CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
November 06, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period to

Commission File Number 001-16441

CROWN CASTLE INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

Delaware	**76-0470458**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1220 Augusta Drive, Suite 500, Houston, Texas 77057-2261

(Address of principal executives office) (Zip Code)

(713) 570-3000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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.

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 Act). Yes ¨ No x

Number of shares of common stock outstanding at October 31, 2008: 288,697,316

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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Cautionary Language Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management s expectations as of the filing date of this report with the SEC. Statements that are not historical facts are identified as forward-looking statements. Such statements include plans, projections and estimates contained in *Part I Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations* and *Part I Item 3. Quantitative and Qualitative Disclosures About Market Risk* herein. Words such as estimate, anticipate, project, plan, intend, believe, expect, likely and similar expressions are intended to identify forward-looking statements.

Such forward-looking statements are subject to certain risks, uncertainties and assumptions, including prevailing market conditions, risk factors described under *Part II Other Information, Item 1A. Risk Factors* herein and in *Item 1A. Risk Factors* of our Annual Report on Form 10-K (2007 Form 10-K) for the fiscal year ended December 31, 2007 and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(In thousands of dollars, except share amounts)

	December 31, 2007	September 30, 2008 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 75,245	$ 73,104
Restricted cash	165,556	169,975
Receivables, net of allowance for doubtful accounts of $6,684 and $5,631, respectively	33,842	29,147
Deferred site rental receivables	22,261	28,939
Prepaid expenses	72,518	82,170
Deferred income tax assets	113,492	113,541
Other current assets	14,341	10,398
Total current assets	497,255	507,274
Restricted cash	5,000	5,000
Deferred site rental receivables	127,388	141,611
Available-for-sale securities	60,085	36,367
Property and equipment, net	5,051,055	5,059,917
Goodwill	1,970,501	1,981,816
Other intangible assets, net	2,676,288	2,593,619
Deferred financing costs and other assets, net of accumulated amortization of $26,358 and $36,326, respectively	100,561	124,261
	$ 10,488,133	$ 10,449,865
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 37,366	$ 37,593
Deferred revenues	144,760	154,037
Other accrued liabilities	108,361	92,386
Short-term debt and current maturities of long-term debt	81,500	166,500
Total current liabilities	371,987	450,516
Long-term debt	5,987,695	5,921,846
Deferred ground lease payables	172,508	193,532
Deferred income tax liability	281,259	184,150
Other liabilities	193,975	230,581
Total liabilities	7,007,424	6,980,625
Commitments and contingencies (note 11)		
Redeemable preferred stock, $0.1 par value; 20,000,000 shares authorized; shares issued and outstanding: December 31, 2007 and September 30, 2008 6,361,000; stated net of unamortized issue costs; mandatory	313,798	314,494

redemption and aggregate liquidation value of $318,050		
Stockholders equity:		
Common stock, $.01 par value; 690,000,000 shares authorized; shares issued and outstanding: December 31, 2007 282,507,106 and September 30, 2008 288,590,329	2,825	2,886
Additional paid-in capital	5,561,454	5,606,632
Accumulated other comprehensive income (loss)	26,166	(30,593)
Accumulated deficit	(2,423,534)	(2,424,179)
Total stockholders equity	3,166,911	3,154,746
	$ 10,488,133	$ 10,449,865

See condensed notes to consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND

COMPREHENSIVE INCOME (LOSS) (Unaudited)

(In thousands of dollars, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2008	2007	2008
Net revenues:				
Site rental	$ 326,797	$ 353,984	$ 948,925	$ 1,047,540
Network services and other	24,947	30,364	61,398	86,942
	351,744	384,348	1,010,323	1,134,482
Operating expenses:				
Costs of operations:[a]				
Site rental	111,863	115,758	330,624	341,884
Network services and other	17,032	20,541	43,484	60,772
General and administrative	32,881	37,437	104,210	110,915
Restructuring charges	3,191		3,191	
Asset write-down charges	59,306	2,902	64,049	9,199
Integration costs	4,749		18,666	2,504
Depreciation, amortization and accretion	135,540	131,714	407,557	395,643
	364,562	308,352	971,781	920,917
Operating income (loss)	(12,818)	75,996	38,542	213,565
Interest and other income (expense)	2,965	1,557	9,170	4,073
Interest expense and amortization of deferred financing costs	(89,407)	(88,138)	(260,212)	(266,040)
Impairment of available-for-sale securities		(23,718)		(23,718)
Income (loss) before income taxes and minority interests	(99,260)	(34,303)	(212,500)	(72,120)
Benefit (provision) for income taxes	31,923	2,096	69,705	87,079
Minority interests	324		151	
Net income (loss)	(67,013)	(32,207)	(142,644)	14,959
Dividends on preferred stock	(5,201)	(5,201)	(15,604)	(15,604)
Net income (loss) after deduction of dividends on preferred stock	$ (72,214)	$ (37,408)	$ (158,248)	$ (645)
Net income (loss)	$ (67,013)	$ (32,207)	$ (142,644)	$ 14,959
Other comprehensive income (loss):				
Available-for-sale securities, net of tax:				
Amounts reclassified into results of operations, net of taxes $-0-, $-0-, -0- and $-0-		23,718		23,718
Unrealized gains (losses) on available-for-sale securities, net of taxes of $4,520, $-0-, $12,080 and $-0-, respectively	(8,393)	(528)	(41,680)	(23,718)
Derivative instruments:				
Net change in fair value of cash flow hedging instruments, net of taxes of $24,338, $21,529, $7,113 and $20,545, respectively	(45,197)	(39,979)	24,238	(38,152)
Amounts reclassified into results of operations, net of taxes of $264, $1,010, $793 and $1,949, respectively	491	1,874	1,472	3,616

Foreign currency translation adjustments	7,943	(38,215)	20,275	(22,223)
Comprehensive income (loss)	$ (112,169)	$ (85,337)	$ (138,339)	$ (41,800)
Net income (loss) per common share basic and diluted	$ (0.26)	$ (0.13)	$ (0.57)	$ 0.00
Weighted-average common shares outstanding basic and diluted (in thousands)	282,577	283,573	279,353	280,780

(a) Exclusive of depreciation, amortization and accretion shown separately.

