CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
November 06, 2009
Table of Contents

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, 2009

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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 30, 2009: 291,206,034

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

INDEX

		Page
PART I FINANCIAL INFORMATION		
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheet at September 30, 2009 and December 31, 2008	2
	Condensed Consolidated Statement of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2009 and 2008	3
	Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2009 and 2008	4
	Notes to Condensed Consolidated Financial Statements	5
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	43
Item 4.	Controls and Procedures	47
PART II OTHER INFORMATION		
Item 1A.	Risk Factors	48
Item 2.	Legal Proceedings	48
Item 6.	Exhibits	48
Signatures		50

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 Item 1A. Risk Factors* herein and in *Item 1A. Risk Factors* of our Annual Report on Form 10-K (as amended by our Form 10-K/A Amendment No. 1, 2008 Form 10-K) for the fiscal year ended December 31, 2008 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.

Table of Contents

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)

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 268,831	$ 155,219
Restricted cash	182,718	147,852
Receivables, net of allowance for doubtful accounts of $5,935 and $6,267, respectively	33,382	37,621
Deferred site rental receivables, net	11,436	29,650
Prepaid expenses	71,570	74,295
Deferred income tax assets	99,153	28,331
Other current assets	8,203	12,200
Total current assets	675,293	485,168
Restricted cash	5,000	5,000
Deferred site rental receivables, net	232,317	144,474
Property and equipment, net	4,926,598	5,060,126
Goodwill	1,984,183	1,983,950
Other intangible assets, net	2,443,134	2,551,332
Deferred financing costs and other assets, net	216,694	131,672
Total assets	$ 10,483,219	$ 10,361,722
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 24,423	$ 33,808
Accrued interest	42,600	16,771
Deferred revenues	170,063	174,213
Interest rate swaps	212,563	52,539
Other accrued liabilities	81,949	90,810
Short-term debt, current maturities of debt and other obligations	113,106	466,217
Total current liabilities	644,704	834,358
Debt and other long-term obligations	6,022,444	5,635,972
Deferred ground lease payables	228,495	199,399
Deferred income tax liabilities	95,248	40,446
Interest rate swaps	187,388	488,632
Other liabilities	137,999	132,324
Total liabilities	7,316,278	7,331,131
Commitments and contingencies (note 11)		

Redeemable preferred stock, $0.1 par value; 20,000,000 shares authorized; shares issued and outstanding: September 30, 2009 and December 31, 2008 6,361,000; stated net of unamortized issue costs; mandatory redemption and aggregate liquidation value of $318,050	315,422	314,726
CCIC stockholders equity:		
Common stock, $.01 par value; 600,000,000 shares authorized; shares issued and outstanding: September 30, 2009 291,179,312 and December 31, 2008 288,464,431	2,912	2,885
Additional paid-in capital	5,651,938	5,614,507
Accumulated other comprehensive income (loss)	(161,330)	(408,329)
Accumulated deficit	(2,641,282)	(2,493,198)
Total CCIC stockholders equity	2,852,238	2,715,865
Noncontrolling interest	(719)	
Total equity	2,851,519	2,715,865
Total liabilities and equity	$ 10,483,219	$ 10,361,722

See condensed notes to consolidated financial statements.

2

Table of Contents

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,	
	2009	2008	2009	2008
Net revenues:				
Site rental	$ 396,466	$ 353,984	$ 1,140,577	$ 1,047,540
Network services and other	32,613	30,364	101,286	86,942
Net revenues	429,079	384,348	1,241,863	1,134,482
Operating expenses:				
Costs of operations(a):				
Site rental	114,899	115,758	337,979	341,884
Network services and other	21,613	20,541	64,683	60,772
General and administrative	39,230	37,437	113,969	110,915
Asset write-down charges	3,073	2,902	14,459	9,199
Acquisition and integration costs				2,504
Depreciation, amortization and accretion	131,463	131,714	396,236	395,643
Total operating expenses	310,278	308,352	927,326	920,917
Operating income (loss)	118,801	75,996	314,537	213,565
Interest expense and amortization of deferred financing costs	(111,169)	(88,138)	(327,006)	(266,040)
Impairment of available-for-sale securities		(23,718)		(23,718)
Gains (losses) on purchases and redemptions of debt	(4,848)		(90,174)	
Net gain (loss) on interest rate swaps	(58,327)	2,404	(114,060)	2,404
Interest and other income (expense)	2,569	(847)	5,572	1,669
Income (loss) before income taxes	(52,974)	(34,303)	(211,131)	(72,120)
Benefit (provision) for income taxes	21,836	2,096	78,276	87,079
Net income (loss)	(31,138)	(32,207)	(132,855)	14,959
Less: Net income (loss) attributable to the noncontrolling interest	501		(375)	
Net income (loss) attributable to CCIC stockholders	(31,639)	(32,207)	(132,480)	14,959
Dividends on preferred stock	(5,202)	(5,201)	(15,604)	(15,604)
Net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock	$ (36,841)	$ (37,408)	$ (148,084)	$ (645)
Net income (loss)	$ (31,138)	$ (32,207)	$ (132,855)	$ 14,959
Other comprehensive income (loss):				
Available-for-sale securities, net of tax:				
Unrealized gains (losses) on available-for-sale securities, net of taxes of $0, $0, $0 and $0, respectively	15,285	(528)	24,245	(23,718)
		23,718		23,718

