company determined that the expected life of its stock options should be reduced in accordance with SAB No. 110. Accordingly, the impact of the adoption of SAB No. 110 resulted in a change in the expected life of options granted after January 1, 2008 to four years.

The weighted average grant date fair value for the stock options granted during the three and six months ended June 30, 2008 was $12.27 and $9.66, respectively, and for the three and six months ended June 30, 2007 was $16.59 and $14.36, respectively. The total fair value of the options vested during the six months ended June 30, 2008 and 2007 was $42.0 million and $29.8 million, respectively. As of June 30, 2008, total unrecognized compensation expense related to unvested stock options was $79.2 million, and that cost is expected to be recognized over a weighted average period of approximately two years. The total intrinsic value for stock options exercised during the three and six months ended June 30, 2008 was $39.2 million and $56.9 million, respectively, and for the three and six months ended June 30, 2007 was $52.1 million and $121.9 million, respectively. The amount of cash received from the exercise of stock options was $39.6 million and $100.8 million during the six months ended June 30, 2008 and 2007, respectively.

As of June 30, 2008, options to purchase approximately 13.1 million, 2.5 million and 0.1 million shares of Class A common stock remained outstanding under the 1997 Plan, the 2007 Plan and the SpectraSite Plan, respectively.

Restricted Stock Units During the six months ended June 30, 2008, the Company granted restricted stock units with respect to 1.2 million shares of its Class A common stock pursuant to the 2007 Plan. Restricted stock units generally vest ratably over various periods, generally four years. The Company recognizes the expense associated with the units over the vesting term. The expense is based on the fair market value of the units awarded at the date of grant, times the number of shares subject to the units awarded.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

The following table summarizes the Company s restricted stock unit activity during the six months ended June 30, 2008:

	Number of Units	Weighted Average Grant-Date Fair Value
Outstanding as of January 1, 2008		
Granted	1,199,410	$ 37.78
Vested	(11,440)	37.70
Cancelled	(61,455)	37.73
Outstanding as of June 30, 2008	1,126,515	$ 37.78
Vested or expected to vest, net of estimated forfeitures, as of June 30, 2008	1,026,866	$ 37.78

The total fair value of the restricted stock units that vested during the three and six months ended June 30, 2008 was $0.4 million. As of June 30, 2008, total unrecognized compensation expense related to unvested restricted stock units granted under the 2007 Plan was $35.7 million, and that cost is expected to be recognized over a weighted average period of approximately four years.

As of June 30, 2008, the Company had the ability to grant stock-based awards with respect to an aggregate of 26.4 million shares of the Company s Class A common stock under the 2007 Plan.

Employee Stock Purchase Plan The Company also maintains an employee stock purchase plan (ESPP) for all eligible employees as described in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. The offering periods run from June 1 through November 30 and from December 1 through May 31 of each year. During the six months ended June 30, 2008 and 2007, 25,710 and 28,000 shares, respectively, were purchased by employees under the ESPP. The fair value for the ESPP shares purchased during the June 2008, December 2007, June 2007 and December 2006 offering periods was $9.98, $10.03, $9.71 and $8.62, respectively.

Key assumptions used to apply the Black-Scholes pricing model for the ESPP are as follows:

Weighted Average Assumption	June 2008 Offering	December 2007 Offering	June 2007 Offering	December 2006 Offering
Approximate risk-free interest rate	1.99%	3.28%	4.98%	5.05%
Expected life of the shares	6 months	6 months	6 months	6 months
Expected volatility of underlying stock price	28.51%	27.85%	27.53%	28.74%
Expected annual dividends	N/A	N/A	N/A	N/A

6. Business Segments

The Company operates in two business segments: rental and management and network development services. The rental and management segment provides for the leasing and subleasing of antenna space on multi-tenant towers and other properties for a diverse range of customers primarily in the wireless communications and broadcast industries. The network development services segment provides third party services that are complementary to the Company s rental and management operations and that facilitate the addition of new tenants and equipment on the Company s towers, including site acquisition, zoning, permitting, construction management and structural analysis.

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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, 2007. In evaluating financial performance, management focuses on segment gross margin and segment operating profit. 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 and net loss on sale of long-lived assets. The Company defines segment operating profit as segment gross margin less selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. For reporting purposes, the rental and management segment operating profit and segment gross margin also include interest income, TV Azteca, net. These measures of segment gross margin and segment operating profit are also before interest income, interest expense, loss on retirement of long-term obligations, other (expense) income, minority interest in net earnings of subsidiaries, income on equity method investments, income taxes and discontinued operations.

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 and six months ended June 30, 2008 and 2007 is shown in the table below. The Other column below represents amounts excluded from specific segments, such as stock-based compensation expense and corporate expenses included in selling, general, administrative and development expense; impairments, and net loss on sale of long-lived assets; interest income; interest expense; loss on retirement of long-term obligations; and other (expense) income, as well as reconciles segment operating profit to income before income taxes, minority interest and income on equity method investments.

Three months ended June 30,	Rental and Management	Network Development Services	Other	Total
		(in thousands)		
2008				
Segment revenues	$ 384,343	$ 9,385		$ 393,728
Segment operating expenses	91,952	4,922		96,874
Interest income, TV Azteca, net	3,584			3,584
Segment gross margin	295,975	4,463		300,438
Segment selling, general, administrative and development expenses	16,092	880		16,972
Segment operating profit	$ 279,883	$ 3,583		283,466
Other selling, general, administrative and development expense			$ 24,812	24,812
Depreciation, amortization and accretion	$ 97,123	$ 611	1,963	99,697
Other expenses (principally interest expense)			63,649	63,649
Income before income taxes, minority interest and income on equity method investments				$ 95,308

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

Three months ended June 30,	Rental and Management	Network Development Services	Other	Total
		(in thousands)		
2007				
Segment revenues	$ 350,775	$ 7,648		$ 358,423
Segment operating expenses	85,910	4,132		90,042
Interest income, TV Azteca, net	3,584			3,584
Segment gross margin	268,449	3,516		271,965
Segment selling, general, administrative and development expenses	16,816	741		17,557
Segment operating profit	$ 251,633	$ 2,775		$ 254,408
Other selling, general, administrative and development expense			$ 24,506	24,506
Depreciation, amortization and accretion	$ 129,447	$ 538	1,652	131,637
Other expenses (principally interest expense)			71,579	71,579
Income before income taxes, minority interest and income on equity method investments				$ 26,686

Six months ended June 30,	Rental and Management	Network Development Services	Other	Total
		(in thousands)		
2008				
Segment revenues	$ 758,326	$ 17,586		$ 775,912
Segment operating expenses	178,883	8,549		187,432
Interest income, TV Azteca, net	7,125			7,125
Segment gross margin	586,568	9,037		595,605
Segment selling, general, administrative and development expenses	32,478	2,193		34,671
Segment operating profit	$ 554,090	$ 6,844		560,934
Other selling, general, administrative and development expense			$ 56,022	56,022
Depreciation, amortization and accretion	$ 192,147	$ 1,191	3,431	196,769
Other expenses			129,792	129,792
Income before income taxes, minority interest and income on equity method investments				$ 178,351

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

Six months ended June 30,	Rental and Management	Network Development Services	Other	Total
		(in thousands)		
2007				
Segment revenues	$ 696,804	$ 14,093		$ 710,897
Segment operating expenses	169,671	7,654		177,325
Interest income, TV Azteca, net	7,082			7,082
Segment gross margin	534,215	6,439		540,654
Segment selling, general, administrative and development expenses	32,963	1,804		34,767
Segment operating profit	$ 501,252	$ 4,635		$ 505,887
Other selling, general, administrative and development expense			$ 55,939	55,939
Depreciation, amortization and accretion	$ 257,691	$ 1,054	3,086	261,831
Other expenses			122,634	122,634
Income before income taxes, minority interest and income on equity method investments				$ 65,483