See condensed notes to consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In thousands of dollars)

	Nine Months Ended September 30,	
	2007	2008
Cash flows from operating activities:		
Net income (loss)	$ (142,644)	$ 14,959
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation, amortization and accretion	407,557	395,643
Amortization of deferred financing costs and other non-cash interest	14,126	16,587
Stock-based compensation expense	18,378	18,386
Asset write-down charges	64,049	9,199
Deferred income tax provision (benefit)	(72,447)	(87,063)
Impairment of available-for-sale securities		23,718
Other adjustments	2,466	739
Changes in assets and liabilities, excluding the effects of acquisitions:		
Increase (decrease) in accounts payable	(4,176)	712
Increase (decrease) in deferred revenues, deferred ground lease payables, other accrued liabilities and other liabilities	(29,885)	16,907
Decrease (increase) in receivables	7,213	7,618
Decrease (increase) in prepaid expenses, deferred site rental receivables and other assets	(44,222)	(71,650)
Net cash provided by (used for) operating activities	220,415	345,755
Cash flows from investing activities:		
Proceeds from investments and disposition of property and equipment	3,664	1,117
Payments for acquisitions (net of cash acquired) of businesses	(494,352)	(27,736)
Capital expenditures	(191,258)	(342,737)
Other	(755)	
Net cash provided by (used for) investing activities	(682,701)	(369,356)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	650,000	
Proceeds from issuance of capital stock	24,777	7,775
Principal payments on long-term debt	(1,625)	(4,875)
Purchases of capital stock	(603,656)	(44,383)
Borrowings under revolving credit agreements		85,000
Incurrence of financing costs	(9,107)	(1,538)
Net decrease (increase) in restricted cash	(20,436)	(4,378)
Dividends on preferred stock	(14,909)	(14,908)
Return of capital to minority interest holders of CCAL	(37,196)	
Net cash provided by (used for) financing activities	(12,152)	22,693
Effect of exchange rate changes on cash	1,524	(1,233)
Net increase (decrease) in cash and cash equivalents	(472,914)	(2,141)
Cash and cash equivalents at beginning of period	592,716	75,245

Cash and cash equivalents at end of period	$ 119,802	$ 73,104

See condensed notes to consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

(Tabular dollars in thousands, except per share amounts)

1. General

The information contained in the following notes to the consolidated financial statements is condensed from that which would appear in the annual consolidated financial statements; accordingly, the consolidated financial statements included herein should be reviewed in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2007, and related notes thereto, included in the 2007 Form 10-K filed by Crown Castle International Corp. (CCIC) with the Securities and Exchange Commission (SEC). All references to the Company include CCIC and its subsidiary companies unless otherwise indicated or the context indicates otherwise.

The Company owns, operates and leases towers and other communications structures (collectively, towers). The Company s primary business is the renting of antenna space to wireless communication companies under long-term contracts. To a lesser extent, the Company also provides complementary services to its customers including initial antenna installation and subsequent augmentation, site acquisition, site development and construction, network design and site selection, site management and other services. The Company s assets are primarily located throughout the U.S. and Australia and to a much lesser extent in Puerto Rico, Canada and the U.K.

Basis of Presentation

The consolidated financial statements included herein are unaudited; however, they include all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at September 30, 2008, the consolidated results of operations for the three and nine months ended September 30, 2007 and 2008 and the consolidated cash flows for the nine months ended September 30, 2007 and 2008. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the entire year.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The results of operations from the former subsidiaries of Global Signal Inc. are included in the consolidated statement of operations and comprehensive income (loss) from January 12, 2007. Unless indicated otherwise or the context otherwise requires, Global Signal refers to the former Global Signal Inc. and its subsidiaries which merged into a subsidiary of the Company on January 12, 2007. The integration of the Global Signal tower portfolio was completed during the first quarter of 2008.

Certain reclassifications have been made to the financial statements for prior periods in order to conform to the presentation for the nine months ended September 30, 2008.

Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the Company s consolidated financial statements are disclosed in the Company s 2007 Form 10-K with the exception of those disclosed below.

Fair Values. The Company s assets and liabilities recorded at fair value are categorized based upon a fair value hierarchy in accordance with Statement of Financial Accounting Standards No. 157 (SFAS 157) *Fair Value Measurements*. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

The levels of the fair value hierarchy are described below:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, as well as inputs other than quoted prices that are observable for the asset or liability, such as interest rates.

Level 3 inputs are unobservable inputs and are not corroborated by market data.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are described below.

Market approach. Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach. Based on the amount that would be required to replace the service capacity of an asset (replacement cost).

Income approach. Uses valuation techniques to convert future amounts to a single present amount based on market expectations.

The fair value of available-for-sale securities is based on quoted market prices. The fair value of interest rate swaps is determined using the income approach and is predominately based on observable interest rates and yield curves. The fair value of cash and cash equivalents and restricted cash approximate the carrying value. There were no changes since December 31, 2007 in our valuation techniques used to measure fair values, with the exception of our consideration of the Company s and the contract counterparty s credit risk when measuring the fair value of interest rate swaps.

See notes 2 and 8 for a further discussion of fair values.

2. New Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, which defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 also requires the Company to consider its own credit risk when measuring fair value, including derivatives. The FASB amended SFAS 157 to exclude leases accounted for pursuant to SFAS 13 from its scope. On January 1, 2008, the Company adopted the provisions of SFAS 157, with the exception of a one-year deferral of implementation for non-financial assets and liabilities that are not recognized or disclosed at fair value on a recurring basis (at least annually). In October 2008, the FASB clarified SFAS 157 as it relates to determining the fair value of a financial asset when the market for that financial asset is inactive. The significant categories of assets and liabilities included in the Company s deferred implementation of SFAS 157 are (1) non-financial assets and liabilities initially measured at fair value in a business combination, (2) impairment assessments of long-lived assets,

goodwill, and other intangible assets, and (3) asset retirement obligations initially measured at fair value. The requirements of SFAS 157 were applied prospectively. The adoption of SFAS 157 did not have a material impact on the Company s consolidated financial statements. See notes 1 and 8.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

In December 2007, the FASB issued SFAS 160, which amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. The provisions of SFAS 160 are effective for the Company as of January 1, 2009. The Company is currently evaluating the impact of the adoption of SFAS 160 on its consolidated financial statements.

In December 2007, the FASB issued SFAS 141(R), which replaces Statement of Financial Accounting Standards No. 141 (SFAS 141), *Business Combinations*. SFAS 141(R) establishes principles and requirements for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any noncontrolling interest in an acquisition, at their fair value as of the acquisition date. SFAS 141(R) will change the accounting treatment of certain items, including (1) acquisition and restructuring costs will generally be expensed as incurred, (2) noncontrolling interests will be valued at fair value at the acquisition date, (3) acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at the higher of such amount or the amount determined under existing guidance for non-acquired contingencies, and (4) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date will affect the provision for income taxes. The provisions of SFAS 141(R) will be applied prospectively to the Company s business combinations for which the acquisition date is on or after January 1, 2009. SFAS 141(R) may have a material impact on business combinations after adoption. The impact from application of SFAS 141(R) will depend on the facts and circumstances of the business combinations after adoption.