Amounts reclassified into results of operations, net of taxes of $0, $0, $0 and $0, respectively				
Derivative instruments:				
Net change in fair value of cash flow hedging instruments, net of taxes of $(19,720), $21,528, $66,719 and $20,545, respectively	(89,324)	(39,979)	37,342	(38,152)
Amounts reclassified into results of operations, net of taxes of $264, $1,010, $793 and $1,949, respectively	9,802	1,874	148,611	3,616
Foreign currency translation adjustments	14,717	(38,215)	36,594	(22,223)
Comprehensive income (loss)	(80,658)	(85,337)	113,937	(41,800)
Less: Comprehensive income (loss) attributable to the noncontrolling interest	326		(582)	
Comprehensive income (loss) attributable to CCIC stockholders	$ (80,984)	$ (85,337)	$ 114,519	$ (41,800)
Net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share basic and diluted	$ (0.13)	$ (0.13)	$ (0.52)	$ 0.00
Weighted-average common shares outstanding basic and diluted (in thousands)	286,707	283,573	286,356	280,780

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

See condensed notes to consolidated financial statements.

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In thousands of dollars)

	Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	$ (132,855)	$ 14,959
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation, amortization and accretion	396,236	395,643
(Gains) losses on purchases and redemptions of long-term debt	90,174	
Amortization of deferred financing costs and other non-cash interest	43,549	18,846
Stock-based compensation expense	21,810	18,386
Asset write-down charges	14,459	9,199
Deferred income tax benefit (provision)	(83,531)	(87,063)
Impairment of available-for-sale securities		23,718
Income (expense) from forward-starting interest rate swaps	111,396	2,404
Other adjustments	179	(1,665)
Changes in assets and liabilities, excluding the effects of acquisitions:		
Increase (decrease) in accrued interest	25,829	19
Increase (decrease) in accounts payable	(10,257)	712
Increase (decrease) in deferred revenues, deferred ground lease payables, other accrued liabilities and other liabilities	(12,367)	16,888
Decrease (increase) in receivables	6,043	7,618
Decrease (increase) in prepaid expenses, deferred site rental receivables and other assets	(76,992)	(73,909)
Net cash provided by (used for) operating activities	393,673	345,755
Cash flows from investing activities:		
Proceeds from disposition of property and equipment	3,374	1,117
Payment for acquisitions (net of cash acquired) of businesses	(2,581)	(27,736)
Capital expenditures	(111,297)	(342,737)
Net cash provided by (used for) investing activities	(110,504)	(369,356)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	2,228,848	
Proceeds from issuance of capital stock	16,742	7,775
Principal payments on long-term debt	(4,875)	(4,875)
Purchases and redemptions of long-term debt	(2,131,910)	
Purchases of capital stock	(1,231)	(44,383)
Borrowings under revolving credit agreements	50,000	85,000
Payments under revolving credit agreements	(219,400)	
Payments for financing costs	(59,000)	(1,538)
Net (increase) decrease in restricted cash	(31,061)	(4,378)
Dividends on preferred stock	(14,908)	(14,908)
Net cash provided by (used for) financing activities	(166,795)	22,693
Effect of exchange rate changes on cash	(2,762)	(1,233)

Net increase (decrease) in cash and cash equivalents	113,612	(2,141)
Cash and cash equivalents at beginning of period	155,219	75,245
Cash and cash equivalents at end of period	$ 268,831	$ 73,104

See condensed notes to consolidated financial statements.

4

Table of Contents

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, 2008, and related notes thereto, included in the 2008 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, 2009, the consolidated results of operations for the three and nine months ended September 30, 2009 and 2008 and the consolidated cash flows for the nine months ended September 30, 2009 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 Company has evaluated subsequent events through November 5, 2009, which was the date the financial statements were issued.

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, 2009. In addition, on January 1, 2009 the Company adopted certain presentation and disclosure requirements of the FASB Accounting Standards Codification (ASC) topic 810 (formerly SFAS No. 160). See note 3.

2. 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 2008 Form 10-K with the exception of acquisition and integration costs and restricted cash disclosed below. Additional information regarding the Company s accounting for long-lived assets is also discussed below.

Restricted Cash

Restricted cash represents the cash held in reserve by the indenture trustees pursuant to the indenture governing certain of the Company s debt instruments as well as any other cash whose use is limited by contractual provisions. The restriction of all rental cash receipts is a critical feature of these debt instruments, due to the applicable indenture trustee s ability to utilize the restricted cash for the payment of (1) debt service costs, (2) ground rents, (3) real estate and personal property taxes, (4) insurance premiums related to towers, (5) other assessments by governmental authorities and potential environmental remediation costs and (6) reserves for a portion of advance rents from customers. The restricted cash in

excess of required reserve balances is subsequently released to the

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

Company in accordance with the terms of the indentures. The increases and decreases in restricted cash have aspects of cash flows from financing as well as cash flows from operating activities and, as such, could be classified as either on the consolidated statement of cash flows. The Company has classified the increases and decreases in restricted cash held by the indenture trustees as cash flows from financing activities based on consideration of the terms of the related indebtedness. The Company has classified the change in the other remaining restricted cash as cash flows from operating activities on the consolidated statement of cash flows and was an outflow of $3.8 million and $0 for the nine months ended September 30, 2009 and 2008, respectively.

