AMERICAN TOWER CORP /MA/
Form 10-Q
May 01, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One):

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**
For the quarterly period ended March 31, 2014.

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**
Commission File Number: 001-14195

AMERICAN TOWER CORPORATION

(Exact name of registrant as specified in its charter)

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

116 Huntington Avenue

Boston, Massachusetts 02116

(Address of principal executive offices)

Telephone Number (617) 375-7500

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes x No ¨

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

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No x

As of April 22, 2014, there were 395,745,715 shares of common stock outstanding.

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AMERICAN TOWER CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS Unaudited

(in thousands, except share data)

	March 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 333,439	$ 293,576
Restricted cash	161,262	152,916
Short-term investments	34,430	18,612
Accounts receivable, net	227,155	151,084
Prepaid and other current assets	265,057	314,176
Deferred income taxes	21,638	22,401
Total current assets	1,042,981	952,765
PROPERTY AND EQUIPMENT, net	7,344,049	7,262,175
GOODWILL	3,737,681	3,729,792
OTHER INTANGIBLE ASSETS, net	6,617,524	6,701,459
DEFERRED INCOME TAXES	270,994	262,529
DEFERRED RENT ASSET	950,576	918,847
NOTES RECEIVABLE AND OTHER NON-CURRENT ASSETS	453,602	445,004
TOTAL	$ 20,417,407	$ 20,272,571
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 115,726	$ 171,050
Accrued expenses	400,449	415,324
Distributions payable	127,286	575
Accrued interest	90,945	105,751
Current portion of long-term obligations	325,170	70,132
Unearned revenue	215,429	161,926
Total current liabilities	1,275,005	924,758
LONG-TERM OBLIGATIONS	14,009,007	14,408,146
ASSET RETIREMENT OBLIGATIONS	538,241	526,869
OTHER NON-CURRENT LIABILITIES	893,549	822,758
Total liabilities	16,715,802	16,682,531
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock: $.01 par value; 20,000,000 shares authorized; no shares issued or outstanding		
Common stock: $.01 par value; 1,000,000,000 shares authorized; 398,470,269 and 397,674,350 shares issued; and 395,660,243 and 394,864,324 shares outstanding, respectively	3,984	3,976

Additional paid-in capital	5,153,402	5,130,616
Distributions in excess of earnings	(1,006,058)	(1,081,467)
Accumulated other comprehensive loss	(272,410)	(311,220)
Treasury stock (2,810,026 and 2,810,026 shares at cost, respectively)	(207,740)	(207,740)
Total American Tower Corporation equity	3,671,178	3,534,165
Noncontrolling interest	30,427	55,875
Total equity	3,701,605	3,590,040
TOTAL	$ 20,417,407	$ 20,272,571

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited

(in thousands, except per share data)

	Three months ended March 31, 2014	Three months ended March 31, 2013
REVENUES:		
Rental and management	$ 960,120	$ 777,433
Network development services	23,969	25,295
Total operating revenues	984,089	802,728
OPERATING EXPENSES:		
Costs of operations (exclusive of items shown separately below):		
Rental and management (including stock-based compensation expense of $372 and $246, respectively)	250,835	191,295
Network development services (including stock-based compensation expense of $132 and $192, respectively)	9,934	10,471
Depreciation, amortization and accretion	245,763	185,804
Selling, general, administrative and development expense (including stock-based compensation expense of $24,100 and $20,604, respectively)	110,029	101,153
Other operating expenses	13,891	14,319
Total operating expenses	630,452	503,042
OPERATING INCOME	353,637	299,686
OTHER INCOME (EXPENSE):		
Interest income, TV Azteca, net of interest expense of $371 and $371, respectively	2,595	3,543
Interest income	2,018	1,714
Interest expense	(143,307)	(111,766)
Loss on retirement of long-term obligations	(238)	(35,298)
Other (expense) income (including unrealized foreign currency (losses) gains of ($2,005) and $22,143, respectively)	(3,743)	22,291
Total other expense	(142,675)	(119,516)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	210,962	180,170
Income tax provision	(17,649)	(19,222)
NET INCOME	193,313	160,948
Net loss attributable to noncontrolling interest	9,186	10,459
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION	$ 202,499	$ 171,407
NET INCOME PER COMMON SHARE AMOUNTS:		
Basic net income attributable to American Tower Corporation	$ 0.51	$ 0.43
Diluted net income attributable to American Tower Corporation	$ 0.51	$ 0.43

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	395,146	395,239
Diluted	399,120	399,659
DISTRIBUTIONS DECLARED PER SHARE	$ 0.32	$ 0.26

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME Unaudited

(in thousands)

	Three months ended March 31,	
	2014	**2013**
Net income	$ 193,313	$ 160,948
Other comprehensive income (loss):		
Changes in fair value of cash flow hedges, net of tax expense of $117 and $111, respectively	(704)	(1,044)
Reclassification of unrealized losses on cash flow hedges to net income, net of taxes of $55 and $59, respectively	914	549
Foreign currency translation adjustments, net of taxes of $1,056 and $13,732, respectively	22,492	27,427
Other comprehensive income	22,702	26,932
Comprehensive income	216,015	187,880
Comprehensive loss attributable to noncontrolling interest	25,294	8,831
Comprehensive income attributable to American Tower Corporation	$ 241,309	$ 196,711

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS Unaudited

(in thousands)

	Three months ended March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 193,313	$ 160,948
Adjustments to reconcile net income to cash provided by operating activities:		
Stock-based compensation expense	24,604	21,042
Depreciation, amortization and accretion	245,763	185,804
Loss on early retirement of securitized debt	238	35,288
Other non-cash items reflected in statements of operations	5,060	(7,496)
Increase in net deferred rent asset	(21,393)	(26,806)
(Increase) decrease in restricted cash	(8,347)	22,583
Increase in assets	(43,449)	(7,374)
Increase in liabilities	80,793	10,047
Cash provided by operating activities	476,582	394,036
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchase of property and equipment and construction activities	(213,891)	(123,905)
Payments for acquisitions, net of cash acquired	(62,761)	(245,094)
Proceeds from sale of short-term investments and other non-current assets	138,228	7,150
Payments for short-term investments	(151,263)	(14,650)
Deposits, restricted cash, investments and other	(1,369)	(129)
Cash used for investing activities	(291,056)	(376,628)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of short-term borrowings	(172)	
Borrowings under credit facilities		249,000
Proceeds from issuance of senior notes, net	769,640	983,354
Proceeds from other long-term borrowings	3,033	
Proceeds from issuance of Securities in securitization transaction, net		1,778,496
Repayments of notes payable, credit facilities and capital leases	(916,632)	(2,937,744)
(Distributions to) contributions from noncontrolling interest holders, net	(154)	7,658
Purchases of common stock		(12,480)
Proceeds from stock options	13,795	6,140
Payment for early retirement of securitized debt		(29,234)
Deferred financing costs and other financing activities	(21,857)	(10,561)
Distributions	(554)	
Cash (used for) provided by financing activities	(152,901)	34,629
Net effect of changes in foreign currency exchange rates on cash and cash equivalents	7,238	21,051
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,863	73,088
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	293,576	368,618
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 333,439	$ 441,706

CASH PAID FOR INCOME TAXES (NET OF REFUNDS OF $738 AND $704, RESPECTIVELY)	$ 19,094	$ 13,543
CASH PAID FOR INTEREST	$ 154,497	$ 95,251
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
INCREASE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES FOR PURCHASES OF PROPERTY AND EQUIPMENT AND CONSTRUCTION ACTIVITIES	$ 7,809	$ 1,691
PURCHASES OF PROPERTY AND EQUIPMENT UNDER CAPITAL LEASES	$ 6,301	$ 4,495