7. Fair Value Measurements

As discussed in note 1 above, effective January 1, 2008, the Company adopted SFAS No. 157, which provides a framework for measuring fair value under generally accepted accounting principles. The Company determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes 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. The Company s Level 1 assets consist of available-for-sale securities traded on active markets as well as certain Brazilian Treasury securities that are highly liquid and are actively traded in over-the-counter markets.
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. The Company s Level 2 assets and liabilities consist of interest rate swap agreements based on the LIBOR swap rate whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
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. The Company does not have any Level 3 assets or liabilities.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company s financial assets and liabilities that are required to be measured at fair value as of June 30, 2008:

	June 30, 2008 Fair Value Measurements Using			Assets/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
		(in thousands)		
Assets:				
Short-term investments and available-for-sale securities	$ 11,786			$ 11,786
Interest rate swap agreements		$ 8,625		$ 8,625
Liabilities:				
Interest rate swap agreements		$ 2,034		$ 2,034

The fair value of the Company s interest rate swap agreements recorded as assets is included in notes receivable and other long-term assets, and the fair value of its interest rate swap agreements recorded as liabilities is included in other long-term liabilities in the accompanying condensed consolidated balance sheet as of June 30, 2008. Fair valuations of the Company s interest rate swap agreements reflect the value of the instrument including the values associated with counterparty risk. With the issuance of SFAS No. 157, these values must also take into account the Company s own credit standing, thus including in the valuation of the derivative instrument the value of the net credit differential between the counterparties to the derivative contract. Effective January 1, 2008, the Company updated its fair value methodology to include the impact of both the counterparty s and its own credit standing.

8. Commitments and Contingencies

Legal and Governmental Proceedings Related to Review of Stock Option Granting Practices and Related Accounting During the year ended December 31, 2006, the Company received a letter of informal inquiry from the SEC Division of Enforcement, a subpoena from the United States Attorney s Office for the Eastern District of New York, and an Information Document Request from the Internal Revenue Service (IRS), each requesting documents related to Company stock option grants and stock option practices. In addition, in August 2007, the Company received a request for information from the Department of Labor (DOL) with respect to the Company s retirement savings plan, including documents related to Company stock option grants and the Company s historic stock option administrative practices. The Company continues to cooperate with each of the SEC, the U.S. Attorney s Office, the IRS and the DOL to provide the requested information and documents. For more information, see note 9 to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

The Company is subject to a securities class action relating to its historical stock option granting practices and related accounting. On May 26, 2006, a securities class action was filed in United States District Court for the District of Massachusetts against the Company and certain of its current officers by John S. Greenebaum for monetary relief. Specifically, the complaint named the Company, James D. Taiclet, Jr. and Bradley E. Singer as defendants and alleged that the defendants violated federal securities laws in connection with public statements made relating to the Company s stock option practices and related accounting. The complaint asserted claims under Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5. In December 2006, the court appointed the Steamship Trade Association-International Longshoreman s Association Pension Fund as the lead plaintiff. In March 2007, plaintiffs filed an amended consolidated complaint, which included additional current and former officers and directors of the Company as defendants. In December 2007, the Company announced that it had reached a settlement in principle regarding the securities class action. The settlement, which was preliminarily approved by the court in February 2008, provided for a payment by the Company of $14.0 million and would

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

lead to a dismissal of all claims against all defendants in the litigation. The Company paid $250,000 of the settlement amount to an escrow account controlled by the plaintiffs during the quarter ended March 31, 2008. In April 2008, the Company paid the remaining settlement amount of $13.8 million into escrow and received $12.5 million in insurance proceeds. In May 2008, the original plaintiff, Mr. Greenebaum, filed an objection to the settlement. Following a hearing in June 2008, the Court dismissed Mr. Greenebaum s objection and approved the settlement. In July 2008, Mr. Greenebaum filed an untimely request to opt-out of the settlement class certified by the Court in its orders, which the Company opposed. Additionally, Mr. Greenebaum filed a notice of appeal of the Court s final order approving the settlement agreement. The members of the plaintiff class will not be entitled to draw the funds until Mr. Greenebaum s appeal is finally resolved.

On May 24, 2006 and June 14, 2006, two shareholder derivative lawsuits were filed in Suffolk County Superior Court in Massachusetts by Eric Johnston and Robert L. Garber, respectively. The lawsuits were filed against certain of the Company s current and former officers and directors for alleged breaches of fiduciary duties and unjust enrichment in connection with the Company s historical stock option granting practices. The lawsuits also named the Company as a nominal defendant. The lawsuits sought to recover the damages sustained by the Company and disgorgement of all profits received with respect to the alleged backdated stock options. In October 2006, these two lawsuits were consolidated, and in October 2007, the court dismissed the complaint, without leave to amend, due to the plaintiffs failure to make a demand upon the Company s Board of Directors before initiating their lawsuits. In December 2007, the plaintiffs filed an appeal of that decision to the Massachusetts Court of Appeals which the Company is opposing and in April 2008, the Company filed a motion to dismiss the appeal as moot. In June 2008, the Massachusetts Supreme Judicial Court elected, on its own motion, to hear the appeal, which now remains pending.

On June 13, 2006, June 22, 2006 and August 23, 2006, three shareholder derivative lawsuits were filed in United States District Court for the District of Massachusetts by New South Wales Treasury Corporation, as Trustee for the Alpha International Managers Trust, Frank C. Kalil and Don Holland, and Leslie Cramer, respectively. The lawsuits were filed against certain of the Company s current and former officers and directors for alleged breaches of fiduciary duties, waste of corporate assets, gross mismanagement and unjust enrichment in connection with the Company s historical stock option granting practices. The lawsuits also named the Company as a nominal defendant. In December 2006, the court consolidated these three lawsuits and appointed New South Wales Treasury Corporation as the lead plaintiff. In February 2007, the plaintiffs filed an amended consolidated complaint. In February 2008, the court dismissed the complaint due to the plaintiffs failure to make a demand on the Company s Board of Directors before initiating their lawsuits. In December 2007, the plaintiffs also made a demand on the Company s Board of Directors. In May 2008, a special litigation committee of the Company s Board of Directors refused the demand, concluding that it would not be in the best interest of the Company s stockholders to pursue active litigation and that the Company should seek to settle any claims that it may have.

The outcomes of the class action and derivative actions cannot be predicted by the Company with certainty and are dependent upon many factors beyond its control. In the event of an adverse outcome with respect to one or more of these proceedings, these matters could result in a material adverse effect on the Company s consolidated financial position, results of operations or liquidity.

AT&T Transaction SpectraSite entered into an agreement with SBC Communications Inc., a predecessor entity to AT&T Inc. (AT&T), for the lease or sublease of approximately 2,500 towers from AT&T between December 2000 and August 2004. All of the towers are part of the Company s securitization transaction. 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

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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 AT&T. The aggregate purchase option price for the towers leased and subleased was approximately $357.8 million as of June 30, 2008, 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, AT&T 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 approximately 1,800 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 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 $60.5 million as of June 30, 2008. 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 Company s historical stock option granting practices 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.