Acquisition and Integration Costs

Prior to the adoption of certain amendments of ASC 805 (formerly SFAS No. 141(R)) on January 1, 2009, direct out-of-pocket or incremental costs that were directly related to a business combination were included in the cost of the acquired enterprise. Costs that were previously included in the cost of the acquired enterprise include finder s fees or other fees paid to outside consultants for accounting, legal, engineering reviews or appraisals. Certain incremental costs directly related to the integration of the acquired enterprise s operations and tower portfolio were and continue to be expensed as incurred and are classified as acquisition and integration costs in the Company s consolidated statement of operations and comprehensive income (loss).

Prospectively from January 1, 2009, all direct or incremental costs related to a business combination are expensed as incurred. These business combination costs are included in acquisition and integration costs on the Company s consolidated statement of operations and comprehensive income (loss).

Intangible Assets

Intangible assets are included in other intangible assets, net on the Company s consolidated balance sheet and predominately consist of the estimated fair value of the following items recorded in conjunction with acquisitions: (1) site rental customer contracts and customer relationships, (2) below-market leases for land under the acquired towers, (3) term easement rights for land under the acquired towers, and (4) trademarks. The site rental customer contracts and customer relationships intangible assets are comprised of (1) the current term of the in-place contracts, (2) the expected exercise of the renewal provisions contained within the existing current contracts, which automatically occur under contractual provisions, and (3) any associated relationships that are expected to generate value following the expiration of all renewal periods under current contracts. Deferred credits related to above-market leases for land under its towers recorded in conjunction with acquisitions are recorded at the estimated fair value and are included in other liabilities on the Company s consolidated balance sheet.

The useful lives of intangible assets are estimated based on the period for which the intangible assets will benefit the Company and gives consideration to the expected useful life of other assets to which the useful life may relate. Amortization expense for intangible assets is computed using the straight-line method over the estimated useful lives of each of the intangible assets. The useful life of the site rental contracts and customer relationships intangible asset is limited by the maximum depreciable life of the tower (20 years), as a result of the interdependency of the tower and site rental contracts and customer relationships. In contrast, the site rental contracts and customer relationships are estimated to provide economic benefits for several decades because of the low rate of customer cancellations and high rate of renewals experienced to date. Thus, while site rental contracts are valued based upon the fair value of the site rental contracts, which includes assumptions regarding both (1) customers exercise of optional renewals contained in the acquired contracts and (2) renewals of the acquired contracts past the contractual term including exercisable options, the site rental contracts are amortized over a period not to exceed 20 years as a result of the useful life being limited by the depreciable life of the tower.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

The carrying value of other intangible assets with finite useful lives will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company has a dual grouping policy for purposes of determining the unit of account for testing impairment of the site rental contracts and customer relationships intangible assets. First, the Company pools the site rental contracts and customer relationships with the related tower assets into portfolio groups for purposes of determining the unit of account for impairment testing. Secondly, and separately, the Company evaluates the site rental contracts and customer relationships by significant customer or by customer grouping for individually insignificant customers, as appropriate. If the sum of the estimated future cash flows (undiscounted) expected to result from the use and eventual disposition of an asset is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss is based on the fair value of the asset.

3. New Accounting Pronouncements

In September 2006, the FASB issued certain amendments to ASC 820 (formerly 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. In April 2009, the accounting standards were amended to provide additional guidance for estimating fair value when the volume and level of activity have significantly decreased and guidance on identifying a transaction that is not orderly. In August 2009, FASB issued Accounting Standards Update (ASU) 2009-05, which amends the accounting standards to provide additional guidance on measuring liabilities at fair value. On January 1, 2008, the Company adopted the provisions of these amended accounting standards, 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), which was adopted on January 1, 2009. The significant categories of assets and liabilities included in the Company s deferred implementation of these amended accounting standards 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 these amended accounting standards were applied prospectively. The January 1, 2009 adoption of the portions of these amended accounting standards which were permitted to be initially deferred did not have a material impact on the Company s consolidated financial statements.

In December 2007, the FASB issued certain amendments to ASC 810 (formerly SFAS 160) to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. These amendments to the accounting standards clarify 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. These amendments to the accounting standards require consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. On January 1, 2009, the Company adopted these amendments of ASC 810. The adoption of these amendments did not have a material impact on the Company s consolidated financial statements. As a result of adoption of these amendments, the Company has prospectively recorded the income or losses applicable to the noncontrolling interest of CCAL even though the noncontrolling stockholders share of the cumulative losses exceeded its equity interest.

In April 2009, the FASB issued certain amendments to ASC 825 (formerly FASB Staff Position No. FAS 107-1 and APB 28-1). This amended accounting guidance requires disclosure about fair value of financial instruments for interim periods as well as in annual financial statements. On June 30, 2009, the Company adopted the provisions of this amended accounting guidance.