In March 2008, the FASB issued Statement of Financial Accounting Standard No. 161 (SFAS 161), *Disclosures about Derivative Instruments and Hedging Activities.* SFAS 161 enhances the disclosure requirements for derivative instruments and hedging activities. SFAS 161 is effective for the Company on January 1, 2009 and early adoption is encouraged. The Company expects that the adoption of SFAS 161 will not have a material impact on its consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position No. 142-3 (FSP 142-3), *Determination of the Useful Life of Intangible Assets.* FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. Specifically, the Company shall consider its own historical experience in renewing or extending similar arrangements, even when there is likely to be substantial cost or material modifications. Also, in the absence of its own experience, an entity shall consider the assumptions that market participants would use. The provisions of FSP 142-3 are applied prospectively to intangible assets acquired after January 1, 2009. FSP 142-3 may have a material impact on the determination of the useful lives of intangible assets acquired after January 1, 2009. This impact, if any, from the application of FSP 142-3 will depend on the facts and circumstances of the intangible assets acquired after adoption.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1 (APB 14-1), *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).* APB 14-1 clarifies that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion should be accounted for separately. The liability and equity components of convertible debt instruments within the scope of APB 14-1 shall be separately accounted for in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. The provisions of APB 14-1 are applied retrospectively and are effective for the Company as of January 1, 2009. The Company currently expects that the adoption of APB 14-1 will not have a material impact on its consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

3. Available-for-Sale Securities

The Company s available-for-sale securities consist of 26.4 million shares of common stock of FiberTower (NASDAQ: FTWR), which is approximately 18% of FiberTower s outstanding common stock. As of September 30, 2008, the fair value of the investment in FiberTower was $36.4 million (at $1.38 per FiberTower share), and there was no unrealized investment gain (loss) included in accumulated other comprehensive income. For the three months ended September 30, 2008, the Company recorded an impairment charge of $23.7 million included in impairment of available-for-sale securities related to an other-than-temporary decline in the value of FiberTower. The other-than-temporary decline determination was based primarily on the length of time and extent to which the market value has been less than the adjusted cost basis, and the impact of current broad-based economic and market conditions on the short-term prospects for recovery of the FiberTower stock price. See note 15.

4. Property and Equipment

The major classes of property and equipment are as follows:

	Estimated Useful Lives	December 31, 2007	September 30, 2008
Land		$ 414,871	$ 565,885
Buildings	40 years	32,681	34,782
Telecommunications towers	1-20 years	6,702,103	6,792,348
Transportation and other equipment	3-5 years	25,249	25,393
Office furniture and equipment	2-10 years	106,704	110,555
Construction in process		74,652	85,880
		7,356,260	7,614,843
Less: accumulated depreciation		(2,305,205)	(2,554,926)
		$ 5,051,055	$ 5,059,917

Depreciation expense was $95.2 million and $286.4 million for the three and nine months ended September 30, 2008, respectively, and was $99.1 million and $304.2 million, respectively, for the three and nine months ended September 30, 2007.

5. Intangible Assets

As of September 30, 2008, $2.6 billion and $8.5 million of the intangible assets, subject to amortization, are recorded at CCUSA and CCAL, respectively. As of September 30, 2008, $2.5 billion of the consolidated net intangible assets relate to site rental contracts. As of September 30, 2008, the accumulated amortization on the consolidated intangible assets was $290.6 million.

Amortization expense related to intangible assets is classified as follows on the Company s consolidated statement of operations and comprehensive income (loss):

	Three Months Ended September 30,	Nine Months Ended September 30,

Classification	2007	2008	2007	2008
Depreciation, amortization and accretion	$ 35,856	$ 35,873	$ 101,498	$ 107,375
Site rental costs of operations	1,078	1,091	3,292	3,391
Total amortization expense	$ 36,934	$ 36,964	$ 104,790	$ 110,766

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

6. Debt and Interest Rate Swaps

The Company s indebtedness consists of the following:

	Original Issue Date	Contractual Maturity Date	Outstanding Balance as of December 31, 2007[c]	Outstanding Balance as of September 30, 2008[c]	Stated Interest Rate as of September 30, 2008[d]
Bank debt variable rate:					
2007 Revolver	Jan. 2007	Jan. 2009[e]	$ 75,000	$ 160,000	4.2%[f]
2007 Term Loans	Jan./March 2007	March 2014	645,125	640,250	4.3%[f]
Total bank debt			720,125	800,250	
Securitized debt fixed rate:					
2004 Mortgage Loan	Dec. 2004[a]	Dec. 2009	287,609	289,880	4.7%
2006 Mortgage Loan	Feb. 2006[a]	Feb. 2011	1,547,608	1,548,165	5.7%
2005 Tower Revenue Notes	June 2005	June 2035[b]	1,900,000	1,900,000	4.9%[b]
2006 Tower Revenue Notes	Nov. 2006	Nov. 2036[b]	1,550,000	1,550,000	5.7%[b]
Total securitized debt			5,285,217	5,288,045	
Convertible and other fixed rate:					
4% Convertible Senior Notes[g]	July 2003	July 2010	63,802		4.0%
7.5% Senior Notes	Dec. 2003	Dec. 2013	51	51	7.5%
Total convertible and other			63,853	51	
Total indebtedness			6,069,195	6,088,346	
Less: current maturities and short-term debt			81,500	166,500	
Non-current portion of long-term debt			$ 5,987,695	$ 5,921,846	

(a) The 2004 Mortgage Loan and 2006 Mortgage Loan remained outstanding as obligations of Global Signal following the Global Signal Merger.

(b) If the 2005 Tower Revenue Notes and the 2006 Tower Revenue Notes are not paid in full on or prior to June 2010 and November 2011, respectively, then Excess Cash Flow (as defined in the indenture) of the Issuers (as defined in the indenture) will be used to repay principal of the Tower Revenue Notes, and additional interest (of at least an additional 5% per annum) will accrue on the Tower Revenue Notes.

(c) The 2004 Mortgage Loan and 2006 Mortgage Loan are net of unamortized purchase price adjustments of an aggregate $8.6 million and $5.8 million as of December 31, 2007 and September 30, 2008, respectively.

(d) Represents the weighted-average stated interest rate. The effective interest rate for the 2004 Mortgage Loan and 2006 Mortgage Loan is 5.8% and 5.7%, respectively, after giving effect to the fair value purchase price adjustments.