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY Unaudited

(in thousands, except share data)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Other Comprehensive Loss	Distributions in Excess of Earnings	Non-controlling Interest	Total Equity
	Issued Shares	Amount	Shares	Amount					
BALANCE, JANUARY 1, 2013	395,963,218	$ 3,959	(872,005)	$ (62,728)	$ 5,012,124	$ (183,347)	$ (1,196,907)	$ 111,080	$ 3,684,181
Stock-based compensation related activity	660,809	7			17,137				17,144
Treasury stock activity			(164,120)	(12,480)					(12,480)
Changes in fair value of cash flow hedges, net of tax						(1,115)		71	(1,044)
Reclassification of unrealized losses on cash flow hedges to net income, net of tax						511		38	549
Foreign currency translation adjustment, net of tax						25,908		1,519	27,427
Contributions from noncontrolling interest								7,820	7,820
Distributions to noncontrolling interest								(162)	(162)
Dividends/distributions declared							(102,861)		(102,861)
Net income (loss)							171,407	(10,459)	160,948
BALANCE, MARCH 31, 2013	396,624,027	$ 3,966	(1,036,125)	$ (75,208)	$ 5,029,261	$ (158,043)	$ (1,128,361)	$ 109,907	$ 3,781,522
BALANCE, JANUARY 1, 2014	397,674,350	$ 3,976	(2,810,026)	$ (207,740)	$ 5,130,616	$ (311,220)	$ (1,081,467)	$ 55,875	$ 3,590,040
Stock-based compensation related activity	795,919	8			22,786				22,794
Changes in fair value of cash flow hedges, net of tax						(780)		76	(704)
Reclassification of unrealized losses on cash flow hedges to net income, net of tax						879		35	914
Foreign currency translation adjustment, net of tax						38,711		(16,219)	22,492
								(154)	(154)

Distributions to noncontrolling interest									
Dividends/distributions declared							(127,090)		(127,090)
Net income (loss)							202,499	(9,186)	193,313
BALANCE, MARCH 31, 2014	398,470,269	$ 3,984	(2,810,026)	$ (207,740)	$ 5,153,402	$ (272,410)	$ (1,006,058)	$ 30,427	$ 3,701,605

See accompanying notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

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

American Tower Corporation is, through its various subsidiaries (collectively, ATC or the Company), an independent owner, operator and developer of wireless and broadcast communications real estate in the United States, Brazil, Chile, Colombia, Costa Rica, Germany, Ghana, India, Mexico, Panama, Peru, South Africa and Uganda. The Company s primary business is the leasing of antenna space on multi-tenant communications sites to wireless service providers, radio and television broadcast companies, wireless data and data providers, government agencies and municipalities and tenants in a number of other industries. The Company also manages rooftop and tower sites for property owners, operates in-building and outdoor distributed antenna system (DAS) networks, holds property interests under third-party communications sites and provides network development services that primarily support its rental and management operations and the addition of new tenants and equipment on its sites. Since January 1, 2012, the Company has been organized and has qualified as a real estate investment trust (REIT) for U.S. federal income tax purposes.

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

The Company holds and operates certain of its assets through one or more taxable REIT subsidiaries (TRSs). The Company s use of TRSs enables it to continue to engage in certain businesses while complying with REIT qualification requirements and also allows the Company to retain income generated by these businesses for reinvestment without the requirement of distributing those earnings. The businesses that the Company holds through its TRSs primarily include certain of its international operations and a portion of our managed network business.

As a REIT, the Company generally is not subject to federal income taxes on its income and gains that the Company distributes to its stockholders, including the income derived from leasing space on its towers. However, even as a REIT, the Company remains obligated to pay income taxes on earnings from its TRS operations. In addition, the Company s international assets and operations, including those designated as direct or indirect qualified REIT subsidiaries or other disregarded entities of a REIT (collectively, QRSs), continue to be subject to taxation in the foreign jurisdictions where those assets are held or those operations are conducted.

The Company may, from time to time, change the election of previously designated TRSs that hold certain of its operations to be treated as QRSs, and may reorganize and transfer certain assets or operations from its TRSs to other subsidiaries, including QRSs. For all periods subsequent to the conversion from a TRS to a QRS, the Company includes the income from the QRSs as part of its REIT taxable income for the purpose of computing the Company s REIT distribution requirements. During the quarter ended March 31, 2014, the Company restructured certain of its domestic TRSs, which included a portion of its network development services segment and indoor DAS networks business, to be treated as QRSs. As of March 31, 2014, in addition to these businesses, the Company s QRSs include its domestic tower leasing business and most of its operations in Costa Rica, Mexico and Panama. The Company changed the previous TRS election for certain of its German subsidiaries to be treated as QRSs as of April 1, 2014.

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The financial information included herein is unaudited; however, the Company believes that all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the Company s financial position and

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

results of operations for such periods have been included. These condensed consolidated financial statements and related notes should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Principles of Consolidation and Basis of Presentation The accompanying condensed consolidated financial statements include the accounts of the Company and those entities in which it has a controlling interest. Investments in entities that the Company does not control are accounted for using the equity or cost method, depending upon the Company s ability to exercise significant influence over operating and financial policies. All intercompany accounts and transactions have been eliminated.

Significant Accounting Policies and Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ from those estimates, and such differences could be material to the accompanying condensed consolidated financial statements. The significant estimates in the accompanying condensed consolidated financial statements include impairment of long-lived assets (including goodwill), asset retirement obligations, revenue recognition, rent expense, stock-based compensation, income taxes and accounting for business combinations. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued as additional evidence for certain estimates or to identify matters that require additional disclosure.

Functional Currency The functional currency of the Company s foreign operating subsidiaries is the respective local currency, except for Costa Rica and Panama, where the functional currency is the U.S. Dollar. All foreign currency assets and liabilities held by the subsidiaries are translated into U.S. Dollars at the exchange rate in effect at the end of the applicable fiscal reporting period and all foreign currency revenues and expenses are translated at the average monthly exchange rates. Translation adjustments are reflected in equity as a component of Accumulated other comprehensive income (loss) (AOCI) in the condensed consolidated balance sheet.

Transactional gains and losses on foreign currency transactions are reflected in Other expense (income) in the condensed consolidated statements of operations. However, the effect from fluctuations in foreign currency exchange rates on intercompany notes whose payment is not planned or anticipated in the foreseeable future, is reflected in AOCI in the condensed consolidated balance sheet. During the three months ended March 31, 2014, the Company recorded unrealized foreign currency losses of $15.5 million, of which $13.5 million was recorded in AOCI and $2.0 million was recorded in Other expense (income).

Accounting Standards Updates In April 2014, the Financial Accounting Standards Board (the FASB) issued additional guidance on reporting discontinued operations. Under this guidance, only disposals representing a strategic shift in operations would be presented as discontinued operations. This guidance would require expanded disclosures about discontinued operations that would provide information about the assets, liabilities, income and expenses of discontinued operations. Additionally, the guidance would require disclosure of the pre-tax income attributable to a disposal of a significant part of an entity that does not qualify for discontinued operations reporting. This guidance will be effective for reporting periods beginning on or after December 15, 2014. The FASB permits early adoption of this standard, but only for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. The impact of the adoption of this accounting standard update on the Company s statements of operations, balance sheet, cash flows and disclosures will be based on the Company s future disposal activity.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

2. Prepaid and Other Current Assets

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

	March 31, 2014	December 31, 2013 (1)
Prepaid operating ground leases	$ 74,013	$ 82,950
Prepaid income tax	56,674	52,612
Unbilled receivables	37,115	25,412
Prepaid assets	34,865	34,243
Value added tax and other consumption tax receivables	17,647	78,262
Other miscellaneous current assets	44,743	40,697
Balance	$ 265,057	$ 314,176

(1) December 31, 2013 balances have been revised to reflect purchase accounting measurement period adjustments.