In September 2009, FASB issued ASU No. 2009-13 (formerly Emerging Issues Task Forces Issue No. 08-1). ASU No. 2009-13 addresses how to recognize revenue for transactions with multiple deliverables. The provisions of this new guidance are effective for the Company as of January 1, 2011 and will be applied prospectively. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

During 2009, the Company adopted certain amendments to ASC 805 (formerly SFAS 141(R)), ASC 350 (formerly FSP 142-3), ASC 470 (formerly FASB Staff Position No. APB 14-1) and ASC 855 (formerly SFAS No. 165). These amendments to the ASC did not have a material impact on the Company s consolidated financial statements. In addition, amendments to ASC 810 (formerly SFAS No. 167) are effective January 1, 2010 and are not expected to have a material impact on the Company s consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

4. Property and Equipment

The major classes of property and equipment are as follows:

	Estimated Useful Lives	September 30, 2009	December 31, 2008
Land		$ 618,335	$ 596,100
Buildings	40 years	36,021	35,040
Telecommunications towers	1-20 years	6,998,163	6,802,316
Transportation and other equipment	3-5 years	25,813	26,505
Office furniture and equipment	2-10 years	119,110	110,997
Construction in process		75,460	103,623
		7,872,902	7,674,581
Less: accumulated depreciation		(2,946,304)	(2,614,455)
		$ 4,926,598	$ 5,060,126

Depreciation expense was $284.7 million and $286.4 million for the nine months ended September 30, 2009 and 2008, respectively.

5. Intangible Assets

Virtually all of the intangible assets are recorded at CCUSA. As of September 30, 2009, $2.3 billion of the consolidated net intangible assets relate to site rental contracts and customer relationships. As of September 30, 2009, the accumulated amortization on the consolidated intangible assets was $438.9 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	**2009**	**2008**	**2009**	**2008**
Depreciation, amortization and accretion	$ 36,096	$ 35,873	$ 108,185	$ 107,375
Site rental costs of operations	1,015	1,091	3,062	3,391
Total amortization expense	$ 37,111	$ 36,964	$ 111,247	$ 110,766

Table of Contents

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 Other Obligations

The Company s indebtedness consists of the following:

	Original Issue Date	Contractual Maturity Date		Outstanding Balance as of September 30, 2009	Outstanding Balance as of December 31, 2008	Stated Interest Rate as of September 30, 2009(a)
Bank debt variable rate:						
Revolver	Jan. 2007	Jan. 2010		$	$ 169,400	N/A (b)
2007 Term Loans	Jan./March 2007	March 2014		633,750	638,625	1.8% (b)
Total bank debt				633,750	808,025	
Securitized debt fixed rate:						
2006 Mortgage Loan	Feb. 2006(c)	Feb. 2011			1,548,351	
2004 Mortgage Loan	Dec. 2004(c)	Dec. 2009			290,317	
2006 Tower Revenue Notes	Nov. 2006	Nov. 2036	(d)	1,550,000	1,550,000	5.7% (d)
2005 Tower Revenue Notes	June 2005	June 2035	(d)	1,697,659	1,900,000	4.9% (d)
2009 Securitized Notes	July 2009	2019/2029	(i)	250,000		7.1%
Total securitized debt				3,497,659	5,288,668	
High yield bonds fixed rate:						
9% Senior Notes(e)	Jan. 2009	Jan. 2015		821,034		9.0% (f)
7.75% Secured Notes(e)	April 2009	May 2017		1,166,419		7.8% (g)
7.5% Senior Notes	Dec. 2003	Dec. 2013		51	51	7.5%
Total high yield bonds				1,987,504	51	
Other:						
Capital leases and other obligations	Various	Various	(h)	16,637	5,445	Various (h)
Total debt and other obligations				6,135,550	6,102,189	
Less: current maturities and short-term debt and other current obligations				113,106 (j)	466,217	
Non-current portion of long-term debt and other long-term obligations				$ 6,022,444	$ 5,635,972	

(a) Represents the weighted-average stated interest rate.

(b) The Revolver currently bears interest at a rate per annum, at the election of CCOC, 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 note 7.

(c) The 2004 Mortgage Loan and 2006 Mortgage Loan remained outstanding as obligations of the subsidiaries of Global Signal that the Company acquired in the Global Signal Merger.

(d) If the 2005 Tower Revenue Notes and the 2006 Tower Revenue Notes (collectively, Tower Revenue Notes) are not paid in full on or prior to June 2010 or 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 (by an additional approximately 5% per annum) will accrue on the Tower Revenue Notes.

(e) During the first four years, the Company may redeem the debt at a price equal to 100% of the principal amount, plus a make whole premium, and accrued and unpaid interest, if any. After four years the debt may be redeemed at the redemption prices set forth in the respective indenture. In certain limited circumstances, the Company is required to commence offers to purchase the debt.

(f) The effective yield is approximately 11.3%, inclusive of the discount.

(g) The effective yield is approximately 8.2%, inclusive of the discount.

(h) The Company s capital leases and other obligations bear interest rates ranging up to 8% and mature in periods ranging from less than one year to approximately 20 years.

(i) The 2009 Securitized Notes consist of $175 million of principal that amortizes during the period beginning in January 2010 and ending in 2019, and $75 million of principal that amortizes during the period beginning in 2019 and ending in 2029.

(j) Inclusive of $98 million estimated principal payments on the Tower Revenue Notes following the anticipated repayment date in June 2010.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

Revolver

In January 2009, the Revolver was amended to extend the maturity from January 2009 to January 2010 with a total revolving commitment of $188.0 million. The Company paid an extension fee of $9.9 million, but the credit spreads were not impacted by this amendment. As of September 30, 2009, the Revolver was undrawn, and there was $188.0 million of availability under the Revolver.