(e) During January 2008, the maturity of the 2007 Revolver was extended from January 6, 2008 to January 6, 2009.

(f) The 2007 Revolver currently bears interest at a rate per annum, at CCOC s election, equal to the prime rate of The Royal Bank of Scotland plc plus a credit spread ranging from 0.25% to 0.63% or LIBOR plus a credit spread ranging from 1.25% to 1.63%, in each case based on the Company s consolidated leverage ratio. The 2007 Term Loans bear interest at a rate per annum, at CCOC s election, equal to the prime rate of The Royal Bank of Scotland plc plus 0.50% or LIBOR plus 1.50%. See *Interest Rate Swaps* below.

(g) See note 7.

Interest Rate Swaps

The Company only enters into interest rate swaps to manage and reduce its interest rate risk, including the use of (1) forward starting interest rate swaps to hedge its exposure to variability in future cash flows attributable to changes in LIBOR on anticipated refinancings and (2) interest rate swaps to hedge the interest rate variability on a portion of the Company s floating rate debt. The Company does not enter into interest rate swaps for speculative or trading purposes. The forward starting interest rate swaps call for the Company to pay interest at a fixed rate in exchange for receiving interest at a variable rate equal to LIBOR. The forward starting interest rate swaps are exclusive of any credit spread that would be incremental to the interest rate of the anticipated financing.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

The Company is exposed to non-performance risk from the counterparties to our interest rate swaps. The Company generally uses master netting arrangements to mitigate non-performance risk. The Company does not require collateral as security for its interest rate swaps. During the three months ended September 30, 2008, the Company de-designated as hedging instruments under SFAS 133 two interest rate swaps with a combined notional value of $475 million that are held by a subsidiary of Lehman Brothers Holdings Inc. (Lehman Brothers) because of the probability the counterparty would default (see also note 15). The Company s other interest rate swaps are with Morgan Stanley and the Royal Bank of Scotland plc, who have credit ratings of A or better.

The following is a summary of the outstanding interest rate swaps as of September 30, 2008:

Hedged Item[a]	Combined Notional	Start Date	End Date	Pay Fixed Rate[b]	Receive Variable Rate
Variable to fixed forward starting[c]:					
2004 Mortgage Loan anticipated refinancing	$ 293,825	Dec. 2009	Dec. 2014	5.1%	LIBOR
2005 Tower Revenue Notes anticipated refinancing	1,900,000	June 2010	June 2015	5.2%	LIBOR
2006 Mortgage Loan anticipated refinancing	1,550,000	Feb. 2011	Feb. 2016	5.3%	LIBOR
2006 Tower Revenue Notes anticipated refinancing	1,550,000	Nov. 2011	Nov. 2016	5.1%	LIBOR
Variable to fixed:					
2007 Term Loans[d]	625,000	Dec. 2007	Dec. 2009	4.1%	LIBOR
Total	$ 5,918,825				

(a) Inclusive of interest rate swaps not designated as hedging instruments under SFAS 133.
(b) Exclusive of any applicable credit spreads.
(c) The forward starting interest rate swaps are cash flow hedges of the interest rate risk related to the variability in LIBOR on the anticipated refinancing of 87% of the outstanding debt as of September 30, 2008. On the respective effective dates (projected issuance dates), these interest rate swaps will be terminated and settled in cash.
(d) The Company has effectively fixed the interest rate for two years on $625.0 million of the 2007 Term Loans at a combined rate of approximately 4.1% (plus the applicable credit spread).

The effect of interest rate swaps on the consolidated balance sheet and consolidated statement of operations and comprehensive income (loss) is as follows:

		Fair Value of Interest Rate Swaps Liability Derivatives	
Interest Rate Swaps	Classification	December 31, 2007	September 30, 2008
Designated as hedging instruments under SFAS 133:			
Current	Other accrued liabilities	$ 3,985	$ 6,685
Non-current	Other liabilities	61,356	101,818
Not designated as hedging instruments under SFAS 133	Other liabilities		9,832
Total		$ 65,341	$ 118,335

Interest Rate Swaps Designated as Hedging Instruments Under SFAS 133[a]	Three Months Ended September 30, 2007	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Classification
Gain (loss) recognized in OCI (effective portion)	$ (69,535)	$ (61,507)	$ 31,351	$ (58,697)	Other comprehensive income (OCI)
Gain (loss) reclassified from accumulated OCI into income (effective portion)	755	2,884	2,265	5,565	Interest expense and amortization of deferred financing costs

Interest Rate Swaps Not Designated as Hedging Instruments Under SFAS 133[a]	Three Months Ended September 30, 2007	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Classification
Gain (loss) recognized in income	$	$ 2,404	$	$ 2,404	Interest and other income (expense)

(a) Exclusive of benefit (provision) for income taxes.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

7. Stockholders Equity

In January 2008, the Company purchased 1.1 million shares of common stock in public market transactions, utilizing $42.0 million in cash.

In February 2008, the Company issued 32,977 shares of common stock to the non-employee members of its board of directors. In connection with these shares, the Company recognized stock-based compensation expense of $1.2 million for the nine months ended September 30, 2008.

During the third quarter of 2008, holders converted $63.7 million of the 4% Convertible Senior Notes into 5.9 million shares of common stock. As of September 30, 2008, there were no 4% Convertible Senior Notes outstanding.

See note 13 for information regarding stock-based compensation.

8. Fair Value Disclosures

As discussed in notes 1 and 2, the Company adopted SFAS 157 on January 1, 2008 with the exception of a one-year deferral of implementation for certain non-financial assets and liabilities. The following table presents information about the Company s assets and liabilities measured at fair value on a recurring basis as of September 30, 2008 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

	Assets at Fair Value as of September 30, 2008			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 73,104			$ 73,104
Restricted cash	174,975			174,975
Available-for-sale securities	36,367			36,367
	$ 284,446			$ 284,446

	Liabilities at Fair Value as of September 30, 2008			
	Level 1	Level 2	Level 3	Total
Interest rate swaps		$ 118,335(a)		$ 118,335

(a) The amount of the liability on a cash settlement basis is approximately $122.2 million as of September 30, 2008.

In addition, the fair value and carrying value of debt is $5.7 billion and $6.1 billion, respectively, as of September 30, 2008. The decline in fair value of debt from December 31, 2007 to September 30, 2008 is predominately due to the impact of the conversion of the remaining 4% Convertible Senior Notes which had a fair value of approximately $243 million and the decline in fair value of the tower revenues notes and mortgage loans in the aggregate of approximately $233 million. The fair value of debt is based on indicative quotes from brokers (that is non-binding) and may not be indicative of the amount that could be realized in a current market exchange.