3. Goodwill and Other Intangible Assets

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

	Rental and Management		Network Development Services	
	Domestic	International		Total
Balance as of January 1, 2014 (1)	$ 3,132,553	$ 595,239	$ 2,000	$ 3,729,792
Additions		40		40
Effect of foreign currency translation		7,849		7,849
Balance as of March 31, 2014	$ 3,132,553	$ 603,128	$ 2,000	$ 3,737,681

(1) Balances have been revised to reflect purchase accounting measurement period adjustments.

The Company s other intangible assets subject to amortization consist of the following as of (in thousands):

		March 31, 2014			December 31, 2013		
	Estimated Useful Lives (years)	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value

Acquired network location (1)	Up to 20	$ 2,368,782	$ (827,571)	$ 1,541,211	$ 2,365,474	$ (791,359)	$ 1,574,115
Acquired customer-related intangibles	15-20	6,216,899	(1,238,111)	4,978,788	6,201,868	(1,170,239)	5,031,629
Acquired licenses and other intangibles	3-20	6,688	(2,470)	4,218	6,583	(2,297)	4,286
Economic Rights, TV Azteca	70	28,742	(14,342)	14,400	28,783	(14,229)	14,554
Total		$ 8,621,111	$ (2,082,494)	$ 6,538,617	$ 8,602,708	$ (1,978,124)	$ 6,624,584
Deferred financing costs, net (2)	N/A			78,907			76,875
Other intangible assets, net				$ 6,617,524			$ 6,701,459

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

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

(2) Deferred financing costs are amortized over the term of the respective debt instruments to which they relate using the effective interest method. This amortization is included in Interest expense rather than in Depreciation, amortization and accretion expense.

The acquired network location intangibles represent the value to the Company of the incremental revenue growth that could potentially be obtained from leasing the excess capacity on acquired communications sites. The acquired customer-related intangibles typically represent the value to the Company of customer contracts and relationships in place at the time of an acquisition, including assumptions regarding estimated renewals.

The Company amortizes its acquired network intangibles and customer-related intangibles on a straight-line basis over their estimated useful lives. As of March 31, 2014, the remaining weighted average amortization period of the Company s intangible assets, excluding deferred financing costs and the TV Azteca Economic Rights detailed in note 5 to the Company s consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013, is approximately 16 years. Amortization of intangible assets for the three months ended March 31, 2014 and 2013 was approximately $102.6 million and $60.5 million (excluding amortization of deferred financing costs, which is included in Interest expense), respectively. Based on current exchange rates, the Company expects to record amortization expense (excluding amortization of deferred financing costs) as follows over the remaining current year and the next five subsequent years (in millions):

Fiscal Year	
2014 (remaining year)	$ 308.1
2015	408.2
2016	405.5
2017	403.2
2018	401.1
2019	399.0

4. Accrued Expenses

Accrued expenses consists of the following as of (in thousands):

	March 31, 2014	December 31, 2013
Accrued construction costs	$ 65,363	$ 52,446
Accrued property and real estate taxes	57,944	54,529
Payroll and related withholdings	33,164	50,843
Accrued rent	31,846	28,456
Other accrued expenses	212,132	229,050
Balance	$ 400,449	$ 415,324

5. Long-Term Obligations

Current portion of long-term obligations In connection with its acquisition of MIP Tower Holdings LLC (MIPT) (see note 14) on October 1, 2013, the Company assumed approximately $1.49 billion principal amount of existing indebtedness under six series, consisting of eleven separate classes, of Secured Tower Revenue Notes issued by certain subsidiaries of Global Tower Partners (GTP) in several securitization transactions (the GTP Notes). The Series 2010-1 Class C Notes and the Series 2010-1 Class F Notes (together, the Series 2010-1 Notes) have an aggregate principal amount of $250.0 million and an anticipated repayment date of February 15, 2015. As a result, the aggregate principal balance of $250.0 million and the unamortized premium of $4.7 million of the Series 2010-1 Notes is reflected in Current portion of long-term obligations on the condensed consolidated balance sheet.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

Subsidiary Debt

Costa Rica Loan In connection with its acquisition of MIPT (see note 14), the Company assumed $32.6 million of secured debt in Costa Rica (the Costa Rica Loan), which was repaid in full on February 12, 2014.

Colombian Bridge Loans In connection with the acquisition of communications sites in Colombia, one of the Company s Colombian subsidiaries entered into six Colombian Pesos (COP) denominated bridge loans for an aggregate principal amount of 108.0 billion COP (approximately $55.0 million as of March 31, 2014). In April 2014, the maturity date of the loans was extended to June 22, 2014 and the interest rate decreased from 7.94% to 7.89%.

Mexican Loan In connection with the acquisition of towers in Mexico from NII Holdings, Inc. (NII) during the fourth quarter of 2013, one of the Company s Mexican subsidiaries entered into a 5.2 billion Mexican Pesos (MXN) denominated unsecured bridge loan (the Mexican Loan) and subsequently borrowed approximately 4.9 billion MXN (approximately $376.9 million as of March 31, 2014). On March 31, 2014, the Mexican subsidiary repaid 1.1 billion MXN (approximately $80.3 million) of the outstanding indebtedness with cash on hand. The Mexican subsidiary s ability to draw down the remaining 0.3 billion MXN under the Mexican Loan expired on February 28, 2014.

Colombian Loan In connection with the establishment of the Company s joint venture with Millicom International Cellular SA (Millicom) and the acquisition of certain communications sites in Colombia, ATC Colombia B.V., a majority owned subsidiary of the Company, entered into a U.S. Dollar-denominated shareholder loan agreement (the Colombian Loan), as the borrower, with the Company s wholly owned subsidiary (the ATC Colombian Subsidiary), and a wholly owned subsidiary of Millicom (the Millicom Subsidiary), as the lenders. Pursuant to the loan agreement, accrued interest is periodically capitalized and added to the principal amount outstanding. The portion of the Colombian Loan made by the ATC Colombian Subsidiary is eliminated in consolidation, and the portion of the Colombian Loan made by the Millicom Subsidiary is reported as outstanding debt of the Company. During the three months ended March 31, 2014, the joint venture borrowed an additional $3.0 million under the Colombian Loan, resulting in $38.7 million outstanding at March 31, 2014. Borrowings subsequent to the initial loan mature approximately ten years from the date of such borrowing.

Credit Facilities

2012 Credit Facility In January 2014, the Company repaid $88.0 million of outstanding indebtedness under its $1.0 billion senior unsecured revolving credit facility (the 2012 Credit Facility) with net proceeds from a registered public offering of $250.0 million aggregate principal amount of reopened 3.40% senior unsecured notes due 2019 and $500.0 million aggregate principal amount of reopened 5.00% senior unsecured notes due 2024. As of March 31, 2014, the Company has no amounts outstanding under the 2012 Credit Facility and approximately $7.5 million of undrawn letters of credit. The Company maintains the ability to draw down and repay amounts under the 2012 Credit Facility in the ordinary course.

The 2012 Credit Facility has a term of five years and matures on January 31, 2017. The 2012 Credit Facility does not require amortization of principal and may be paid prior to maturity in whole or in part at the Company s option without penalty or premium. The current margin over the London Interbank Offered Rate (LIBOR) that the Company would incur (should it choose LIBOR) on borrowings is 1.625%, and the current commitment fee on the undrawn portion of the 2012 Credit Facility is 0.225%.

2013 Credit Facility In January 2014, the Company repaid $710.0 million of outstanding indebtedness under its $2.0 billion multi-currency senior unsecured revolving credit facility (the 2013 Credit Facility) with

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net proceeds from a registered public offering of $250.0 million aggregate principal amount of reopened 3.40% senior unsecured notes due 2019 and $500.0 million aggregate principal amount of reopened 5.00% senior unsecured notes due 2024 and cash on hand. As of March 31, 2014, the Company has $1.1 billion outstanding under the 2013 Credit Facility and approximately $3.2 million of undrawn letters of credit. On April 1, 2014, the Company borrowed an additional $165.0 million to fund an acquisition in the United States (see note 16). The Company maintains the ability to draw down and repay amounts under the 2013 Credit Facility in the ordinary course. The 2013 Credit Facility includes an expansion option allowing the Company to request additional commitments of up to $750.0 million, including in the form of a term loan.