9% Senior Notes

In January 2009, the Company issued $900.0 million principal amount of 9% senior notes (9% Senior Notes) in a public offering pursuant to an indenture. These 9% Senior Notes are general obligations of CCIC, which rank equally with all existing and future senior debt of CCIC. The 9% Senior Notes are effectively subordinated to all liabilities (including trade payables) of each subsidiary of the Company. The proceeds from the 9% Senior Notes were $795.7 million, net of fees and discounts. The Company may use these net proceeds for general corporate purposes. As discussed below, the Company has used the net proceeds to (1) purchase portions of its previously existing 2004 Mortgage Loan, (2) repay and purchase portions of its previously existing 2006 Mortgage Loan in April 2009, and (3) repay the Revolver.

The 9% Senior Notes contain restrictive covenants with which the Company and its restricted subsidiaries must comply, subject to a number of exceptions and qualifications, including restrictions on its ability to incur incremental debt, issue preferred stock, guarantee debt, pay dividends, repurchase its capital stock, use assets as security in other transactions, sell assets or merge with or into other companies, and make certain investments. Certain of these covenants are not applicable if there is no event of default and if the ratio of the Company s Consolidated Debt (as defined in the 9% Senior Notes indenture) to its Adjusted Consolidated Cash Flows (as defined in the 9% Senior Notes indenture) is less than or equal to 7.0 to 1.0. The 9% Senior Notes do not contain any financial maintenance covenants.

7.75% Secured Notes

On April 30, 2009, two indirect subsidiaries of the Company (7.75% Notes Issuers) issued $1.2 billion principal amount of 7.75% secured notes (7.75% Secured Notes) due 2017 pursuant to an indenture. The 7.75% Secured Notes are guaranteed by the direct and indirect subsidiaries of the 7.75% Notes Issuers (Guarantors). These 7.75% Secured Notes are secured on a first priority basis by a pledge of the equity interests of the Guarantors and by certain other assets of such subsidiaries. The 7.75% Secured Notes are obligations of the subsidiaries that were obligated under the 2006 Mortgage Loan, which was repaid in part through the proceeds from the 7.75% Secured Notes. The 7.75% Secured Notes are not guaranteed by and are not obligations of CCIC or any of its subsidiaries other than the 7.75% Notes Issuers and Guarantors. The 7.75% Secured Notes will be paid solely from the cash flows generated from operations of the towers held directly and indirectly by the issuers and the Guarantors.

The proceeds from these 7.75% Secured Notes were $1.15 billion net of fees and discounts. The Company has used the net proceeds, along with other cash, to repay the 2006 Mortgage Loan.

The 7.75% Secured Notes contain restrictive covenants with which the issuing subsidiaries and the Guarantors must comply, subject to a number of exceptions and qualifications, including restrictions on their ability to incur debt, make restricted payments, incur liens, enter into certain merger or change of control transactions, enter into related party transactions and engage in certain other activities as set forth in the indenture. The 7.75% Secured Notes contain financial covenants that could result in cash being deposited in a reserve account and require the Company to offer to purchase the 7.75% Secured Notes.

2009 Securitized Notes

On July 31, 2009, indirect subsidiaries of the Company (2009 Securitized Notes Issuers) issued $250 million principal amount of senior secured notes, series 2009-1 (2009 Securitized Notes) pursuant to an indenture. The 2009 Securitized Notes are secured by, among other things, (1) a security interest in substantially all of the personal property of the 2009 Securitized Notes Issuers, (2) a pledge of the equity interests of the

subsidiaries holding such towers, and (3) a security interest in the 2009 Securitized Notes Issuers contracts with customers to lease space on

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

their towers (space licenses). The 2009 Securitized Notes are obligations of the subsidiaries that were obligated under the 2004 Mortgage Loan, which was repaid in part through proceeds of the 2009 Securitized Notes. The 2009 Securitized Notes are not guaranteed by and are not obligations of CCIC or any of its subsidiaries other than the 2009 Securitized Notes Issuers and the indirect subsidiary of the Company that is the parent of the 2009 Securitized Notes Issuers and a guarantor of the 2009 Securitized Notes. The 2009 Securitized Notes will be paid solely from the cash flows generated from operations of the towers held by the issuers of the 2009 Securitized Notes. The Company has used the net proceeds to repay the portion of the 2004 Mortgage Loan not previously purchased.

The Company may prepay the 2009 Securitized Notes in whole or in part at any time after the second anniversary of the closing date, provided such prepayment is accompanied by any applicable prepayment consideration.

The indenture governing the 2009 Securitized Notes contains covenants and restrictions customary for rated securitizations, including provisions prohibiting the issuers from incurring additional indebtedness or further encumbering their assets. The 2009 Securitized Notes contain financial covenants that could result in cash being deposited in a reserve account, with such cash being applied to repay the debt.

Contractual Maturities

The following are the scheduled contractual maturities of the total debt and other long-term obligations outstanding at September 30, 2009, exclusive of the 6.25% Convertible Preferred Stock. These maturities reflect contractual maturity dates and do not consider the principal payments that will commence following the anticipated repayment dates on the Tower Revenue Notes. If the Tower Revenue Notes are not paid in full on or prior to June 2010 or 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 (by an additional approximately 5% per annum) will accrue on the Tower Revenue Notes. See also note 15.

	Three Months Ending December 31,	Years Ending December 31,					
	2009	2010	2011	2012	2013	2014	Thereafter
Scheduled contractual maturities	$ 1,625	$ 22,837	$ 24,600	$ 25,600	$ 26,294	$ 626,148	$ 5,520,993

Debt Purchases and Repayments

The following is a summary of the partial purchases and repayments of debt during the nine months ended September 30, 2009.