9. Income Taxes

During the second quarter of 2008, the IRS examination of the Company s U.S. federal tax return for 2004 was completed, and a refund of $0.8 million was received. As a result, for the nine months ended September 30, 2008, the Company recorded income tax benefits of $74.9 million from the recording of net operating losses related to previously unrecognized tax benefits. As of September 30, 2008, the Company had no unrecognized tax benefits.

For the three and nine months ended September 30, 2008, the Company recorded a tax benefit of $2.1 million and $87.1 million, respectively. The effective tax rate for the nine months ended September 30, 2008 differs from the federal statutory rate due predominately to (1) the previously mentioned income tax benefits resulting from the completion of the IRS examination, (2) a full valuation allowance on our capital losses from an other-than-temporary decline in value of FiberTower (see note 3), (3) foreign losses for which no tax benefit was recognized,

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and (4) state 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.

10. Per Share Information

Basic net income (loss) per common share excludes dilution and is computed by dividing net income (loss) applicable to common stock by the weighted-average number of common shares outstanding in the period. Diluted income (loss) per common share is computed by dividing net income (loss) applicable to common stock by the weighted-average number of common shares outstanding during the period plus any potential dilutive common share equivalents, including shares issuable (1) upon exercise of stock options and warrants and the vesting of restricted stock awards as determined under the treasury stock method and (2) upon conversion of the Company s convertible notes and preferred stock, as determined under the if-converted method.

A reconciliation of the numerators and denominators of the basic and diluted per share computations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2008	2007	2008
Net income (loss)	$ (67,013)	$ (32,207)	$ (142,644)	$ 14,959
Dividends on preferred stock	(5,201)	(5,201)	(15,604)	(15,604)
Net income (loss) applicable to common stock for basic and diluted computations	$ (72,214)	$ (37,408)	$ (158,248)	$ (645)
Weighted average number of common shares outstanding during the period for basic and diluted computations (in thousands)	282,577	283,573	279,353	280,780
Net income (loss) per common share basic and diluted	$ (0.26)	$ (0.13)	$ (0.57)	$ 0.00

The calculations of common shares outstanding for the diluted computations exclude the following potential common shares. The inclusion of such potential common shares in the diluted per share computations would be anti-dilutive since the Company incurred net losses after deductions of dividends on preferred stock for all periods presented.

	As of September 30,	
	2007	2008
	(In thousands of shares)	
Options to purchase shares of common stock[(a)]	4,776	4,189
Warrants to purchase shares of common stock at an exercise price of $7.508 per share	80	
GSI Warrants to purchase shares of common stock at an exercise price of $5.30 per share	611	
Shares of 6.25% Convertible Preferred Stock which are convertible into shares of common stock at a conversion price of $36.875 per share	8,625	8,625
Restricted stock awards (note 13)	2,269	3,017
4% Convertible Senior Notes which were convertible into shares of common stock at a conversion price of $10.83 per share (note 7)	5,891	

Total potential common shares	22,252	15,831

(a) As of September 30, 2008, there are 4.2 million outstanding stock options with a weighted-average exercise price of $16.73 and a weighted-average remaining contractual term of 2.0 years.

11. Commitments and Contingencies

The Company is involved in various claims, lawsuits and proceedings arising in the ordinary course of business along with a derivative lawsuit as described below. While there are uncertainties inherent in the ultimate outcome of such matters and it is impossible to presently determine the ultimate costs or losses that may be incurred, if any,

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

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management believes the resolution of such uncertainties and the incurrence of such costs should not have a material adverse effect on the Company s consolidated financial position or results of operations.

In February 2007, plaintiffs filed a consolidated petition styled *In Re Crown Castle International Corp. Derivative Litigation*, Cause No. 2006-49592; in the 234th Judicial District Court, Harris County, Texas which consolidated five stockholder derivative lawsuits filed in 2006. The lawsuit names various of the Company s current and former directors and officers. The lawsuit makes allegations relating to the Company s historic stock option practices and alleges claims for breach of fiduciary duty and other similar matters. Among the forms of relief, the lawsuit seeks alleged monetary damages sustained by CCIC.

12. Operating Segments

The Company s reportable operating segments for the nine months ended September 30, 2008 are (1) CCUSA, primarily consisting of the Company s U.S. (including Puerto Rico) tower operations and (2) CCAL, the Company s Australian tower operations. Financial results for the Company are reported to management and the board of directors in this manner.

The measurement of profit or loss currently used by management to evaluate the results of operations for the Company and its operating segments is earnings before interest, taxes, depreciation, amortization and accretion, as adjusted (Adjusted EBITDA). The Company defines Adjusted EBITDA as net income (loss) plus restructuring charges (credits), asset write-down charges, integration costs, depreciation, amortization and accretion, losses on purchases and redemptions of debt, interest and other income (expense), interest expense and amortization of deferred financing costs, impairment of available-for-sale securities, benefit (provision) for income taxes, minority interests, cumulative effect of change in accounting principle, income (loss) from discontinued operations and stock-based compensation expense. Adjusted EBITDA is not intended as an alternative measure of operating results or cash flow from operations (as determined in accordance with U.S. generally accepted accounting principles), and the Company s measure of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

There are no significant revenues resulting from transactions between the Company s operating segments. Inter-company borrowings and related interest between segments are eliminated to reconcile segment results and assets to the consolidated totals.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

The financial results for the Company s operating segments are as follows:

	Three Months Ended September 30, 2007				Three Months Ended September 30, 2008			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net revenues:								
Site rental	$ 309,798	$ 16,999	$	$ 326,797	$ 332,715	$ 21,269	$	$ 353,984
Network services and other	23,035	1,912		24,947	27,972	2,392		30,364
	332,833	18,911		351,744	360,687	23,661		384,348
Costs of operations:[a]								
Site rental	106,014	5,849		111,863	109,757	6,001		115,758
Network services and other	15,864	1,168		17,032	18,878	1,663		20,541
General and administrative	29,319	3,562		32,881	33,220	4,217		37,437
Restructuring charges	3,191			3,191				
Asset write-down charges	59,306			59,306	2,863	39		2,902
Integration costs	4,749			4,749				
Depreciation, amortization and accretion	128,501	7,039		135,540	124,434	7,280		131,714
Operating income (loss)	(14,111)	1,293		(12,818)	71,535	4,461		75,996
Interest and other income (expense)	7,192	174	(4,401)	2,965	7,389	177	(6,009)	1,557
Interest expense and amortization of deferred financing costs	(88,604)	(5,204)	4,401	(89,407)	(87,457)	(6,690)	6,009	(88,138)
Impairment of available-for-sale securities					(23,718)			(23,718)
Benefit (provision) for income taxes	32,352	(429)		31,923	2,687	(591)		2,096
Minority interests	324			324				
Net income (loss)	$ (62,847)	$ (4,166)	$	$ (67,013)	$ (29,564)	$ (2,643)	$	$ (32,207)
Capital expenditures	$ 63,689	$ 2,645	$	$ 66,334	$ 108,943	$ 31,360	$	$ 140,303
Total assets (at period end)					$ 10,413,795	$ 278,691	$ (242,621)	$ 10,449,865