The 2013 Credit Facility has a term of five years, matures on June 28, 2018, and includes two one-year renewal periods at the Company s option. The 2013 Credit Facility does not require amortization of principal and may be paid prior to maturity in whole or in part at the Company s option without penalty or premium. The current margin over LIBOR that the Company incurs on borrowings is 1.250%, and the current commitment fee on the undrawn portion of the 2013 Credit Facility is 0.150%.

Short-Term Credit Facility On September 20, 2013, the Company entered into a $1.0 billion senior unsecured revolving credit facility (the Short-Term Credit Facility). The Short-Term Credit Facility does not require amortization of principal and may be repaid prior to maturity in whole or in part at the Company s option without penalty or premium. The Company may reduce or terminate the unutilized portion of the commitments under the Short-Term Credit Facility in whole or in part without penalty.

The Short-Term Credit Facility matures on September 19, 2014. The current margin over LIBOR that the Company would incur (should it choose LIBOR) on borrowings is 1.250% and the current commitment fee on the undrawn portion is 0.150%.

As of March 31, 2014, the Company has no amounts outstanding under the Short-Term Credit Facility and maintains the ability to draw down and repay amounts under the Short-Term Credit Facility in the ordinary course.

2013 Term Loan On October 29, 2013, the Company entered into a $1.5 billion unsecured term loan (the 2013 Term Loan), which includes an expansion option allowing the Company to request additional commitments of up to $500.0 million. The 2013 Term Loan matures on January 3, 2019. The current interest rate under the 2013 Term Loan is LIBOR plus 1.250%.

Senior Notes

Senior Notes Offering On January 10, 2014, the Company completed a registered public offering through a reopening of its (i) 3.40% senior unsecured notes due 2019 (the 3.40% Notes), in an aggregate principal amount of $250.0 million and (ii) 5.00% senior unsecured notes due 2024 (the 5.00% Notes), in an aggregate principal amount of $500.0 million. The net proceeds from the offering were approximately $763.8 million, after deducting commissions and estimated expenses. As of March 31, 2014, the aggregate outstanding principal amount of each of the 3.40% Notes and the 5.00% Notes is $1.0 billion.

The Company used a portion of the proceeds, together with cash on hand, to repay $88.0 million of outstanding indebtedness under the 2012 Credit Facility and $710.0 million of outstanding indebtedness under the 2013 Credit Facility.

The reopened 3.40% Notes issued on January 10, 2014 have identical terms as, are fungible with and are part of a single series of senior debt securities with the 3.40% Notes issued on August 19, 2013. The reopened

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5.00% Notes issued on January 10, 2014 have identical terms as, are fungible with and are part of a single series of senior debt securities with the 5.00% Notes issued on August 19, 2013.

The 3.40% Notes will mature on February 15, 2019 and bear interest at a rate of 3.40% per annum. The 5.00% Notes will mature on February 15, 2024 and bear interest at a rate of 5.00% per annum. Accrued and unpaid interest on the 3.40% Notes and the 5.00% Notes is payable in U.S. Dollars semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2014. Interest on the 3.40% Notes and the 5.00% Notes accrues from August 19, 2013 and is computed on the basis of a 360-day year comprised of twelve 30-day months.

The Company may redeem the 3.40% Notes or the 5.00% Notes at any time at a redemption price equal to 100% of the principal amount, plus a make-whole premium, together with accrued interest to the redemption date. If the Company undergoes a change of control and ratings decline, each as defined in the supplemental indenture, the Company may be required to repurchase all of the 3.40% Notes and the 5.00% Notes at a purchase price equal to 101% of the principal amount of the 3.40% Notes and the 5.00% Notes, plus accrued and unpaid interest (including additional interest, if any), up to but not including the repurchase date. The 3.40% Notes and the 5.00% Notes rank equally with all of the Company s other senior unsecured debt and are structurally subordinated to all existing and future indebtedness and other obligations of its subsidiaries.

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

6. Derivative Financial Instruments

The Company is exposed to certain risks related to its ongoing business operations. The primary risk managed through the use of derivative instruments is interest rate risk. From time to time, the Company enters into interest rate protection agreements to manage exposure to variability in cash flows relating to forecasted interest payments. Under these agreements, the Company is exposed to credit risk to the extent that a counterparty fails to meet the terms of a contract. The Company s credit risk exposure is limited to the current value of the contract at the time the counterparty fails to perform.

If a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recorded in AOCI and is recognized in the results of operations when the hedged item affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized immediately in the results of operations. For derivative instruments not designated as hedging instruments, changes in fair value are recognized in the results of operations in the period in which the change occurs.

The Company, through certain of its foreign subsidiaries, has entered into interest rate swap agreements to manage its exposure to variability in interest rates on debt in Colombia and South Africa and these interest rate swap agreements have been designated as cash flow hedges.

South Africa

One of the Company s South African subsidiaries has fifteen interest rate swap agreements outstanding in South Africa, which mature on the earlier of termination of the underlying debt or March 31, 2020. The interest rate swap agreements provide that the Company pay a fixed interest rate ranging from 6.09% to 7.83% and

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receive variable interest at the three-month Johannesburg Interbank Agreed Rate (JIBAR) over the term of the interest rate swap agreements. The notional value is reduced in accordance with the repayment schedule under the related credit agreement.

Colombia

One of the Company s Colombian subsidiaries has an interest rate swap agreement outstanding in Colombia, which matures on the earlier of termination of the underlying debt or November 30, 2020. The interest rate swap agreement provides that the Company pay a fixed interest rate of 5.78% and receive variable interest at the three-month Inter-bank Rate (IBR) over the term of the interest rate swap agreement. The notional value is reduced in accordance with the repayment schedule under the related credit agreement.

Costa Rica

One of the Company s Costa Rican subsidiaries had three interest rate swaps agreements in Costa Rica, which were terminated upon repayment of the Costa Rica Loan on February 12, 2014.

The notional amount and fair value of the interest rate swap agreements are as follows (in thousands):

	March 31, 2014		December 31, 2013	
	Local	USD	Local	USD
South Africa (ZAR)				
Notional	463,337	43,994	469,354	44,732
Fair Value	7,577	719	939	90
Colombia (COP)				
Notional	100,996,875	51,390	101,250,000	52,547
Fair Value	(3,616,412)	(1,840)	(3,000,236)	(1,557)
Costa Rica (USD)				
Notional				42,000
Fair Value				(628)

As of March 31, 2014 and December 31, 2013, the South African interest rate swap agreements were in an asset position and were included in Notes receivable and other non-current assets on the condensed consolidated balance sheets. The Colombian interest rate swap agreement is in a liability position and is included in Other non-current liabilities on the condensed consolidated balance sheets.

During the three months ended March 31, 2014 and 2013, the interest rate swap agreements had the following impact on the Company s condensed consolidated financial statements (in thousands):

Three Months Ended March 31,	Gain(Loss) Recognized in Other Comprehensive Income Effective Portion	Gain(Loss) Reclassified from AOCI into Income - Effective Portion	Location of Gain(Loss) Reclassified from AOCI into Income- Effective Portion	Gain(Loss) Recognized in Income - Ineffective Portion	Location of Gain(Loss) Recognized in Income - Ineffective Portion
2014	$ (587)	$ (969)	Interest Expense	N/A	N/A
2013	$ (933)	$ (608)	Interest Expense	N/A	N/A

As of March 31, 2014, approximately $0.3 million related to derivatives designated as cash flow hedges and recorded in AOCI is expected to be reclassified into earnings in the next twelve months.

For additional information on the Company s interest rate swap agreements, see notes 7 and 8.