	Principal Amount	Cash Paid(a)	Gains (losses)
2004 Mortgage Loan(b)	$ 293,505	$ 293,711	$ (2,128)
2006 Mortgage Loan(b)	1,550,000	1,634,184	(85,654)
2005 Tower Revenue Notes(c)	202,341	204,015	(2,392)
Revolver	219,400	219,400	
Total	$ 2,265,246	$ 2,351,310	$ (90,174)(d)

(a) Exclusive of accrued interest.

(b) Includes purchases and repayments.
(c) These debt purchases were made by CCIC, rather than by the subsidiaries issuing the debt, because of restrictions upon the subsidiaries issuing the debt; as a result, the debt remains outstanding at the Company s subsidiaries.
(d) Inclusive of $4.1 million related to the write-off of deferred financing costs and other non-cash adjustments.

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

Interest Expense and Amortization of Deferred Financing Costs

The components of interest expense and amortization of deferred financing costs are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest expense on debt obligations	$ 94,225	$ 81,939	$ 283,457	$ 247,194
Amortization of deferred financing costs	6,779	3,820	19,814	11,494
Amortization of discounts on long-term debt	3,489		8,605	
Amortization of interest rate swaps	6,147	755	12,213	2,265
Amortization of purchase price adjustments on long-term debt	62	942	1,507	2,828
Other	467	682	1,410	2,259
Total	$ 111,169	$ 88,138	$ 327,006	$ 266,040

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 financing, including refinancings and potential future borrowings 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 fixed rate in determining the all-in interest rate of the anticipated financing.

The Company is exposed to non-performance risk from the counterparties to its interest rate swaps; however, the Company generally uses master netting arrangements to mitigate such non-performance risk. The Company does not require collateral as security for its interest rate swaps. In September 2008, the Company de-designated as hedging instruments two interest rate swaps with a combined notional value of $475.0 million that are held by a subsidiary of Lehman Brothers because of the probability the counterparty would default. The settlement value of the interest rate swaps with Lehman Brothers was a liability of $36.9 million as of September 30, 2009. 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, 2009:

Hedged Item(a)	Combined Notional	Start Date(b)	End Date	Pay Fixed Rate(c)	Receive Variable Rate
Variable to fixed forward starting:					
Non-economic hedge(d)	$ 293,825	Dec. 2009	Dec. 2014	5.1%	LIBOR
2005 Tower Revenue Notes anticipated refinancing(e)	1,900,000	June 2010	June 2015	5.2%	LIBOR
Non-economic hedge(f)	1,550,000	Feb. 2011	Feb. 2016	5.3%	LIBOR
2006 Tower Revenue Notes anticipated refinancing(e)	1,550,000	Nov. 2011	Nov. 2016	5.1%	LIBOR

Variable to fixed:					
2007 Term Loans(g)	625,000	Dec. 2007	Dec. 2009	4.1%	LIBOR
Total	$ 5,918,825				

(a) Inclusive of interest rate swaps not designated as hedging instruments.

(b) On the respective effective dates (start dates), the Company is contractually obligated to terminate and settle in cash the forward-starting interest rate swaps.

(c) Exclusive of any applicable credit spreads.

(d) This interest rate swap previously hedged the anticipated refinancing of the 2004 Mortgage Loan. See the discussion below regarding discontinuation of the hedge accounting.

(e) The hedges of the anticipated refinancing of the 2005 Tower Revenue Notes and 2006 Tower Revenue Notes are inclusive of interest rate swaps having notional values of $275.0 million and $200.0 million, respectively, held by a subsidiary of Lehman Brothers.

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

(f) This interest rate swap previously hedged the anticipated refinancing of the 2006 Mortgage Loan. See following discussion regarding the discontinuation of the hedge accounting.

(g) The Company has effectively fixed the interest rate for the first two years on $625.0 million of the 2007 Term Loans due March 2014 at a combined rate of approximately 4.1% (plus the applicable credit spread).

The Company determined the refinancing of the 2006 Mortgage Loan in April 2009 via the issuance of the 7.75% Secured Notes in April 2009 did not qualify as the hedged forecasted transaction. The Company also determined in April 2009 that the hedged transaction would not occur. Consequently, the Company discontinued hedge accounting and reclassified the entire loss (approximately $133 million) from accumulated other comprehensive income (loss) to earnings during the first nine months of 2009 for the interest rate swaps hedging the refinancing of the 2006 Mortgage Loan. The Company refinanced the 2004 Mortgage Loan via the issuance of the 2009 Securitized Notes in July 2009, which did qualify as the hedged forecasted transaction and resulted in $3.9 million of ineffectiveness. As of September 30, 2009, the Company has estimated that it is probable that the future expected refinancing of the Tower Revenue Notes will occur. As of September 30, 2009, the Company has incurred an aggregate liability of $249.7 million on the interest rate swaps hedging the future expected refinancing of the Tower Revenue Notes, of which an aggregate $226.3 million has been recorded to accumulated other comprehensive income (loss). The liability exceeded the loss recorded to accumulated other comprehensive income (loss) because in 2008 hedge accounting was prospectively discontinued on the interest rate swaps with Lehman Brothers. A change in the assessment of the future expected refinancing of the Tower Revenue Notes may result in prospectively discontinuing hedge accounting or immediate reclassification of the current unrealized loss from accumulated other comprehensive income (loss) to earnings.