9. Subsequent Events

3.25% Convertible Notes Redemption In July 2008, the Company issued a notice for the redemption on August 6, 2008 of all of its outstanding 3.25% Notes. In accordance with the conversion provisions of the 3.25% Notes and the indenture for the 3.25% Notes, holders of the notes had the right at any time until and including, but not after, the close of business on August 5, 2008, to convert their notes into shares of the Company s Class A common stock at a conversion rate of 81.808 shares of Class A common stock per $1,000 principal amount of notes. Holders of all $4.7 million of the Company s outstanding 3.25% Notes converted their notes into an aggregate of 384,332 shares of the Company s Class A common stock prior to redemption. As a result, as of August 6, 2008, none of the 3.25% Notes remained outstanding.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements relating to our goals, beliefs, plans or current expectations and other statements that are not of historical facts. For example, when we use words such as project, believe, anticipate, expect, estimate, intend, should, would, could or may, or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements. Certain important factors may cause actual results to differ materially from those indicated by our forward-looking statements, including those set forth under the caption Risk Factors in Part II, Item 1A. of this Quarterly Report on Form 10-Q. Forward-looking statements represent management s current expectations and are inherently uncertain. We do not undertake any obligation to update forward-looking statements made by us.

The discussion and analysis of our financial condition and results of operations that follows are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ significantly from these estimates under different assumptions or conditions. This discussion should be read in conjunction with our condensed consolidated financial statements herein and the accompanying notes thereto, information set forth under the caption Critical Accounting Policies and Estimates beginning on page 33 and our Annual Report on Form 10-K for the year ended December 31, 2007, in particular, the information set forth therein under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are a leading wireless and broadcast communications infrastructure company with a portfolio of over 23,000 communications sites, including wireless communications towers, broadcast communications towers and distributed antenna systems. We own, operate and develop communications sites in the United States, Mexico, Brazil and India. Our portfolio of wireless and broadcast tower sites consists of towers that we own and towers that we operate pursuant to long-term lease arrangements, including, as of June 30, 2008, approximately 19,500 tower sites in the United States and approximately 3,500 in Mexico and Brazil. Our portfolio also includes approximately 160 in-building distributed antenna systems that we operate in malls and casino/hotel resorts in the United States. In addition to the communications sites in our portfolio, we manage rooftop and tower sites for third parties in the United States, Mexico and Brazil. Our primary business is leasing antenna space on multi-tenant communications sites to wireless service providers and radio and television broadcast companies. This segment of our business, which we refer to as our rental and management segment, accounted for approximately 98% of our total revenues for the three and six months ended June 30, 2008.

Our communications site portfolio provides us with a recurring base of leasing revenues from our existing customers and growth potential due to the capacity to add more tenants and equipment to these sites. Our broad network of communications sites enables us to address the needs of national, regional, local and emerging wireless service providers. Through our network development services segment, we also offer services that are complementary to our site leasing operations and that faciliate the addition of new tenants and equipment on our sites. We intend to capitalize on the increasing use of wireless communications services by actively marketing space available for lease on our existing sites and selectively developing or acquiring new sites that meet our return on investment criteria.

Our continuing operations are reported in two segments, rental and management and network development services. Management focuses on segment gross margin and segment operating profit as a means to measure operating performance in these business segments. We define segment gross margin as segment revenue less segment operating expenses excluding depreciation, amortization and accretion; selling, general, administrative and development expense; and impairments and net loss on sale of long-lived assets. We define segment

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operating profit as segment gross margin less selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. Segment gross margin and segment operating profit for the rental and management segment also include interest income, TV Azteca, net (see note 6 to our condensed consolidated financial statements included herein). These measures of segment gross margin and segment operating profit are also before interest income, interest expense, loss on retirement of long-term obligations, other (expense) income, minority interest in net earnings of subsidiaries, income on equity method investments, income taxes and discontinued operations.

Results of Operations

Three Months Ended June 30, 2008 and 2007 (dollars in thousands)

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2008	2007		
REVENUES:				
Rental and management	$ 384,343	$ 350,775	$ 33,568	10%
Network development services	9,385	7,648	1,737	23
Total revenues	393,728	358,423	35,305	10
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below)				
Rental and management	91,952	85,910	6,042	7
Network development services	4,922	4,132	790	19
Depreciation, amortization and accretion	99,697	131,637	(31,940)	(24)
Selling, general, administrative and development expense (including stock-based compensation expense of $13,597 and $11,546, respectively)	41,784	42,063	(279)	(1)
Impairments and net loss on sale of long-lived assets	583	1,385	(802)	(58)
Total operating expenses	238,938	265,127	(26,189)	(10)
OTHER INCOME (EXPENSE) AND OTHER ITEMS:				
Interest income, TV Azteca, net	3,584	3,584		
Interest income	979	3,224	(2,245)	(70)
Interest expense	(62,508)	(58,384)	4,124	7
Loss on retirement of long-term obligations	(211)	(28,908)	(28,697)	(99)
Other (expense) income	(1,326)	13,874	(15,200)	(110)
Income tax provision	(44,535)	(14,566)	29,969	216
Minority interest in net earnings of subsidiaries	(98)	(96)	2	2
Income on equity method investments	8	6	2	33
Income from continuing operations	50,683	12,030	38,653	
Income (loss) from discontinued operations, net	108,103	(32,021)	140,124	
Net income (loss)	$ 158,786	$ (19,991)	$ 178,777	

Total Revenues

Total revenues for the three months ended June 30, 2008 were $393.7 million, an increase of $35.3 million from the three months ended June 30, 2007. Approximately $33.6 million of the increase was attributable to an increase in rental and management revenue, with the remaining portion of the increase attributable to network development services revenue.

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Rental and Management Revenue

Rental and management revenue for the three months ended June 30, 2008 was $384.3 million, an increase of $33.6 million from the three months ended June 30, 2007. Approximately $27.8 million of the increase resulted from incremental revenue generated by communications sites that existed during the entire period between April 1, 2007 and June 30, 2008, which reflects revenue increases from adding new tenants to those sites, existing tenants adding more equipment to those sites, contractual escalators, net of straight-line accounting treatment and favorable foreign currency exchange rates. The net effect of straight-line revenue for the three months ended June 30, 2008 was a $4.6 million decrease from the prior year period. Approximately $5.8 million of the increase resulted from approximately 750 communications sites acquired and/or constructed subsequent to April 1, 2007. We believe that our rental and management revenue will grow as we continue to utilize existing site capacity. We anticipate that the majority of our new leasing activity will continue to come from wireless service providers.

Network Development Services Revenue

Network development services revenue for the three months ended June 30, 2008 was $9.4 million, an increase of $1.7 million from the three months ended June 30, 2007. This increase was primarily attributable to revenues generated from our site acquisition, zoning and permitting services. As we continue to focus on and grow our site leasing business, we anticipate that our network development services revenue will continue to represent a small percentage of our total revenues.

Total Operating Expenses

Total operating expenses for the three months ended June 30, 2008 were $238.9 million, a decrease of approximately $26.2 million from the three months ended June 30, 2007. The decrease was primarily attributable to a decrease in depreciation, amortization and accretion expense of $31.9 million, a decrease in impairments and net loss on sale of long-lived assets of $0.8 million and a decrease in selling, general, administrative and development expense of $0.3 million. These decreases were offset by an increase in expenses within our rental and management segment of $6.0 million and an increase in expenses within our network development services segment of $0.8 million.

Rental and Management Expense/Segment Gross Margin/Segment Operating Profit

Rental and management expense for the three months ended June 30, 2008 was $92.0 million, an increase of $6.0 million from the three months ended June 30, 2007. The increase was the result of an approximately $4.0 million increase in expenses attributable to communications sites which existed during the period between April 1, 2007 and June 30, 2008 and a $2.0 million increase in expenses related to approximately 750 sites acquired and/or constructed subsequent to April 1, 2007.

Rental and management segment gross margin for the three months ended June 30, 2008 was $296.0 million, an increase of $27.5 million from the three months ended June 30, 2007. The increase primarily resulted from additional rental and management revenue described above.