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7. Fair Value Measurements

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

Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

	March 31, 2014			
	Fair Value Measurements Using			Assets/Liabilities
	Level 1	Level 2	Level 3	at Fair Value
Assets:				
Short-term investments (1)		$ 34,430		$ 34,430
Interest rate swap agreements		$ 719		$ 719
Liabilities:				
Acquisition-related contingent consideration			$ 31,342	$ 31,342
Interest rate swap agreements		$ 1,840		$ 1,840

	December 31, 2013			
	Fair Value Measurements Using			Assets/Liabilities
	Level 1	Level 2	Level 3	at Fair Value
Assets:				
Short-term investments (1)		$ 18,612		$ 18,612
Interest rate swap agreements		$ 90		$ 90
Liabilities:				
Acquisition-related contingent consideration			$ 31,890	$ 31,890
Interest rate swap agreements		$ 2,185		$ 2,185

(1) Consists of highly liquid investments with original maturities in excess of three months.

Interest Rate Swap Agreements

The fair value of the Company s interest rate swap agreements is determined using pricing models with inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Fair valuations of the interest rate swap agreements reflect the value of the instrument including the values associated with counterparty risk, the Company s own credit standing and the value of the net credit differential between the counterparties to the derivative contract.

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Acquisition-Related Contingent Consideration

The Company may be required to pay additional consideration under certain agreements for the acquisition of communications sites if specific conditions are met or events occur. In Colombia and Ghana, the Company may be required to pay additional consideration upon the conversion of certain barter agreements with other wireless carriers to cash-paying lease agreements. In addition, in Costa Rica, Panama and the United States, the Company may be required to pay additional consideration if certain pre-designated tenant leases commence during a specified period of time.

Acquisition-related contingent consideration is initially measured and recorded at fair value as an element of consideration paid in connection with an acquisition with subsequent adjustments recognized in Other operating expenses in the condensed consolidated statements of operations. The Company determines the fair value of acquisition-related contingent consideration, and any subsequent changes in fair value using a discounted probability-weighted approach. This approach takes into consideration Level 3 unobservable inputs including probability assessments of expected future cash flows over the period in which the obligation is expected to be settled and applies a discount factor that captures the uncertainties associated with the obligation. Changes in these unobservable inputs could significantly impact the fair value of the liabilities recorded in the accompanying consolidated balance sheets and Operating expenses in the condensed consolidated statements of operations.

As of March 31, 2014, the Company estimates that the value of all potential acquisition-related contingent consideration required payments to be between zero and $48.8 million. During the three months ended March 31, 2014 and 2013, the fair value of the contingent consideration changed as follows (in thousands):

	2014	2013
Balance as of January 1	$ 31,890	$ 23,711
Additions		165
Payments	(615)	(3,189)
Change in fair value	582	5,255
Foreign currency translation adjustment	(515)	(741)
Balance as of March 31	$ 31,342	$ 25,201

Items Measured at Fair Value on a Nonrecurring Basis The Company s long-lived assets are measured at fair value on a nonrecurring basis using Level 3 inputs. During the three months ended March 31, 2014 and 2013, the Company did not record any asset impairment charges and there were no other items measured at fair value on a nonrecurring basis during the three months ended March 31, 2014.

Fair Value of Financial Instruments The carrying value of the Company s financial instruments that reasonably approximate fair value at March 31, 2014 and December 31, 2013 includes cash and cash equivalents, restricted cash, accounts receivable and accounts payable. The Company s estimates of fair value of its long-term obligations, including the current portion, are based primarily upon reported market values. For long-term debt not actively traded, fair value was estimated using either indicative price quotes or a discounted cash flow analysis using rates for debt with similar terms and maturities. As of March 31, 2014, the carrying value and fair value of long-term obligations, including the current portion, are $14.3 billion and $14.7 billion, respectively, of which $9.0 billion was measured using Level 1 inputs and $5.7 billion was measured using Level 2 inputs. As of December 31, 2013, the carrying value and fair value of long-term obligations, including the current portion, were $14.5 billion and $14.7 billion, respectively, of which $8.6 billion was measured using Level 1 inputs and $6.1 billion was measured using Level 2 inputs.

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8. Accumulated Other Comprehensive Loss

The changes in Accumulated other comprehensive loss for the three months ended March 31, 2014 and 2013 are as follows (in thousands):

	Unrealized Losses on Cash Flow Hedges (1)	Deferred Loss on the Settlement of the Treasury Rate Lock	Foreign Currency Items	Total
Balance as of January 1, 2014	$ (1,869)	$ (3,029)	$ (306,322)	$ (311,220)
Other comprehensive loss before reclassifications, net of tax	(780)		38,711	37,931
Amounts reclassified from accumulated other comprehensive loss, net of tax	679	200		879
Net current-period other comprehensive (loss) income	(101)	200	38,711	38,810
Balance as of March 31, 2014	$ (1,970)	$ (2,829)	$ (267,611)	$ (272,410)

(1) Losses on cash flow hedges have been reclassified into Interest expense in the accompanying condensed consolidated statements of operations. The tax effect of less than $0.1 million is included in income tax expense for the three months ended March 31, 2014.

	Unrealized Losses on Cash Flow Hedges (1)	Deferred Loss on the Settlement of the Treasury Rate Lock	Foreign Currency Items	Total
Balance as of January 1, 2013	$ (4,780)	$ (3,827)	$ (202,509)	$ (211,116)
Other comprehensive loss before reclassifications, net of tax	(1,044)		27,427	26,383
Amounts reclassified from accumulated other comprehensive loss, net of tax	350	199		549
Net current-period other comprehensive (loss) income	(694)	199	27,427	26,932
Balance as of March 31, 2013	$ (5,474)	$ (3,628)	$ (175,082)	$ (184,184)

(1) Losses on cash flow hedges have been reclassified into Interest expense in the accompanying condensed consolidated statements of operations. The tax effect of $0.1 million is included in income tax expense for the three months ended March 31, 2013.

9. Income Taxes

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year. Cumulative adjustments to the Company s estimate are recorded in the interim period in which a change in the estimated annual effective tax rate is determined. The Company reorganized to qualify as a REIT for the taxable year commencing January 1, 2012. As a REIT, the Company continues to be subject to income taxes on the income of its TRSs, and taxation in foreign jurisdictions where it conducts international operations. Under the provisions of the Internal Revenue Code of 1986, as amended, the Company may deduct amounts distributed to stockholders against the income generated in its QRSs. The Company is able to offset income in both its TRSs and QRSs by utilizing their respective net operating losses. In addition, MIPT

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has been organized and has qualified as a REIT. It is independently subject to, and must comply with, the same REIT requirements that the Company must satisfy in order to qualify as a REIT, together with all other rules applicable to REITs.

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

As of March 31, 2014 and December 31, 2013, the total amount of unrecognized tax benefits that would impact the effective tax rate, if recognized, was approximately $33.4 million and $31.1 million, respectively. The increase in the amount of unrecognized tax benefits during the three months ended March 31, 2014 is primarily attributable to the additions to the Company s existing tax positions and fluctuations in foreign currency exchange rates. The Company expects the unrecognized tax benefits to change over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this timeframe, as described in note 14 to the Company s consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013. The impact of the amount of such changes to previously recorded uncertain tax positions could range from zero to $10.8 million.

The Company recorded penalties and income tax-related interest expense during the three months ended March 31, 2014 and 2013 of $1.3 million and $1.4 million, respectively. As of March 31, 2014 and December 31, 2013, the total amount of accrued penalties and income tax-related interest included in Other non-current liabilities in the condensed consolidated balance sheets was $32.4 million and $30.9 million, respectively.

10. Stock-Based Compensation

The Company recognized stock-based compensation expense during the three months ended March 31, 2014 and 2013 of $24.6 million and $21.0 million, respectively. The Company capitalized $0.4 million of stock-based compensation expense as property and equipment during each of the three months ended March 31, 2014 and 2013.