Currently, the Company has elected not to early settle the forward-starting interest rate swaps that hedged the refinancing of the 2004 Mortgage Loan and 2006 Mortgage Loan. As a result, these swaps are no longer economic hedges of the Company s exposure to LIBOR on anticipated refinancing of its existing debt and changes in the fair value of the swaps are prospectively recorded in earnings until settlement in net gain (loss) on interest rate swaps on the consolidated statement of operations and comprehensive income (loss). The Company s non-economic hedges have a notional value of $1.8 billion, and the combined settlement value is a liability of approximately $152.1 million as of September 30, 2009.

The following shows the effect of interest rate swaps on the consolidated balance sheet and consolidated statement of operations and comprehensive income (loss). The estimated net amount, pre-tax, that is expected to be reclassified into earnings from accumulated other comprehensive income (loss) is approximately $21 million for the next twelve months. See also note 9.

		Fair Value of Interest Rate Swaps Liability Derivatives	
Interest Rate Swaps	**Classification**	**September 30, 2009**	**December 31, 2008**
Designated as hedging instruments:			
Current	Interest rate swaps, current	$ 148,744	$ 52,539
Non-current	Interest rate swaps, non-current	65,353	442,286
Not designated as hedging instruments:			
Current	Interest rate swaps, current	63,819	
Non-current	Interest rate swaps, non-current	122,035	46,346
Total		$ 399,951	$ 541,171

	Three Months Ended September 30,		Nine Months Ended September 30,		
Interest Rate Swaps Designated as Hedging Instruments (a)	**2009**	**2008**	**2009**	**2008**	**Classification**

Gain (loss) recognized in OCI (effective portion)	$ (69,604)	$ (61,507)	$ 104,061	$ (58,697)	OCI
Gain (loss) reclassified from accumulated OCI into income (effective portion)	(6,146)	(2,884)	(12,615)	(5,565)	Interest expense and amortization of deferred financing costs
Amount of gain (loss) recognized in income (ineffective portion and excluded from effectiveness testing)	(3,920) (b)		(3,920) (b)		Net gain (loss) on interest rate swaps

13

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

Interest Rate Swaps Not Designated as Hedging Instruments (a)	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Classification
Gain (loss) recognized in income	$ (54,407)	$ 2,404	$ (110,140)(c)	$ 2,404	Net gain (loss) on interest rate swaps

(a) Exclusive of benefit (provision) for income taxes.
(b) Inclusive of ineffectiveness related to the interest rate swaps hedging the 2004 Mortgage Loan.
(c) Inclusive of the previously mentioned $133 million loss related to the interest rate swap hedging the 2006 Mortgage Loan, partially offset by income from the decrease in the liability on interest rate swaps not designated as hedging instruments.

8. Stockholders Equity

In February 2009, the Company issued 59,500 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 $1.0 million for the nine months ended September 30, 2009.

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to the CCIC stockholders and equity attributable to the noncontrolling interest.

	CCIC Stockholders					
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interest	Total
Balance, June 30, 2009	$ 2,908	$ 5,638,213	$ (111,985)	$ (2,604,441)	$ (1,046)	$ 2,923,649
Issuances of capital stock, net of forfeitures	4	6,960				6,964
Purchases and retirement of capital stock		(14)			1	(13)
Stock-based compensation		6,779				6,779
Other comprehensive income(a)			(49,345)		(175)	(49,520)
Dividends on preferred stock				(5,202)		(5,202)
Net income (loss)				(31,639)	501	(31,138)
Balance, September 30, 2009	$ 2,912	$ 5,651,938	$ (161,330)	$ (2,641,282)	$ (719)	$ 2,851,519

	CCIC Stockholders					
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interest	Total
Balance June 30, 2008	$ 2,827	$ 5,535,860	$ 22,537	$ (2,386,771)	$	$ 3,174,453
Issuances of capital stock, net of forfeitures	59	64,471				64,530
Purchases and retirement of capital stock		(45)				(45)

Stock-based compensation		6,346				6,346
Other comprehensive income(a)			(53,130)			(53,130)
Dividends on preferred stock				(5,201)		(5,201)
Net income (loss)				(32,207)		(32,207)
Balance, September 30, 2008	$ 2,886	$ 5,606,632	$ (30,593)	$ (2,424,179)	$	$ 3,154,746

14

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

	CCIC Stockholders					
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interest	Total
Balance, January 1, 2009	$ 2,885	$ 5,614,507	$ (408,329)	$ (2,493,198)	$	$ 2,715,865
Issuances of capital stock, net of forfeitures	28	16,714				16,742
Purchases and retirement of capital stock	(1)	(1,093)			(137)	(1,231)
Stock-based compensation		21,810				21,810
Other comprehensive income(a)			246,999		(207)	246,792
Dividends on preferred stock				(15,604)		(15,604)
Net income (loss)				(132,480)	(375)	(132,855)
Balance, September 30, 2009	$ 2,912	$ 5,651,938	$ (161,330)	$ (2,641,282)	$ (719)	$ 2,851,519

	CCIC Stockholders					
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interest	Total
Balance, January 1, 2008	$ 2,825	$ 5,561,454	$ 26,166	$ (2,423,534)	$	$ 3,166,911
Issuances of capital stock, net of forfeitures	73	71,163				71,236
Purchases and retirement of capital stock	(12)	(44,371)				(44,383)
Stock-based compensation		18,386				18,386
Other comprehensive income(a)			(56,759)			(56,759)
Dividends on preferred stock				(15,604)		(15,604)
Net income (loss)				14,959		14,959
Balance, September 30, 2008	$ 2,886	$ 5,606,632	$ (30,593)	$ (2,424,179)	$	$ 3,154,746

(a) See the statement of operations and other comprehensive income (loss) for the allocation of the components of other comprehensive income (loss).