(a) Exclusive of depreciation, amortization and accretion shown separately.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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(Tabular dollars in thousands, except per share amounts)

	Nine Months Ended September 30, 2007				Nine Months Ended September 30, 2008			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net revenues:								
Site rental	$ 898,215	$ 50,710	$	$ 948,925	$ 985,415	$ 62,125	$	$ 1,047,540
Network services and other	55,833	5,565		61,398	78,822	8,120		86,942
	954,048	56,275		1,010,323	1,064,237	70,245		1,134,482
Costs of operations:[(a)]								
Site rental	314,871	15,753		330,624	323,663	18,221		341,884
Network services and other	40,122	3,362		43,484	56,557	4,215		60,772
General and administrative	93,716	10,494		104,210	98,097	12,818		110,915
Restructuring charges	3,191			3,191				
Asset write-down charges	64,049			64,049	9,067	132		9,199
Integration costs	18,666			18,666	2,504			2,504
Depreciation, amortization and accretion	387,137	20,420		407,557	373,730	21,913		395,643
Operating income (loss)	32,296	6,246		38,542	200,619	12,946		213,565
Interest and other income (expense)	16,653	480	(7,963)	9,170	21,068	431	(17,426)	4,073
Interest expense and amortization of deferred financing costs	(257,788)	(10,387)	7,963	(260,212)	(263,782)	(19,684)	17,426	(266,040)
Impairment of available-for-sale securities					(23,718)			(23,718)
Benefit (provision) for income taxes	70,484	(779)		69,705	88,789	(1,710)		87,079
Minority interests	362	(211)		151				
Net income (loss)	$ (137,993)	$ (4,651)	$	$ (142,644)	$ 22,976	$ (8,017)	$	$ 14,959
Capital expenditures	$ 176,777	$ 14,481	$	$ 191,258	$ 301,000	$ 41,737	$	$ 342,737
Total assets (at period end)					$ 10,413,795	$ 278,691	$ (242,621)	$ 10,449,865

(a) Exclusive of depreciation, amortization and accretion shown separately.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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The following are reconciliations of net income (loss) to Adjusted EBITDA for the three and nine months ended September 30, 2007 and 2008.

	Three Months Ended September 30, 2007				Three Months Ended September 30, 2008			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net income (loss)	$ (62,847)	$ (4,166)	$	$ (67,013)	$ (29,564)	$ (2,643)	$	$ (32,207)
Adjustments to increase (decrease) net income (loss):								
Restructuring charges[(a)]	3,191			3,191				
Asset write-down charges	59,306			59,306	2,863	39		2,902
Integration costs	4,749			4,749				
Depreciation, amortization and accretion	128,501	7,039		135,540	124,434	7,280		131,714
Interest and other income (expense)	(7,192)	(174)	4,401	(2,965)	(7,389)	(177)	6,009	(1,557)
Interest expense and amortization of deferred financing costs	88,604	5,204	(4,401)	89,407	87,457	6,690	(6,009)	88,138
Impairment of available-for-sale securities					23,718			23,718
(Benefit) provision for income taxes	(32,352)	429		(31,923)	(2,687)	591		(2,096)
Minority interests	(324)			(324)				
Stock-based compensation expense[(b)]	5,373	439		5,812	6,346	754		7,100
Adjusted EBITDA	$ 187,009	$ 8,771	$	$ 195,780	$ 205,178	$ 12,534	$	$ 217,712

	Nine Months Ended September 30, 2007				Nine Months Ended September 30, 2008			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net income (loss)	$ (137,993)	$ (4,651)	$	$ (142,644)	$ 22,976	$ (8,017)	$	$ 14,959
Adjustments to increase (decrease) net income (loss):								
Restructuring charges[(a)]	3,191			3,191				
Asset write-down charges	64,049			64,049	9,067	132		9,199
Integration costs[(a)]	18,666			18,666	2,504			2,504
Depreciation, amortization and accretion	387,137	20,420		407,557	373,730	21,913		395,643
Interest and other income (expense)	(16,653)	(480)	7,963	(9,170)	(21,068)	(431)	17,426	(4,073)
Interest expense and amortization of deferred financing costs	257,788	10,387	(7,963)	260,212	263,782	19,684	(17,426)	266,040
Impairment of available-for-sale securities					23,718			23,718
(Benefit) provision for income taxes	(70,484)	779		(69,705)	(88,789)	1,710		(87,079)
Minority interests	(362)	211		(151)				
Stock-based compensation expense[(b)]	15,211	2,202		17,413	18,386	2,428		20,814

Adjusted EBITDA	$ 520,550	$ 28,868	$	$ 549,418	$ 604,306	$ 37,419	$	$ 641,725

(a) Including stock-based compensation expense.
(b) Exclusive of expense included in integration costs and restructuring charges.

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Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, restricted cash and trade receivables. The Company mitigates its risk with respect to cash and cash equivalents by maintaining such deposits at high credit quality financial institutions and monitoring the credit ratings of those institutions. The Company s restricted cash is held and directed by a trustee.

The Company derives the largest portion of its revenues from customers in the wireless communications industry. For the quarter ended September 30, 2008, four customers accounted for 10% or more of the Company s consolidated revenues: Sprint Nextel, which accounted for approximately 24% of revenues, AT&T, which accounted for approximately 19% of revenues, Verizon Wireless, which accounted for approximately 15%, and T-Mobile, which accounted for approximately 12% of revenues. Certain of the Company s customers have credit ratings below investment grade, such as Sprint Nextel and certain emerging and second tier wireless carriers. The Company mitigates its concentrations of credit risk with respect to trade receivables by actively monitoring the creditworthiness of its customers, the use of customer leases with contractually determinable payment terms and proactive management of past due balances.