Summary of Stock-Based Compensation Plans The Company maintains equity incentive plans that provide for the grant of stock-based awards to its directors, officers and employees. The 2007 Equity Incentive Plan (2007 Plan) provides for the grant of non-qualified and incentive stock options, as well as restricted stock units, restricted stock and other stock-based awards. Exercise prices in the case of non-qualified and incentive stock options are not less than the fair value of the underlying common stock on the date of grant. Equity awards typically vest ratably over various periods, generally four years, and stock options generally expire ten years from the date of grant. As of March 31, 2014, the Company has the ability to grant stock-based awards with respect to an aggregate of 14.0 million shares of common stock under the 2007 Plan.

The Company s Compensation Committee adopted a death, disability and retirement benefits program in connection with equity awards granted on or after January 1, 2013, which provides for accelerated vesting and extended exercise periods of stock options and restricted stock units upon an employee s death or permanent disability, or upon an employee s qualified retirement, provided certain eligibility criteria are met. Due to the accelerated recognition of stock-based compensation expense related to awards granted to retirement eligible employees, the Company recognized an incremental $8.5 million and $6.7 million of stock-based compensation expense during the three months ended March 31, 2014 and 2013, respectively.

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Stock Options The Company s option activity for the three months ended March 31, 2014 is as follows:

	Number of Options
Outstanding as of January 1, 2014	6,106,171
Granted	1,855,366
Exercised	(343,863)
Forfeited	(18,741)
Expired	(32,888)
Outstanding as of March 31, 2014	7,566,045

The fair value of each option granted during the three months ended March 31, 2014 is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions noted in the table below:

Range of risk-free interest rate	1.46% -1.72%
Weighted average risk-free interest rate	1.64%
Expected life of option grants	4.5 years
Range of expected volatility of underlying stock price	23.09% - 23.35%
Weighted average expected volatility of underlying stock price	23.09%
Expected annual dividend yield	1.50%

The weighted average grant date fair value per share during the three months ended March 31, 2014 was $14.84. As of March 31, 2014, total unrecognized compensation expense related to unvested stock options is $52.7 million and is expected to be recognized over a weighted average period of approximately three years.

Restricted Stock Units The following table summarizes the Company s restricted stock unit activity during the three months ended March 31, 2014:

	Number of Units
Outstanding as of January 1, 2014	1,840,137
Granted	775,197
Vested	(669,501)
Forfeited	(25,062)
Outstanding as of March 31, 2014	1,920,771

As of March 31, 2014, total unrecognized compensation expense related to unvested restricted stock units granted under the 2007 Plan is $117.9 million and is expected to be recognized over a weighted average period of approximately three years.

11. Equity

Stock Repurchase Program In March 2011, the Board of Directors approved a stock repurchase program, pursuant to which the Company is authorized to purchase up to $1.5 billion of its common stock (the 2011 Buyback). On September 6, 2013, the Company temporarily suspended repurchases in connection with its acquisition of MIPT.

Under the 2011 Buyback, the Company is authorized to purchase shares from time to time through open market purchases or privately negotiated transactions at prevailing prices in accordance with securities laws and

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other legal requirements, and subject to market conditions and other factors. To facilitate repurchases, the Company makes purchases pursuant to trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, which allows the Company to repurchase shares during periods when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods.

The Company continues to manage the pacing of the remaining $1.1 billion under the 2011 Buyback in response to general market conditions and other relevant factors, including its financial policies. The Company expects to fund any further repurchases of its common stock through a combination of cash on hand, cash generated by operations and borrowings under its credit facilities. Purchases under the 2011 Buyback are subject to the Company having available cash to fund repurchases.

Sales of Equity Securities The Company receives proceeds from sales of its equity securities pursuant to its employee stock purchase plan and upon exercise of stock options granted under its equity incentive plans. During the three months ended March 31, 2014, the Company received an aggregate of $13.8 million in proceeds upon exercises of stock options.

Distributions During the three months ended March 31, 2014, the Company declared the following regular cash distributions to its stockholders:

Declaration Date	Payment Date	Record Date	Distribution per share	Aggregate Payment Amount (in millions)
March 6, 2014	April 25, 2014	April 10, 2014	$0.32	$126.6

The Company accrues distributions on unvested restricted stock unit awards granted subsequent to January 1, 2012, which are payable upon vesting. As of March 31, 2014, the amount accrued for distributions payable related to unvested restricted stock units was $1.8 million. During the three months ended March 31, 2014, the Company paid $0.6 million of distributions upon the vesting of restricted stock units.

To maintain its REIT status, the Company expects to continue paying regular distributions, the amount, timing and frequency of which will be determined and be subject to adjustment by the Company s Board of Directors.

12. Earnings Per Common Share

Basic net income from continuing operations per common share represents net income from continuing operations attributable to American Tower Corporation divided by the weighted average number of common shares outstanding during the period. Diluted net income from continuing operations per common share represents net income from continuing operations attributable to American Tower Corporation divided by the weighted average number of common shares outstanding during the period and any dilutive common share equivalents, including unvested restricted stock and shares issuable upon exercise of stock options as determined under the treasury stock method. Dilutive common share equivalents also include the dilutive impact of the Verizon transaction (see note 13).

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The following table sets forth basic and diluted net income from continuing operations per common share computational data for the three months ended March 31, 2014 and 2013 (in thousands, except per share data):

	Three Months Ended March 31,	
	2014	**2013**
Net income from continuing operations attributable to American Tower Corporation	$ 202,499	$ 171,407
Basic weighted average common shares outstanding	395,146	395,239
Dilutive securities	3,974	4,420
Diluted weighted average common shares outstanding	399,120	399,659
Basic net income from continuing operations attributable to American Tower Corporation per common share	$ 0.51	$ 0.43
Diluted net income from continuing operations attributable to American Tower Corporation per common share	$ 0.51	$ 0.43

For the three months ended March 31, 2014 and 2013, the diluted weighted average number of common shares outstanding excluded shares issuable upon exercise of the Company s stock options and stock-based awards of 1.7 million and 0.4 million, respectively, as the effect would be anti-dilutive.

13. Commitments and Contingencies

Litigation

The Company periodically becomes involved in various claims, lawsuits and proceedings that are incidental to its business. In the opinion of Company management, after consultation with counsel, other than the legal proceedings discussed below, there are no matters currently pending that would, in the event of an adverse outcome, materially impact the Company s consolidated financial position, results of operations or liquidity.

TriStar Litigation The Company is involved in several lawsuits against TriStar Investors LLP and its affiliates (TriStar) in various states regarding single tower sites where TriStar has taken land interests under the Company s owned or managed sites and the Company believes TriStar has induced the landowner to breach obligations to the Company. In addition, on February 16, 2012, TriStar brought a federal action against the Company in the United States District Court for the Northern District of Texas (the District Court), in which TriStar principally alleges that the Company made misrepresentations to landowners when competing with TriStar for land under the Company s owned or managed sites. On January 22, 2013, the Company filed an amended answer and counterclaim against TriStar and certain of its employees, denying Tristar s claims and asserting that TriStar has engaged in a pattern of unlawful activity, including: (i) entering into agreements not to compete for land under certain towers; and (ii) making widespread misrepresentations to landowners regarding both TriStar and the Company. Both parties are seeking injunctive relief that would prohibit the other party from making certain statements when interacting with landowners, as well as significant damages. On April 3, 2014, the District Court ruled on the parties cross-motions for summary judgment, permitting both parties claims of misrepresentation to proceed to trial, as well as related state law actions, and dismissing certain of the parties other claims.