Rental and management segment operating profit for the three months ended June 30, 2008 was $279.9 million, an increase of $28.3 million from the three months ended June 30, 2007. This was comprised of the $27.5 million increase in rental and management segment gross margin described above, and a decrease of approximately $0.8 million in selling, general, administrative and development expenses related to the rental and management segment.

Network Development Services Expense

Network development services expense for the three months ended June 30, 2008 was $4.9 million, an increase of $0.8 million from the three months ended June 30, 2007. The increase correlates to the growth in services performed as noted above.

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Depreciation, Amortization and Accretion

Depreciation, amortization and accretion for the three months ended June 30, 2008 was $99.7 million, a decrease of $31.9 million from the three months ended June 30, 2007. The decrease was primarily due to our revision of the estimated useful lives of our towers and certain related intangible assets from our historical estimate of 15 years to a revised estimate of 20 years. This change was based on a review that we completed in the first quarter of 2008 and the impact of the change in estimate was accounted for prospectively effective January 1, 2008. We expect the change in estimate to result in a decrease of approximately $122.0 million in depreciation and amortization expense for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

Selling, General, Administrative and Development Expense

Selling, general, administrative and development expense for the three months ended June 30, 2008 was $41.8 million, a decrease of $0.3 million from the three months ended June 30, 2007. The decrease was primarily attributable to a one-time reduction of $3.1 million, partially offset by an increase in expenses related to stock-based compensation and international business development.

Interest Expense

Interest expense for the three months ended June 30, 2008 was $62.5 million, an increase of $4.1 million from the three months ended June 30, 2007. The increase was primarily attributable to an increase in average outstanding debt of approximately $576.9 million, partially offset by a decrease in the average borrowing rate. The increase in average borrowings was the result of the debt financing activities described in note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Loss on Retirement of Long-Term Obligations

Loss on retirement of long-term obligations for the three months ended June 30, 2008 was $0.2 million, a decrease of $28.7 million from the three months ended June 30, 2007.

During the three months ended June 30, 2007, approximately $15.0 million principal amount of 3.25% convertible notes due August 1, 2010 (3.25% Notes) were converted into shares of our Class A common stock. Pursuant to a tender offer and consent solicitation, we repurchased approximately $324.8 million principal amount of ATI 7.25% senior subordinated notes due 2011 (ATI 7.25% Notes) for an aggregate of $349.5 million in cash. We also repaid all amounts outstanding under the two credit facilities of our principal operating subsidiaries and terminated all commitments thereunder. As a result of these transactions, we recorded a charge of $28.9 million related to the amounts paid in excess of carrying value and the write-off of the related deferred financing fees.

Other (Expense) Income

Other expense for the three months ended June 30, 2008 was $1.3 million, as compared to other income of $13.9 million for the three months ended June 30, 2007, representing a decrease of $15.2 million from the prior year period. During the three months ended June 30, 2007, we recorded gains of approximately $5.7 million and $7.8 million from the sale of available for sale securities and the mark to market and subsequent settlement of interest rate swap agreements, respectively.

Income Tax Provision

The income tax provision for the three months ended June 30, 2008 was $44.5 million, as compared to a provision of $14.6 million for the three months ended June 30, 2007, representing an increase of approximately $30.0 million from the prior year period. The effective tax rate was 46.7% for the three months ended June 30, 2008, as compared to an effective tax rate of 54.6% for the three months ended June 30, 2007.

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The effective tax rates on income from continuing operations for the three months ended June 30, 2008 and June 30, 2007 differ from the federal statutory rate due primarily to adjustments for foreign items, non-deductible stock-based compensation expense, tax reserves and state taxes.

As described in note 9 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007, we expected that we would be able to recognize a tax benefit associated with our investment in Verestar, Inc. (Verestar), which filed for protection under Chapter 11 of the federal bankruptcy laws in December 2003. In April 2008, the Bankruptcy Court approved Verestar s plan of liquidation. We recorded an income tax benefit of $106.1 million related to losses associated with our investment in Verestar as income from discontinued operations during the three months ended June 30, 2008.

Income (Loss) from Discontinued Operations, Net

Income from discontinued operations, net for the three months ended June 30, 2008 was $108.1 million, as compared to a loss from discontinued operations of $32.0 million for the three months ended June 30, 2007, representing an increase of $140.1 million from the prior year period. During the three months ended June 30, 2008, we recorded an income tax benefit of $106.1 million related to losses associated with our investment in Verestar as income from discontinued operations. During the three months ended June 30, 2007, we recorded a $32.0 million estimated liability associated with the Verestar bankruptcy proceedings equal to the proposed settlement amount, which we paid in November 2007.

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Six Months Ended June 30, 2008 and 2007 (dollars in thousands)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007	Amount of Increase (Decrease)	Percent Increase (Decrease)
REVENUES:				
Rental and management	$ 758,326	$ 696,804	$ 61,522	9%
Network development services	17,586	14,093	3,493	25
Total revenues	775,912	710,897	65,015	9
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below)				
Rental and management	178,883	169,671	9,212	5
Network development services	8,549	7,654	895	12
Depreciation, amortization and accretion	196,769	261,831	(65,062)	(25)
Selling, general, administrative and development expense (including stock-based compensation expense of $29,862 and $28,214, respectively)	90,693	90,706	(13)	
Impairments, net loss on sale of long-lived assets	1,372	1,629	(257)	(16)
Total operating expenses	476,266	531,491	(55,225)	(10)
OTHER INCOME (EXPENSE) AND OTHER ITEMS:				
Interest income, TV Azteca, net	7,125	7,082	43	1
Interest income	1,942	6,841	(4,899)	(72)
Interest expense	(128,022)	(111,658)	16,364	15
Loss on retirement of long-term obligations	(236)	(33,060)	(32,824)	(99)
Other (expense) income	(2,104)	16,872	(18,976)	(112)
Income tax provision	(85,336)	(32,197)	53,139	165
Minority interest in net earnings of subsidiaries	(171)	(184)	(13)	(7)
Income on equity method investments	13	8	5	63
Income from continuing operations	92,857	33,110	59,747	
Income (loss) from discontinued operations, net	108,084	(30,873)	138,957	
Net income	$ 200,941	$ 2,237	$ 198,704	

Total Revenues

Total revenues for the six months ended June 30, 2008 were $775.9 million, an increase of $65.0 million from the six months ended June 30, 2007. Approximately $61.5 million of the increase was attributable to an increase in rental and management revenue, with the remaining portion of the increase attributable to network development services revenue.

Rental and Management Revenue

Rental and management revenue for the six months ended June 30, 2008 was $758.3 million, an increase of $61.5 million from the six months ended June 30, 2007. Approximately $50.9 million of the increase resulted from incremental revenue generated by communications sites that existed during the entire period between January 1, 2007 and June 30, 2008, which reflects revenue increases from adding new tenants to those sites, existing tenants adding more equipment to those sites, contractual escalators, net of straight-line accounting treatment and favorable foreign currency exchange rates. The net effect of straight-line revenue for the six months ended June 30, 2008 was a $9.7 million decrease from the prior year period. Approximately $10.6

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million of the increase resulted from approximately 810 communications sites acquired and/or constructed subsequent to January 1, 2007. We believe that our rental and management revenue will grow as we continue to utilize existing site capacity. We anticipate that the majority of our new leasing activity will continue to come from wireless service providers.

Network Development Services Revenue

Network development services revenue for the six months ended June 30, 2008 was $17.6 million, an increase of $3.5 million from the six months ended June 30, 2007. This increase was primarily attributable to revenues generated from our site acquisition, zoning and permitting services. As we continue to focus on and grow our site leasing business, we anticipate that our network development services revenue will continue to represent a small percentage of our total revenues.