13. Stock-Based Compensation

Restricted Common Stock

A summary of restricted stock activity for the nine months ended September 30, 2008 is as follows:

	Nine Months Ended September 30, 2008 (In thousands of shares)
Shares outstanding at December 31, 2007	2,255
Shares granted[(a)]	993
Shares vested	(179)
Shares forfeited	(52)
Shares outstanding at September 30, 2008	3,017

(a) Weighted-average grant-date fair value of $29.86 per share and a weighted-average requisite service period of 2.8 years.

During the nine months ended September 30, 2008, the Company granted 0.7 million restricted stock awards with a market condition that generally results in forfeiture by the employee of any unvested shares in the event the Company s common stock does not achieve the target of $41.50 per share for a period of 20 consecutive trading days beginning on or before February 21, 2011. The weighted-average assumptions used in the determination of the grant date fair value for the awards with market conditions granted in the nine months ended September 30, 2008 were as follows:

Risk-free rate	2.4%
Expected volatility	27%

Expected dividend rate	0%

The Company recognized stock-based compensation expense related to restricted stock awards of $15.5 million and $17.2 million for the nine months ended September 30, 2007 and 2008, respectively. The unrecognized compensation expense (net of estimated forfeitures) related to restricted stock awards as of September 30, 2008 is $30.2 million.

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Stock-Based Compensation Expense

The following table summarizes the components of stock-based compensation expense from continuing operations. For the three and nine months ended September 30, 2008, the Company recorded tax benefits of $2.2 million and $6.4 million, respectively, related to stock-based compensation expenses.

	Three Months Ended September 30, 2007			Three Months Ended September 30, 2008		
	CCUSA	**CCAL**	**Total**	**CCUSA**	**CCAL**	**Total**
Stock-based compensation expense:						
Site rental costs of operations	$ 94	$	$ 94	$ 178	$	$ 178
Network services and other costs of operations	98		98	217		217
General and administrative expenses	5,181	439	5,620	5,951	754	6,705
Restructuring charges	2,377		2,377			
Integration costs						
	$ 7,750	$ 439	$ 8,189	$ 6,346	$ 754	$ 7,100

	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2008		
	CCUSA	**CCAL**	**Total**	**CCUSA**	**CCAL**	**Total**
Stock-based compensation expense:						
Site rental costs of operations	$ 288	$	$ 288	$ 686	$	$ 686
Network services and other costs of operations	272		272	588		588
General and administrative expenses	14,651	2,202	16,853	17,112	2,428	19,540
Restructuring charges	2,377		2,377			
Integration costs	790		790			
	$ 18,378	$ 2,202	$ 20,580	$ 18,386	$ 2,428	$ 20,814

14. Supplemental Cash Flow Information

Supplemental disclosures of cash flow information and non-cash investing and financing activities are as follows:

	Nine Months Ended September 30,	
	2007	**2008**
Supplemental disclosure of cash flow information:		
Interest paid	$ 234,317	$ 247,300
Income taxes paid	3,228	4,190

Supplemental disclosure of non-cash investing and financing activities:

Increase (decrease) in the fair value of available-for-sale securities, net of tax	(41,680)	(23,718)
Common stock issued and assumption of warrants and restricted common stock in connection with the Global Signal Merger	3,373,907	
Common stock issued in connection with the conversion of debt	37	63,340
Increase (decrease) in the fair value of interest rate swaps, net of tax (note 6)	24,238	(34,253)

15. Subsequent Events

Interest Rate Swaps

In October 2008, a subsidiary of Lehman Brothers who is the counterparty for two of the Company s interest rate swaps filed for bankruptcy. These two interest rate swaps have a combined notional value of $475 million and represent a liability of approximately $7.5 million as of October 31, 2008. The Company is exploring its options with regards to replacing or terminating these interest rate swaps.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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FiberTower

As of October 31, 2008, the fair value of the investment in FiberTower was $19.2 million (at $0.73 per FiberTower share), and the unrealized loss was $17.1 million. The Company may record additional impairment charges in the future if the decline in value is deemed other-than-temporary.

Foreign Currency

As of October 31, 2008, the Australian dollar to U.S. dollar exchange rate was 0.657, a decline of approximately 17% from the rate of 0.790 as of September 30, 2008. The exchange rate for the three and nine months ended September 30, 2008 was 0.887 and 0.912, respectively.

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

The following discussion should be read in conjunction with the response to Part I, Item 1 of this report and the consolidated financial statements of the Company including the related notes and *Management s Discussion and Analysis of Financial Condition and Results of Operations* (MD&A) included in our 2007 Form 10-K. Any capitalized terms used but not defined in this Item have the same meaning given to them in our 2007 Form 10-K. Unless this Form 10-Q indicates otherwise or the context requires, the terms we, our, our company, the company, or us as in this Form 10-Q refer to Crown Castle International Corp. and its subsidiaries, including Global Signal Inc. and its former subsidiaries following completion of the Global Signal Merger. Global Signal has been included in our consolidated statement of operations and comprehensive income (loss) from January 12, 2007.

General Overview

Overview

We own, operate and lease over 23,000 towers for wireless communications. Revenues generated from our core site rental business represented 92% of our third quarter 2008 consolidated revenues, of which 94% was attributable to our CCUSA operating segment. The vast majority of our site rental revenues is of a recurring nature and has been contracted for in a prior year.

The following are certain highlights of our business fundamentals:

- potential growth resulting from wireless network expansion;
- site rental revenues under long-term leases with contractual escalations;
- revenues predominately from large wireless carriers;
- majority of land under our towers under long-term control;
- relatively fixed tower operating costs;
- high incremental margins and cash flows on organic revenue growth;
- minimal sustaining capital expenditure requirements;
- majority of our outstanding debt rated investment grade and has fixed rate coupons; and
- significant cash flows from operations.

Our strategy is to increase long-term stockholder value by translating anticipated future growth in our core site rental business into growth in our results of operations on a per share basis. The key elements of our strategy are:

- to organically grow revenues and cash flows from our towers by co-locating additional tenants on our existing towers; and

to allocate capital efficiently (in no particular order: opportunistically purchase our own common stock, enter into strategic tower acquisitions, acquire the land on which towers are located, selectively construct or acquire towers and distributed antenna systems, improve and structurally enhance our existing towers, and purchase or redeem our debt or preferred stock). See also *MD&A Liquidity and Capital Resources.*

Our strategy is based on our belief that opportunities will be created by the expected continuation of growth in the wireless communications industry, which depends predominately on the demand for wireless telephony and data services by consumers. As a result of such expected growth in the wireless communications industry, we believe that the demand for our towers will continue and result in organic growth of our revenues due to the co-location of additional tenants on our existing towers. We expect that new tenant additions or modifications of existing installations (collectively referred to as tenant additions) on our towers should result in significant incremental cash flow due to the relatively fixed costs to operate a tower (which tend to increase at approximately the rate of inflation).