See note 13 for information regarding stock-based compensation.

9. Fair Value Disclosures

The following is the estimated fair values of the Company s financial instruments, along with the carrying amounts of the related assets (liabilities).

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 268,831	$ 268,831	$ 155,219	$ 155,219
Restricted cash	187,718	187,718	152,852	152,852
Available-for-sale securities	28,461	28,461	4,216	4,216
Short-term and long-term debt and other obligations	(6,135,550)	(6,290,963)	(6,102,189)	(4,808,985)
Interest rate swaps	(399,951)	(399,951)	(541,171)	(541,171)

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 and, to a lesser extent, the Company s and the contract counterparty s credit risk. The credit risk (the Company s non-performance risk) assumption for interest rate swap fair values is primarily based on implied spreads from quoted market prices on the Company s

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

outstanding debt and management s knowledge of current credit spreads in the debt market. The fair value of cash and cash equivalents and restricted cash approximate the carrying value. The estimated fair value of the Company s debt securities is based on indicative quotes (that is non-binding quotes) from brokers that require judgment to interpret market information including implied credit spreads for similar borrowings on recent trades or bid/ask prices or quotes from active markets if available. There were no changes since December 31, 2008 in the Company s valuation techniques used to measure fair values other than utilizing implied spreads from quoted market prices on the Company s outstanding debt in determining the Company s credit risk assumption for purposes of valuing the interest rate swaps instead of credit default swap spreads including those of indexes of comparable securities. The following table presents information about the Company s assets and liabilities measured at fair value on a recurring basis as of September 30, 2009 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, 2009			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 268,831			$ 268,831
Restricted cash	187,718			187,718
Available-for-sale securities	28,461			28,461
	$ 485,010			$ 485,010

	Liabilities at Fair Value as of September 30, 2009			
	Level 1	Level 2	Level 3	Total
Interest rate swaps	$	$	$ 399,951(a)	$ 399,951

(a) As of September 30, 2009, the liability on a cash settlement basis of $421.8 million has been reduced by $21.8 million, related to credit risk (primarily the Company s non-performance risk) to reflect the interest rate swaps at fair value.

The following is a summary of the activity for liabilities classified as level 3 fair value measurements during the three and nine months ended September 30, 2009:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps	
	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Beginning balance	$ 281,588	$ 541,171
Settlements	(5,648)	(14,430)
Less: Total gains (losses):		
Included in earnings	54,407	(22,729)
Included in other comprehensive income (loss)	69,604	(104,061)
Ending balance	$ 399,951	$ 399,951

Total gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to liabilities still held at the reporting date	$	54,407	$	(22,729)

10. Per Share Information

Basic net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share excludes dilution and is computed by dividing net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock by the weighted-average number of common shares outstanding in the period. Diluted income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share is computed by dividing net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred 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.

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

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,	
	2009	**2008**	**2009**	**2008**
Net income (loss) attributable to CCIC stockholders	$ (31,639)	$ (32,207)	$ (132,480)	$ 14,959
Dividends on preferred stock	(5,202)	(5,201)	(15,604)	(15,604)
Net income (loss) attributable to CCIC common stockholders after deduction of dividends on preferred stock for basic and diluted computations	$ (36,841)	$ (37,408)	$ (148,084)	$ (645)
Weighted average number of common shares outstanding during the period for basic and diluted computations (in thousands)	286,707	283,573	286,356	280,780
Basic and diluted net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share	$ (0.13)	$ (0.13)	$ (0.52)	$ 0.00

The calculations of common shares outstanding for the diluted computations exclude the potential common shares shown in the table below. The inclusion of such potential common shares shown in the table below in the diluted per share computations would be anti-dilutive.

	As of September 30,	
	2009	**2008**
Options to purchase shares of common stock(a)	2,985	4,189
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)	4,321	3,017
Total potential common shares	15,931	15,831

(a) As of September 30, 2009, outstanding stock options include (1) 2.6 million options with an exercise price below $31.36 and a weighted-average exercise price of $13.56 per share and (2) 0.4 million options with an exercise price above $31.37 and a weighted-average exercise price of $32.47 per share. The options outstanding as of September 30, 2009 have a weighted-average remaining contractual term of 1.6 years.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

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, 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. See note 15.

12. Operating Segments

The Company s reportable operating segments for the three and nine months ended September 30, 2009 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, acquisition and integration costs, depreciation, amortization and accretion, interest expense and amortization of deferred financing costs, gains (losses) on purchases and redemptions of debt, net gain (loss) on interest rate swaps, impairment of available-for-sale securities, interest and other income (expense), benefit (provision) for income taxes, 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 basis.

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, 2009				Three Months Ended September 30, 2008			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net revenues:								
Site rental	$ 376,239	$ 20,227	$	$ 396,466	$ 332,715	$ 21,269	$	$ 353,984
Network services and other	31,194							