Total Operating Expenses

Total operating expenses for the six months ended June 30, 2008 were $476.3 million, a decrease of $55.2 million from the six months ended June 30, 2007. The decrease was primarily attributable to a decrease in depreciation, amortization and accretion expense of $65.1 million and a decrease in impairments, net loss on sale of long-lived assets of $0.3 million. These decreases were partially offset by an increase in expenses within our rental and management segment and network development services segment of $9.2 million and $0.9 million, respectively.

Rental and Management Expense/Segment Gross Margin/Segment Operating Profit

Rental and management expense for the six months ended June 30, 2008 was $178.9 million, an increase of $9.2 million from the six months ended June 30, 2007. Approximately $5.7 million of the increase was attributable to communications sites which existed during the period between January 1, 2007 and June 30, 2008, primarily related to increases in ground rent expense. Of the remaining amount, approximately $3.5 million of the increase was related to approximately 810 sites acquired and/or constructed subsequent to January 1, 2007.

Rental and management segment gross margin for the six months ended June 30, 2008 was $586.6 million, an increase of $52.4 million from the six months ended June 30, 2007. The majority of the increase resulted from the additional rental and management revenue described above.

Rental and management segment operating profit for the six months ended June 30, 2008 was $554.1 million, an increase of $52.8 million from the six months ended June 30, 2007. This was comprised of the $52.4 million increase in rental and management segment gross margin described above, and a decrease of $0.5 million in selling, general, administrative and development expenses related to the rental and management segment.

Network Development Services Expense

Network development services expense for the six months ended June 30, 2008 was $8.5 million, an increase of $0.9 million from the six months ended June 30, 2007. The majority of the increase correlates to the growth in services performed as noted above.

Depreciation, Amortization and Accretion

Depreciation, amortization and accretion expense for the six months ended June 30, 2008 was $196.8 million, a decrease of $65.1 million from the six months ended June 30, 2007. The decrease was primarily due to our revision of the estimated useful lives of our towers and certain related intangible assets from our historical estimate of 15 years to a revised estimate of 20 years. This change was based on a review that we completed in the first quarter of 2008 and the impact of the change in estimate was accounted for prospectively effective January 1, 2008. We expect the change in estimate to result in a decrease of approximately $122.0 million in depreciation and amortization expense for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

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Selling, General, Administrative and Development Expense

Selling, general, administrative and development expense for the six months ended June 30, 2008 was $90.7 million, a decrease of less than $0.1 million from the six months ended June 30, 2007. The decrease was primarily attributable to a one-time reduction of $3.1 million, partially offset by an increase in expenses related to stock-based compensation and international business development.

Interest Expense

Interest expense for the six months ended June 30, 2008 was $128.0 million, an increase of $16.4 million from the six months ended June 30, 2007. The increase was primarily attributable to an increase in average outstanding debt of approximately $576.9 million, partially offset by a decrease in the average borrowing rate. The increase in average borrowings was the result of the debt financing activities described in note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Loss on Retirement of Long-Term Obligations

Loss on retirement of long-term obligations for the six months ended June 30, 2008 was $0.2 million, a decrease of $32.8 million from the six months ended June 30, 2007.

During the six months ended June 30, 2007, approximately $73.0 million principal amount of 3.25% Notes were converted into shares of our Class A common stock, and we repurchased pursuant to tender offers approximately $192.5 million principal amount of our 5.0% Notes and $324.8 million principal amount of ATI 7.25% Notes. In connection with these transactions, we paid the noteholders an aggregate of $545.3 million in cash. We also repaid all amounts outstanding under the two credit facilities at our principal operating subsidiaries and terminated all commitments thereunder. As a result of these transactions, we recorded a charge of $33.1 million related to amounts paid in excess of the carrying value and the write-off of related deferred financing fees.

Other (Expense) Income

Other expense for the six months ended June 30, 2008 was $2.1 million, as compared to other income of $16.9 million for the six months ended June 30, 2007, representing a decrease of $19.0 million from the prior year period. During the six months ended June 30, 2007, we recorded gains of approximately $9.9 million and $6.0 million from the sale of available for sale securities and the mark to market and subsequent settlement of interest rate swap agreements, respectively.

Income Tax Provision

The income tax provision for the six months ended June 30, 2008 was $85.3 million, as compared to $32.2 million for the six months ended June 30, 2007, representing an increase of $53.1 million from the prior year period. The effective tax rate was 47.8% for the six months ended June 30, 2008 as compared to 49.2% for the six months ended June 30, 2007.

The effective tax rates on income from continuing operations for the six months ended June 30, 2008 and June 30, 2007 differ from the federal statutory rate due primarily to adjustments for foreign items, non-deductible stock-based compensation expense, tax reserves and state taxes.

In April 2007, we recovered a portion of our deferred tax asset through our federal income tax refund claims related to the carry back of certain federal net operating losses. In June 2003 and October 2003, we filed federal income tax refund claims with the IRS relating to the carry back of $380.0 million of net operating losses

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generated prior to 2003. In April 2007, we received a refund of approximately $65.0 million, plus $15.0 million in interest, substantially all of which was accrued at March 31, 2007. Accordingly, the impact of receiving the refund and related interest on the results of operations for the six months ended June 30, 2007 was limited to an immaterial amount related to the interest earned on the refund in April 2007.

As described in note 9 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007, we expected that we would be able to recognize a tax benefit associated with our investment in Verestar, Inc. (Verestar), which filed for protection under Chapter 11 of the federal bankruptcy laws in December 2003. In April 2008, the Bankruptcy Court approved Verestar s plan of liquidation. We recorded an income tax benefit of $106.1 million related to losses associated with our investment in Verestar as income from discontinued operations during the six months ended June 30, 2008.

Income (Loss) From Discontinued Operations, Net

Income from discontinued operations, net for the six months ended June 30, 2008 was $108.1 million, as compared to a loss from discontinued operations of $30.9 million for the six months ended June 30, 2007, representing an increase of $139.0 million from the prior year period. During the six months ended June 30, 2008, we recorded an income tax benefit of $106.1 million related to losses associated with our investment in Verestar as income from discontinued operations. During the six months ended June 30, 2007, we recorded a $32.0 million estimated liability associated with the Verestar bankruptcy proceedings equal to the proposed settlement amount, which we paid in November 2007.

Liquidity and Capital Resources

The information in this section updates as of June 30, 2008 the Liquidity and Capital Resources section of our Annual Report on Form 10-K for the year ended December 31, 2007 and should be read in conjunction with that report.

As of June 30, 2008, we had total outstanding indebtedness of approximately $4.4 billion. During the six months ended June 30, 2008 and the year ended December 31, 2007, we generated sufficient cash flows from operations to fund our capital expenditures and cash interest obligations. We believe our cash provided by operations during the next twelve months will be sufficient to fund our capital expenditures and our cash debt service (interest and principal repayments) obligations for the next twelve months.

The following table summarizes our borrowings under our credit facilities and the balance outstanding under our notes and the certificates issued in our securitization transaction (in thousands):

Indebtedness	Balance Outstanding	Maturity Date
Commercial Mortgage Pass-Through Certificates, Series 2007-1	$ 1,750,000	April 15, 2014*
Revolving credit facility	650,000	June 8, 2012
Term loan	325,000	June 8, 2012
7.25% senior subordinated notes	288	December 1, 2011
7.50% senior notes	225,000	May 1, 2012
7.125% senior notes	501,542	October 15, 2012
7.00% senior notes	500,000	October 15, 2017
5.0% convertible notes	59,683	February 15, 2010
3.25% convertible notes**	4,698	August 1, 2010
3.00% convertible notes	344,606	August 15, 2012
2.25% convertible notes	43	October 15, 2009
Total	$ 4,360,860	

* Anticipated repayment date; final legal maturity date is April 2037.