Commitments

AT&T Transaction The Company has an agreement with SBC Communications Inc., a predecessor entity to AT&T Inc. (AT&T), that initially provided for the lease or sublease of approximately 2,450 towers from

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AT&T commencing between December 2000 and August 2004. Substantially all of the towers are part of the Company s securitization transaction completed in March 2013. The average term of the lease or sublease for all sites at the inception of the agreement was approximately 27 years, assuming renewals or extensions of the underlying ground leases for the sites. The Company has the option to purchase the sites subject to the applicable lease or sublease upon its expiration. Each tower is assigned to an annual tranche, ranging from 2013 to 2032, which represents the outside expiration date for the sublease rights to that tower. The purchase price for each site is a fixed amount stated in the sublease for that site plus the fair market value of certain alterations made to the related tower by AT&T. As of March 31, 2014, the Company has purchased four of the subleased towers upon expiration of the applicable agreement. The aggregate purchase option price for the remaining towers leased and subleased is approximately $611.2 million as of March 31, 2014, and will accrete at a rate of 10% per year to the applicable expiration of the lease or sublease of a site. For all such sites purchased by the Company prior to June 30, 2020, AT&T will continue to lease the reserved space at the then-current monthly fee which shall escalate in accordance with the standard master lease agreement for the remainder of AT&T s tenancy. Thereafter, AT&T shall have the right to renew such lease for up to four successive five-year terms. For all such sites purchased by the Company subsequent to June 30, 2020, AT&T has the right to continue to lease the reserved space for successive one-year terms at a rent equal to the lesser of the agreed upon market rate and the then-current monthly fee, which is subject to an annual increase based on changes in the Consumer Price Index.

Verizon Transaction In December 2000, the Company entered into an agreement with ALLTEL, a predecessor entity to Verizon Wireless (Verizon), to acquire towers through a 15-year sublease agreement. Pursuant to the agreement, as amended, with Verizon, the Company acquired rights to a total of approximately 1,800 towers in tranches between April 2001 and March 2002. The Company has the option to purchase each tower at the expiration of the applicable sublease, which will occur in tranches between April 2016 and March 2017 based on the original closing date for such tranche of towers. The purchase price per tower as of the original closing date was $27,500 and will accrete at a rate of 3% per annum through the expiration of the applicable sublease. The aggregate purchase option price for the subleased towers is approximately $71.7 million as of March 31, 2014. At Verizon s option, at the expiration of the sublease, the purchase price would be payable in cash or with 769 shares of the Company s common stock per tower, which at March 31, 2014, would be valued at approximately $111.8 million in the aggregate.

Other Contingencies The Company is subject to income tax and other taxes in the geographic areas where it operates, and periodically receives notifications of audits, assessments or other actions by taxing authorities. The Company evaluates the circumstances of each notification based on the information available, and records a liability for any potential outcome that is probable or more likely than not unfavorable, if the liability is also reasonably estimable. On January 21, 2014, the Company received an income tax assessment in the amount of 22.6 billion Indian Rupees (approximately $369.0 million on the date of assessment), asserting tax liabilities arising out of a transfer pricing review of transactions by Essar Telecom Infrastructure Private Limited (ETIPL), and more specifically involving the issuance of share capital and the determination by the tax authority that an income tax obligation arose as a result of such issuance. The assessment was made with respect to transactions that took place in the tax year commencing in 2008, prior to the Company s acquisition of ETIPL. Under the Company s definitive acquisition agreement of ETIPL, the seller is obligated to indemnify and defend the Company with respect to any tax-related liability that may arise from activities prior to March 31, 2010. The Company believes that there is no basis upon which the tax assessment can be enforced under existing tax law and accordingly has not recorded an obligation in the consolidated financial statements. The assessment is being challenged with the appellate authorities.

14. Acquisitions

All of the acquisitions described below are being accounted for as business combinations and are consistent with the Company s strategy to expand in selected geographic areas.

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The estimates of the fair value of the assets acquired and liabilities assumed at the date of the applicable acquisition are subject to adjustment during the measurement period (up to one year from the particular acquisition date). The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired and liabilities assumed, including contingent consideration, and residual goodwill and any related tax impact. The fair value of these net assets acquired are based on management s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. While the Company believes that such preliminary estimates provide a reasonable basis for estimating the fair value of assets acquired and liabilities assumed, it will evaluate any necessary information prior to finalization of the fair value. During the measurement period, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the revised estimated values of those assets or liabilities as of that date. The effect of measurement period adjustments to the estimated fair values is reflected as if the adjustments had been completed on the acquisition date. The impact of all changes that do not qualify as measurement period adjustments are included in current period earnings. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the condensed consolidated financial statements could be subject to a possible impairment of the intangible assets or goodwill, or require acceleration of the amortization expense of intangible assets in subsequent periods.

Impact of current year acquisitions The Company typically acquires communications sites from wireless carriers or other tower operators and subsequently integrates those sites into its existing portfolio of communications sites. The financial results of the Company s acquisitions have been included in the Company s condensed consolidated statements of operations for the three months ended March 31, 2014 from the date of respective acquisition. The date of acquisition, and by extension the point at which the Company begins to recognize the results of an acquisition may be dependent upon, among other things, the receipt of contractual consents, the commencement and extent of leasing arrangements and the timing of the transfer of title or rights to the assets, which may be accomplished in phases. For sites acquired from communication service providers, these sites may never have been operated as a business and were utilized solely by the seller as a component of their network infrastructure. An acquisition, depending on its size and nature, may or may not involve the transfer of business operations or employees.

The Company recognizes acquisition and merger related costs in the period in which they are incurred and services are received. Acquisition and merger related costs may include finder s fees, advisory, legal, accounting, valuation and other professional or consulting fees and general administrative costs, and are included in Other operating expenses. During the three months ended March 31, 2014 and 2013, the Company recognized acquisition and merger related expenses, including the fair value adjustments to contingent consideration, of $9.8 million and $13.6 million, respectively. In addition, during the three months ended March 31, 2014, the Company recorded $2.5 million of integration costs related to recently closed acquisitions.

2014 Acquisitions

International Acquisitions During the three months ended March 31, 2014, the Company acquired a total of twelve communications sites and equipment in Ghana, for an aggregate purchase price of $3.1 million (including value added tax of $0.4 million), and $0.1 million of assets acquired for total consideration of approximately $3.2 million. The purchase price is subject to post-closing adjustments.

U.S. Acquisitions During the three months ended March 31, 2014, the Company acquired a total of three communications sites and equipment, as well as four property interests, for an aggregate purchase price of $3.1 million, subject to post-closing adjustments.

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The following table summarizes the preliminary allocation of the aggregate purchase price paid and the amounts of assets acquired and liabilities assumed for the fiscal year 2014 acquisitions based upon their estimated fair value at the date of acquisition (in thousands). Balances are reflected in the accompanying condensed consolidated balance sheets as of March 31, 2014.

	International	U.S.
Current assets	$ 505	$ 13
Property and equipment	1,964	1,916
Intangible assets (1):		
Customer-related intangible assets	395	1,087
Network location intangible assets	369	301
Current liabilities		(172)
Other non-current liabilities	(28)	(37)
Fair value of net assets acquired	$ 3,205	$ 3,108
Goodwill (2)	40	

(1) Customer-related intangible assets and network location intangible assets are amortized on a straight-line basis over periods of up to 20 years.
(2) Goodwill was allocated to the Company s international rental and management segment and the Company expects goodwill recorded will be deductible for tax purposes.

2013 Acquisitions

MIPT Acquisition

On October 1, 2013, the Company, through its wholly-owned subsidiary American Tower Investments LLC, acquired 100% of the outstanding common membership interests of MIPT, a private REIT and the parent company of GTP, an owner and operator, through its various operating subsidiaries, of approximately 4,860 communications sites in the United States and approximately 510 communications sites in Costa Rica and Panama. GTP also manages rooftops and holds property interests that it leases to communications service providers and third-party tower operators.

The preliminary purchase price of $4.9 billion was satisfied with approximately $3.3 billion in cash, including an aggregate of approximately $2.8 billion from borrowings under the Company s credit facilities, and the assumption of approximately $1.5 billion of MIPT s existing indebtedness.