The following is a discussion of certain recent events which may impact our business or the wireless communications industry:

Consumers increased their use of wireless voice and data services according to the CTIA U.S. wireless industry survey issued on September 10, 2008.

Minutes of use exceeded 1.1 trillion for the first half of 2008, which represented a year-over-year increase of 11%;

Wireless data service revenues were nearly $15 billion for the first half of 2008, which represents a year-over-year increase of 40%; and

Wireless users exceeded 262 million as of June 30, 2008, which represents a year-over-year increase of nearly 20 million subscribers, or 8%.

The auction of spectrum licenses in the FCC 700 MHz Band Auction No. 73 was completed in March 2008 for aggregate bids of $19.6 billion. Verizon Wireless and AT&T accounted for nearly 85% of the dollar value of net bids. One block of the spectrum auctioned included a provision that the carrier provide open access to the network (i.e., to any applications and any devices), which could encourage more innovation. We expect this spectrum auction, FCC Advanced Wireless Services Auction No. 66, and future spectrum auctions should enable next generation networks.

In June 2008, Verizon Wireless announced an agreement to acquire Alltel Corp., a provider of wireless services to primarily rural markets. The parties are targeting completion of the merger by the end of 2008, subject to obtaining regulatory approvals. We do not expect lease cancellations from duplicate or overlapping networks as a result of this acquisition to have a material adverse affect on our results.

Over the last several months, the credit markets continued to deteriorate and economic growth continued to slow. The deterioration in the credit markets included widening credit spreads and a further lack of liquidity, including certain debt markets being closed. The following is a discussion of the potential impact on us from the challenging credit markets, slowing economy and volatile foreign exchange markets:

Historically, aggregate capital spending and the associated demand for our towers by wireless communication companies has been relatively stable over the last several years, although we did see reductions during prior economic downturns. We do not expect the current economic conditions to significantly impact the long-term growth in wireless voice and data demand, which has historically been the predominate driver of demand for our towers over the long-term. Consequently, we currently do not anticipate reductions in tenant additions over the near term.

Unless credit markets improve, we will likely incur higher costs of debt financing in the future, including in 2010 and 2011 when we anticipate refinancing a significant portion of our debt. In addition, we are currently evaluating our alternatives regarding near-term discretionary investment alternatives, which include reducing capital expenditures. See *MD&A Liquidity and Capital Resources* and *Item 1A. Risk Factors*.

Beginning in the third quarter of 2008 and most notably in October 2008, the U.S. Dollar strengthened considerably against the Australian Dollar, reversing the weakening that occurred during the first half of 2008. See *Item 3. Quantitative and Qualitative Disclosures About Market Risk.*

Consolidated Results of Operations

The following discussion of our results of operations should be read in conjunction with our consolidated financial statements and our 2007 Form 10-K. The following discussion of our results of operations is based on our consolidated financials statements prepared in accordance with GAAP, which requires us to make estimates and judgments that affect the reported amounts (see *MD&A Accounting and Reporting Matters Critical Accounting Policies and Estimates* and note 1 to our consolidated financial statements on our 2007 Form 10-K).

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The addition or disposition of towers affects the year-to-year comparability of our operating results due to the fact that our results only include these towers following the date of their addition or until the date of disposition. On January 12, 2007, we completed the Global Signal Merger in a stock and cash transaction valued at approximately $4.0 billion, exclusive of debt of approximately $1.8 billion that remained outstanding as obligations after the Global Signal Merger. The Global Signal Merger nearly doubled our tower portfolio and impacted the comparability of our results of operations between the nine months ended September 30, 2007 and 2008.

Comparison of Consolidated Results

The following information is derived from our historical consolidated statements of operations for the periods indicated.

	Three Months Ended September 30, 2007		Three Months Ended September 30, 2008		
	Amount	Percent of Net Revenues	Amount	Percent of Net Revenues	Percent Change
	(In thousands of dollars)				
Net revenues:					
Site rental	$ 326,797	93%	$ 353,984	92%	8%
Network services and other	24,947	7%	30,364	8%	22%
	351,744	100%	384,348	100%	9%
Operating expenses:					
Costs of operations[(a)]:					
Site rental	111,863	34%	115,758	33%	3%
Network services and other	17,032	68%	20,541	68%	21%
Total costs of operations	128,895	37%	136,299	35%	6%
General and administrative	32,881	9%	37,437	10%	14%
Restructuring charges	3,191	1%			*
Asset write-down charges	59,306	17%	2,902	1%	(95)%
Integration costs	4,749	1%			*
Depreciation, amortization and accretion	135,540	39%	131,714	34%	(3)%
Operating income (loss)	(12,818)	(4)%	75,996	20%	*
Interest and other income (expense)	2,965	1%	1,557		(47)%
Interest expense and amortization of deferred financing costs	(89,407)	(25)%	(88,138)	(23)%	(1)%
Impairment of available-for-sale securities			(23,718)	(6)%	*
Income (loss) before income taxes and minority interests	(99,260)	(28)%	(34,303)	(9)%	(65)%
Benefit (provision) for income taxes	31,923	9%	2,096	1%	(93)%
Minority interests	324				*
Net income (loss)	$ (67,013)	(19)%	$ (32,207)	(8)%	(52)%

*: Percentage is not meaningful
(a) Exclusive of depreciation, amortization and accretion shown separately.

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	Nine Months Ended September 30, 2007		Nine Months Ended September 30, 2008		
	Amount	Percent of Net Revenues	Amount	Percent of Net Revenues	Percent Change
	(In thousands of dollars)				
Net revenues:					
Site rental	$ 948,925	94%	$ 1,047,540	92%	10%
Network services and other	61,398	6%	86,942	8%	42%
	1,010,323	100%	1,134,482	100%	12%
Operating expenses:					
Costs of operations[(a)]:					
Site rental	330,624	35%	341,884	33%	3%
Network services and other	43,484	71%	60,772	70%	40%
Total costs of operations	374,108	37%	402,656	35%	8%
General and administrative	104,210	10%	110,915	10%	6%
Restructuring charges	3,191	1%			*
Asset write-down charges	64,049	6%	9,199	1%	(86)%
Integration costs	18,666	2%	2,504		(87)%
Depreciation, amortization and accretion	407,557	40%	395,643	35%	(3)%
Operating income (loss)	38,542	4			