** Reflects the balance outstanding as of June 30, 2008. In August 2008, holders of all remaining outstanding 3.25% convertible notes due August 1, 2010 (3.25% Notes) submitted their notes for conversion, as described in further detail below under Refinancing Activities and Repurchases of Debt.

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Uses of Cash

Stock Repurchase Programs. During the six months ended June 30, 2008, we repurchased an aggregate of approximately 7.2 million shares of our Class A common stock for an aggregate of approximately $285.9 million pursuant to our publicly announced stock repurchase programs.

In February 2007, we announced a $1.5 billion stock repurchase program (the 2007 Buyback), which we ended in February 2008. In March 2008, we announced a new $1.5 billion stock repurchase program (the 2008 Buyback), as discussed below. Pursuant to the 2007 Buyback, we repurchased 4.3 million shares of our Class A common stock for an aggregate of $163.7 million during the three months ended March 31, 2008. Under the 2007 Buyback, we repurchased a total of 35.3 million shares of our Class A common stock for an aggregate of $1.45 billion.

In March 2008, we announced that our Board of Directors approved the 2008 Buyback pursuant to which we intend to repurchase up to $1.5 billion of our Class A common stock. We expect to fund repurchases through a combination of cash on hand, cash provided by operations, borrowings under our existing $1.25 billion senior unsecured revolving credit facility (the Revolving Credit Facility) and future financing transactions, and purchases under this stock repurchase program are subject to us having available cash to fund repurchases. Pursuant to the 2008 Buyback, we repurchased 2.9 million shares of our Class A common stock for an aggregate of $122.1 million during the six months ended June 30, 2008. Between July 1, 2008 and July 25, 2008, we repurchased an additional 2.5 million shares of our Class A common stock for an aggregate of $100.7 million. As of July 25, 2008, we had repurchased a total of 5.4 million shares of our Class A common stock for an aggregate of $222.8 million pursuant to the 2008 Buyback.

For more information regarding our stock repurchase programs, please see Unregistered Sales of Equity Securities and Use of Proceeds below, note 3 to our condensed consolidated financial statements herein, and note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Tower Improvements, Tower Construction and In-Building System Installation, Tower and Land Acquisition and Ground Lease Prepayments. During the six months ended June 30, 2008, payments for purchases of property and equipment and construction activities totaled $97.3 million. In addition, during the six months ended June 30, 2008, we spent $32.1 million to acquire 252 towers and $9.1 million for the prepayment of long-term ground leases. We plan to continue to allocate our available capital among investment alternatives that meet our return criteria. Accordingly, we may continue to acquire communications sites, acquire land under our towers, build or install new communications sites and redevelop or improve existing communications sites when the expected returns on such investments meet our investment criteria. We anticipate that we will construct approximately 300 to 400 new sites, including towers and in-building systems, in the United States, Mexico and Brazil in 2008. During the three months ended June 30, 2008, we entered into a build-to-suit agreement with a carrier in India to build approximately 200 tower sites. In connection with the agreement, we anticipate incurring additional capital expenditures of approximately $15.0 million and expect to complete the construction of the sites by the end of 2008. We expect that our 2008 total capital expenditures will be between approximately $200.0 million and $225.0 million. In addition, we expect to spend a total of approximately $15.0 million during 2008 for the prepayment of long-term ground leases.

Refinancing and Repurchases of Debt. In order to extend the maturity dates of our indebtedness, lower our cost of debt and improve our financial flexibility, we use our available liquidity and seek new sources of liquidity to refinance and repurchase our outstanding indebtedness. During the six months ended June 30, 2008, we entered into a Notice of Incremental Facility Commitment with respect to an additional $325.0 million of term loan commitments (Term Loan) pursuant to our Revolving Credit Facility, and used the net proceeds, together with available cash, to repay $325.0 million of existing indebtedness under the Revolving Credit Facility. For more information about our financing activities, see Refinancing Activities and Repurchases of Debt below.

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Contractual Obligations. Our contractual obligations relate primarily to the Commercial Mortgage Pass-Through Certificates, Series 2007-1 issued in our May 2007 securitization transaction, borrowings under our Revolving Credit Facility and Term Loan and our outstanding notes. We included a table of our contractual obligations in our Annual Report on Form 10-K for the year ended December 31, 2007. Since December 31, 2007, we refinanced a portion of our outstanding debt, as discussed below under Refinancing Activities and Repurchases of Debt.

A description of our contractual debt obligations is included in Item 3. Quantitative and Qualitative Disclosures about Market Risk, as well as in note 3 to our condensed consolidated financial statements. As discussed in note 1 to our condensed consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 (FIN 48) during the year ended December 31, 2007, which resulted in the classification of uncertain tax positions as non-current income tax liabilities. We expect the unrecognized tax benefits to change over the next twelve months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this timeframe. However, based on the status of these items and the amount of uncertainty associated with the outcome and timing of audit settlements, we are currently unable to estimate the impact of the amount of such changes, if any, to previously recorded uncertain tax positions and have classified approximately $30.9 million as other long-term liabilities in the condensed consolidated balance sheet as of June 30, 2008. We also classified approximately $32.8 million of accrued income tax-related interest and penalties as other long-term liabilities in the condensed consolidated balance sheet as of June 30, 2008.

Sources of Cash

American Tower Corporation is a holding company, and our cash flows are derived primarily from distributions from our operating subsidiaries or funds raised through credit facilities and debt and equity offerings. Our principal United States operating subsidiaries are American Towers, Inc. (ATI) and SpectraSite Communications, LLC (SpectraSite). We conduct our international operations through our subsidiary, American Tower International, Inc., which in turn conducts operations through its international operating subsidiaries. Our international operations consist primarily of our operations in Mexico and Brazil, which we conduct in Mexico through ATC Mexico Holding Corp. (ATC Mexico) and in Brazil through ATC South America Holding Corp. (ATC South America).

With regard to the indentures for our 7.50% senior notes due 2012 (7.50% Notes) and 7.125% senior notes due 2012 (7.125% Notes) (which generally contain more restrictions than the loan agreement for the Revolving Credit Facility and Term Loan or the indenture for our 7.00% senior unsecured notes due 2017 (7.00% Notes)), most of our operating subsidiaries other than SpectraSite are designated as restricted subsidiaries. This means, among other things, that those subsidiaries, like American Tower Corporation itself, are subject to those indentures restrictions on the amount of cash that they can distribute to unrestricted subsidiaries or otherwise pay out of the restricted group. In addition, while SpectraSite and its subsidiaries are classified as unrestricted subsidiaries under the indentures for our 7.50% Notes and 7.125% Notes, certain of SpectraSite s subsidiaries are subject to restrictions on the amount of cash that they can distribute to us under the loan agreement for the securitization transaction.

Total Liquidity at June 30, 2008. As of June 30, 2008, we had approximately $745.3 million of total liquidity, comprised of approximately $152.1 million in cash and cash equivalents and the ability to borrow approximately $593.2 million under our Revolving Credit Facility.

Cash Provided by Operations. For the six months ended June 30, 2008, our cash provided by operating activities was $359.1 million, compared to $382.2 million for the same period in 2007. For the six months ended June 30, 2008, cash provided by operating activities includes $9.1 million for long-term ground lease prepayments. For the six months ended June 30, 2007, cash provided by operating activities includes

approximately $80.0 million in proceeds received from our federal income tax refund related to the carry back of certain federal net operating losses and excludes a $21.6 million net increase in cash held in reserve accounts related to the securitization transaction, as these accounts were classified as restricted cash. Each of our rental and management and network development services segments are expected to generate cash flows from operations during 2008 in excess of their cash needs for operations and expenditures for tower construction and improvements. (See Results of Operations above.) We expect to use the excess cash provided by operations principally to service our debt and to fund capital expenditures and repurchases of our Class A common stock.

Revolving Credit Facility. On June 8, 2007, we refinanced our existing $1.6 billion senior secured credit facilities at the American Tower operating company (AMT OpCo) level with the new $1.25 billion Revolving Credit Facility of American Tower Corporation. We borrowed $1.0 billion under the Revolving Credit Facility and together with cash on hand, used the funds to repay all amounts outstanding under the existing AMT OpCo credit facilities plus accrued interest thereon and other costs and expenses related thereto. During the six months ended June 30, 2008, we drew down and repaid amounts under the Revolving Credit Facility in the ordinary course, and also repaid $325.0 million of borrowings under the Revolving Credit Facility using net proceeds from our Term Loan, as discussed below.

As of June 30, 2008, we had $650.0 million outstanding under our Revolving Credit Facility, approximately $6.9 million of undrawn letters of credit outstanding and the ability to borrow approximately $593.2 million.

The Revolving Credit Facility has a term of five years and matures on June 8, 2012. All principal and interest will be due and payable in full at maturity. The Revolving Credit Facility does not require amortization of principal and may be paid prior to maturity in whole or in part at our option without penalty or premium. The Revolving Credit Facility allows us to use borrowings for working capital needs and other general corporate purposes of us and our subsidiaries (including, without limitation, to refinance or repurchase other indebtedness and, provided certain conditions are met, to repurchase our equity securities, in each case without additional lender approval).

The Revolving Credit Facility contains certain financial ratios and operating covenants and other restrictions (including limitations on additional debt, guaranties, sales of assets and liens) with which we must comply. Any failure to comply with the financial ratios and operating covenants of the Revolving Credit Facility would not only prevent us from being able to borrow additional funds, but would constitute a default, which could result in, among other things, the amounts outstanding, including all accrued interest and unpaid fees, becoming immediately due and payable.

For more information regarding our Revolving Credit Facility, please see note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Proceeds from the Sale of Equity Securities. We receive proceeds from sales of our equity securities pursuant to our employee stock purchase plan, upon exercise of stock options granted under our equity incentive plans and upon exercise of warrants to purchase our equity securities. For the six months ended June 30, 2008, we received an aggregate of $40.4 million in proceeds from sales of shares of our Class A common stock pursuant to our employee stock purchase plan and exercises of stock options and warrants.

Refinancing Activities and Repurchases of Debt

Term Loan Credit Facility. On March 24, 2008, we entered into the new $325.0 million Term Loan. At closing, we received net proceeds of approximately $321.7 million from the Term Loan, which, together with available cash was used to repay $325.0 million of existing indebtedness under the Revolving Credit Facility. The Term Loan matures on June 8, 2012. All amounts will be due and payable in full at maturity. The Term Loan does not require amortization of principal and may be paid prior to maturity in whole or in part at the Company s option without penalty or premium.

The Term Loan contains certain financial ratios and operating covenants and other restrictions applicable to the Company and its subsidiaries designated as restricted subsidiaries on a consolidated basis that are consistent with the Revolving Credit Facility, which are described in note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007. Any failure to comply with the financial and operating covenants of the Term Loan would constitute a default, which could result in, among other things, the amounts outstanding, including all accrued interest, becoming immediately due and payable.

For more information regarding our Term Loan, please see note 3 to our condensed consolidated financial statements herein.

Interest Rate Swap Agreements. During the six months ended June 30, 2008, we entered into twelve additional interest rate swap agreements to manage exposure to variability in cash flows related to forecasted interest payments under our Revolving Credit Facility and Term Loan. As of June 30, 2008, we held fifteen interest rate swap agreements, all of which have been designated as cash flow hedges, and which have an aggregate notional amount of $775.0 million, interest rates ranging from 2.86% to 4.08% and expiration dates through March 2011.

3.25% Convertible Notes Conversions. During the six months ended June 30, 2008, we issued 1,115,452 shares of Class A common stock upon conversion of approximately $13.6 million principal amount of our 3.25% Notes. Pursuant to the terms of the indenture, the holders of the 3.25% Notes are entitled to receive 81.808 shares of Class A common stock for every $1,000 principal amount of notes converted. In connection with the conversions, we paid the holder an aggregate of approximately $0.2 million, calculated based on the discounted value of the future interest payments on the notes. As of June 30, 2008, $4.7 million principal amount of 3.25% Notes remained outstanding.

3.25% Convertible Notes Redemption. In July 2008, we issued a notice for the redemption on August 6, 2008 of all of our outstanding 3.25% Notes. In accordance with the conversion provisions of the 3.25% Notes and the indenture for the 3.25% Notes, holders of the notes had the right at any time until and including, but not after the close of business on August 5, 2008, to convert their notes into shares of Class A common stock at a conversion rate of 81.808 shares of Class A common stock per $1,000 principal amount of notes. Holders of all $4.7 million of the outstanding 3.25% Notes converted their notes into an aggregate of 384,332 shares of Class A common stock prior to redemption. As a result, as of August 6, 2008, none of the 3.25% Notes remained outstanding.

Factors Affecting Sources of Liquidity

As discussed in the Liquidity and Capital Resources section of our Annual Report on Form 10-K for the year ended December 31, 2007, our liquidity is dependent on our ability to generate cash from operations, borrow funds under our credit facilities and maintain compliance with the contractual agreements governing our indebtedness. As discussed above, the loan agreement for our Revolving Credit Facility and Term Loan contains certain financial ratios and operating covenants and other restrictions. In addition, the loan agreement related to our Securitization includes operating covenants and other restrictions, and the indentures governing the terms of our 7.50% Notes and 7.125% Notes contain certain restrictive covenants. The agreements governing the terms of our outstanding indebtedness also contain reporting and information covenants that require us to provide financial and operating information within certain time periods.

If a default occurred under the loan agreement for the Revolving Credit Facility and Term Loan, the loan agreement related to the Securitization, or the indentures for our other debt securities, the maturity dates for our outstanding debt could be accelerated, and we likely would be prohibited from making additional borrowings under the Revolving Credit Facility until we cured the default. If this were to occur, we would not have sufficient cash on hand to repay such indebtedness. The key factors affecting our ability to comply with the debt covenants described above are our financial performance relative to the financial maintenance tests defined in the loan agreement for the Revolving Credit Facility and Term Loan and our ability to fund our debt service obligations.

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Based upon our current expectations, we believe our operating results will be sufficient to comply with these covenants.

For more information regarding the terms of our outstanding indebtedness, please see note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Critical Accounting Policies and Estimates

Management s discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our policies and estimates on an ongoing basis, including those related to income taxes, asset retirement obligations, stock-based compensation, impairment of assets, revenue recognition and estimated useful lives of assets, which we discussed in our Annual Report on Form 10-K for the year ended December 31, 2007. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have reviewed our policies and estimates to determine our critical accounting policies for the three months ended June 30, 2008. Of the critical accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2007, we have updated our accounting policies and estimates related to estimated useful lives of assets and the expected life of stock options granted after January 1, 2008 in connection with our adoption of SAB No. 110 Share-Based Payment (SAB No. 110).

Estimated Useful Lives of Assets. As described in note 1 to our condensed consolidated financial statements included herein, during the second half of 2007, we undertook a review of the estimated useful lives of our tower assets to determine if we should modify our estimates for asset lives based on our historical operating experience. We retained an independent consultant to assist us in completing this review and received a report from the consultant in the first quarter of 2008. Through December 31, 2007, we depreciated our towers on a straight-line basis over the shorter of the term of the underlying ground lease (including renewal options) or the estimated useful life of the tower, which we had historically estimated to be 15 years. Additionally, certain of our intangible assets are amortized on a similar basis to the tower assets, as the estimated useful lives of such intangibles correlate to the useful life of the towers.

We completed the review of the estimated useful lives of our tower assets in the first quarter of 2008. Based on this review, we revised the estimated useful lives of our towers and certain related intangible assets from our historical estimate of 15 years to a revised estimate of 20 years, effective January 1, 2008. We accounted for the change in estimated useful lives as a change in estimate under Statement of Financial Accounting Standards No. 154 Accounting Changes and Error Corrections. The impact of the change in estimate was accounted for prospectively effective January 1, 2008, resulting in a reduction in depreciation and amortization expense of approximately $61.0 million pre-tax and an increase of approximately $38.1 million, net of tax, in net income for the six months ended June 30, 2008. We also expect the change in estimate to result in a decrease of approximately $122.0 million in depreciation and amortization expense for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

Stock-Based Compensation: Expected Life of Stock Options. As described in note 5 to our condensed consolidated financial statements included herein, we adopted SAB No. 110 effective January 1, 2008 and changed the expected life of stock options granted after January 1, 2008. SAB No. 110 expresses the views of the

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SEC staff regarding the use of a simplified method, as discussed in SAB No. 107 Share-Based Payment (SAB No. 107), in developing an estimate of expected term of plain vanilla share options in accordance with SFAS No. 123R. SAB No. 110 allows companies, under certain circumstances, to use the simplified method beyond December 31, 2007. Prior to the adoption of SAB No. 110, we used the simplified method under SAB No. 107 since July 1, 2005 to determine the 6.25 year expected life of our stock options. In connection with the January 1, 2008 adoption of SFAS No. 110, we reexamined our historical pattern of option exercises in an effort to determine if there were any discernable patterns of employee activity. The expected life computation is now based on historical exercise patterns and post-vesting termination behavior within the employee population. Based on our examination, we determined that the expected life of our stock options should be reduced in accordance with SAB No. 110. Accordingly, the impact of the adoption of SAB No. 110 resulted in a change in the expected life of options granted after January 1, 2008 to four years.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements (SFAS No. 157). This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. This statement requires quantitative disclosures about fair value measurements for each major category of assets and liabilities measured at fair value on a recurring and non-recurring basis during a period. In February 2008, the FASB issued FASB Staff Positions (FSP) 157-1 and 157-2. FSP 157-1 amends SFAS No. 157 to exclude SFAS No. 13, Accounting for Leases, (SFAS No. 13) and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of the application to January 1, 2009 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis (that is, at least annually). We adopted SFAS No. 157 as of January 1, 2008. The adoption had no impact on the condensed consolidated results of operations or financial position included herein, but requires that we provide additional required disclosures in the notes to our consolidated financial statements issued after the effective date.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141R changes the accounting for acquisitions by eliminating the step acquisition model, providing that contingent consideration be recognized at the time of acquisition (instead of being recognized when it is probable), disallowing the capitalization of transaction costs, and changing when restructurings related to acquisitions can be recognized. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective for us for acquisitions made after the January 1, 2009 effective date. We are in the process of evaluating the impact of the adoption of SFAS No. 141R.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS No. 160 establishes consolidating parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for us as of January 1, 2009. We are in the process of evaluating the impact the adoption of SFAS No. 160 will have on our consolidated results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161 Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS No. 161). This statement changes disclosure requirements and requires entities to provide enhanced disclosures about how and why entities use derivative

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financial instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 Accounting for Derivative Financial Instruments and Hedging Activities and related interpretations, and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. SFAS No. 161 is effective for us as of January 1, 2009. We are in the process of evaluating the impact the adoption of SFAS No. 161 will have on our disclosures.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS No. 162). This statement identifies the sources of accounting principles and the framework for selecting the principles used in preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 is effective for us 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. We are in the process of evaluating the impact, if any, the adoption of SFAS No. 162 will have on our consolidated results of operation and financial position.

Information Presented Pursuant to the Indentures of our 7.50% Notes and 7.125% Notes

The following table sets forth information that is presented solely to address certain tower cash flow reporting requirements contained in the indentures for our 7.50% Notes and 7.125% Notes. The indentures governing our 7.50% Notes and 7.125% Notes contain restrictive covenants with which we and certain subsidiaries under these indentures must comply. These include restrictions on our ability to incur additional debt, guarantee debt, pay dividends and make other distributions and make certain investments. Any failure to comply with these covenants would constitute a default, which could result in the acceleration of the principal amount and accrued and unpaid interest on all our outstanding 7.50% Notes and 7.125% Notes. In order for the holders of these notes to assess our compliance with certain of these covenants, the indentures require us to disclose in the periodic reports we file with the SEC our Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow (each as defined in the indentures). Under the indentures, our ability to make certain types of restricted payments is limited by the amount of Adjusted Consolidated Cash Flow that we generate, which is determined based on our Tower Cash Flow and Non-Tower Cash Flow. In addition, the indentures for our 7.50% Notes and 7.125% Notes restrict us from incurring additional debt or issuing certain types of preferred stock if on a pro forma basis the issuance of such debt and preferred stock would cause our consolidated debt to be greater than 7.5 times our Adjusted Consolidated Cash Flow. As of June 30, 2008, the ratio of our consolidated debt to Adjusted Consolidated Cash Flow was approximately 3.3. For more information about the restrictions under our notes indentures, see note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007, and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Factors Affecting Sources of Liquidity.

Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow are considered non-GAAP financial measures. We are required to provide these financial metrics by the indentures for our 7.50% Notes and 7.125% Notes, and we have included them below because we consider the indentures for these notes to be material agreements, the covenants related to Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow to be material terms of the indentures, and information about compliance with such covenants to be material to an investor s understanding of our financial results and the impact of those results on our liquidity.

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The following table presents Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow for the Company and its restricted subsidiaries, as defined in the indentures for the applicable notes (in thousands):

Tower Cash Flow, for the three months ended June 30, 2008	$ 183,873
Consolidated Cash Flow, for the twelve months ended June 30, 2008	$ 781,731
Less: Tower Cash Flow, for the twelve months ended June 30, 2008	(711,608)
Plus: four times Tower Cash Flow, for the three months ended June 30, 2008	735,492
Adjusted Consolidated Cash Flow, for the twelve months ended June 30, 2008	$ 805,615
Non-tower Cash Flow, for the twelve months ended June 30, 2008	$ 69,161

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on long-term debt obligations. We attempt to reduce these risks by utilizing derivative financial instruments, namely interest rate swaps. During the six months ended June 30, 2008, we entered into twelve additional interest rate swap agreements and as of June 30, 2008, we held fifteen interest rate swap agreements with an aggregate notional amount of $775.0 million. During the six months ended June 30, 2008, all derivative financial instruments were used for purposes other than trading. During the six months ended June 30, 2008, we drew down and repaid amounts outstanding under the Revolving Credit Facility in the ordinary course and also repaid $325.0 million of borrowings under the Revolving Credit Facility using net proceeds from the $325.0 million Term Loan we entered into in March 2008. As of June 30, 2008, $650.0 million was outstanding under the Revolving Credit Facility and $325.0 million was outstanding under the Term Loan.

The following table provides information as of June 30, 2008 about our market risk exposure associated with changing interest rates. For long-term debt obligations, the table presents principal cash flows by maturity date and average interest rates related to outstanding obligations.

Twelve month period ended June 30, 2008

Principal Payments and Interest Rate Detail by Contractual Maturity Dates

(In thousands, except percentages)

Long-Term Debt	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value
Fixed Rate Debt(a)	$ 1,699	$ 60,986	$ 18,573	$ 225,306	$ 844,992	$ 2,292,985	$ 3,444,541	$ 3,654,461