The consideration consisted of the following (in thousands):

Cash consideration (1)	$ 3,330,462
Assumption of existing indebtedness at historical cost	1,527,621
Estimated total purchase price	$ 4,858,083

(1) Cash consideration includes $14.5 million of an additional purchase price adjustment which was paid to the sellers during the three months ended March 31, 2014 and is reflected in Accrued expenses on the consolidated balance sheet included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

The following table summarizes the updated allocation of the aggregate purchase price paid and the amounts of assets acquired and liabilities assumed for the MIPT acquisition based upon the estimated fair value at the date of acquisition (in thousands). During the three months ended March 31, 2014, the Company made certain

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purchase accounting measurement period adjustments of approximately $0.1 million to Prepaid and other current assets and Goodwill. As a result, the Company retrospectively adjusted the fair value of the assets acquired and liabilities assumed in the condensed consolidated balance sheet as of December 31, 2013. Other than Prepaid and other current assets and Goodwill, the balances in the table below as of March 31, 2014 remain unchanged from the balances reflected in the consolidated balance sheets in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

		Updated Purchase Price Allocation
Cash and cash equivalents	$	35,967
Restricted cash		30,883
Accounts receivable, net		10,021
Prepaid and other current assets		22,984
Property and equipment		996,901
Intangible assets (1):		
Customer-related intangible assets		2,629,188
Network location intangible assets		467,300
Notes receivable and other non-current assets		4,220
Accounts payable		(9,249)
Accrued expenses		(37,004)
Accrued interest		(3,253)
Current portion of long-term obligations		(2,820)
Unearned revenue		(35,753)
Long-term obligations (2)		(1,573,366)
Asset retirement obligations		(43,089)
Other non-current liabilities		(37,326)
Fair value of net assets acquired	$	2,455,604
Goodwill (3)		874,858

(1) Customer-related intangible assets and network location intangible assets are amortized on a straight-line basis over periods of up to 20 years.
(2) Long-term obligations included $1.5 billion of MIPT s existing indebtedness and a fair value adjustment of $53.0 million. The fair value adjustment was based primarily on reported market values using Level 2 inputs.
(3) Goodwill was allocated to the Company s domestic and international rental and management segments, as applicable, and the Company expects goodwill recorded will not be deductible for tax purposes.

Other 2013 Acquisitions

Axtel Mexico Acquisition On January 31, 2013, the Company acquired 883 communications sites from Axtel, S.A.B. de C.V. for an aggregate purchase price of $248.5 million.

NII Acquisition On August 8, 2013, the Company entered into an agreement with NII to acquire up to 1,666 communications sites in Mexico and 2,790 communications sites in Brazil in two separate transactions, subject to due diligence and customary closing conditions.

On November 8, 2013, the Company acquired 1,483 communications sites in Mexico from NII for an aggregate purchase price of approximately $436.0 million (including value added tax of approximately $60.3 million) and net assets of approximately $0.9 million for total cash consideration of approximately $436.9 million. The aggregate purchase price is subject to post-closing adjustments.

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On December 6, 2013, the Company acquired 1,940 communications sites in Brazil from NII for an aggregate purchase price of approximately $349.0 million, subject to post-closing adjustments.

Z Sites Acquisition On November 29, 2013, the Company acquired 238 communications sites from Z-Sites Locação de Imóveis Ltda for an aggregate purchase price of approximately $122.8 million, subject to post-closing adjustments.

Other International Acquisitions During the year ended December 31, 2013, the Company acquired a total of 714 additional communications sites in Brazil, Chile, Colombia, Ghana, Mexico and South Africa, for an aggregate purchase price of $89.8 million (including contingent consideration of $4.1 million and value added tax of $4.9 million).

Other U.S. Acquisitions During the year ended December 31, 2013, the Company acquired a total of 55 additional communications sites and 23 property interests in the United States for an aggregate purchase price of $65.6 million, subject to post-closing adjustments. The purchase price included cash paid of approximately $65.2 million and net liabilities assumed of approximately $0.4 million.

The following table summarizes the preliminary allocation, unless otherwise noted, of the aggregate purchase price paid and the amounts of assets acquired and liabilities assumed for the fiscal year 2013 acquisitions. The allocation is based upon the estimated fair value at the date of acquisition (in thousands). Balances as of March 31, 2014 are unchanged from the balances reflected in the consolidated balance sheets in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

	Axtel Mexico (1)	NII Mexico (2)	NII Brazil	Z Sites	Other International	Other U.S.
Current assets	$	$ 61,183	$	$	$ 4,863	$ 1,220
Non-current assets	2,626	11,969	4,484	6,157	1,991	44
Property and equipment	86,100	147,364	105,784	24,832	44,844	23,803
Intangible assets (3):						
Customer-related intangible assets	119,392	135,175	149,333	64,213	20,590	29,325
Network location intangible assets	43,031	63,791	93,867	17,123	20,727	7,607
Current liabilities						(454)
Other non-current liabilities	(9,377)	(10,478)	(13,188)	(1,502)	(8,168)	(786)
Fair value of net assets acquired	$ 241,772	$ 409,004	$ 340,280	$ 110,823	$ 84,847	$ 60,759
Goodwill (4)	6,751	27,928	8,704	11,953	4,970	4,403

(1) The allocation of the purchase price was finalized during the year ended December 31, 2013.
(2) Current assets includes approximately $60.3 million of value added tax.
(3) Customer-related intangible assets and network location intangible assets are amortized on a straight-line basis over periods of up to 20 years.
(4) Goodwill was allocated to the Company s domestic and international rental and management segments, as applicable, and the Company expects goodwill recorded will be deductible for tax purposes.

Pro Forma Consolidated Results

The following unaudited pro forma information presents the financial results as if the 2013 acquisitions had occurred on January 1, 2012 (in thousands, except per share data). Management relied on various estimates and assumptions due to the fact that some of the 2013 acquisitions never operated as a business and were utilized solely by the seller as a component of their network infrastructure. As a result, historical operating

results for

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these acquisitions are not available. The pro forma results do not include any anticipated cost synergies, costs or other effects of the planned integration of the 2013 acquisitions. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisitions been completed on the dates indicated, nor are they indicative of the future operating results of the Company.

	Three Months Ended March 31, 2013	
Pro forma operating revenues	$	924,821
Pro forma net income attributable to American Tower Corporation	$	136,355
Pro forma net income per common share amounts:		
Basic net income attributable to American Tower Corporation	$	0.34
Diluted net income attributable to American Tower Corporation	$	0.34

Acquisition-Related Contingent Consideration

The Company may be required to pay additional consideration under certain agreements for the acquisition of communications sites if specific conditions are met or events occur.

Colombia Under the terms of the agreement with Colombia Movil S.A. E.S.P., the Company is required to make additional payments upon the conversion of certain barter agreements with other wireless carriers to cash paying lease agreements. Based on current estimates, the Company expects the value of potential contingent consideration payments required to be made under the agreement to be between zero and $36.0 million and estimates it to be $23.1 million using a probability weighted average of the expected outcomes at March 31, 2014. During the three months ended March 31, 2014, the Company recorded an increase in fair value of $0.5 million in Other operating expenses in the accompanying condensed consolidated statements of operations.

Ghana Under the terms of the agreement, as amended, with MTN Group Limited, the Company is required to make additional payments upon the conversion of certain barter agreements with other wireless carriers to cash paying lease agreements. Based on current estimates, the Company expects the value of potential contingent consideration payments required to be made under the amended agreement to be between zero and $0.7 million and estimates it to be $0.7 million using a probability weighted average of the expected outcomes at March 31, 2014.

MIPT In connection with the acquisition of MIPT, the Company assumed additional contingent consideration liability related to previously closed acquisitions in Costa Rica, Panama and the United States. The Company is required to make additional payments to the sellers if certain pre-designated tenant leases commence during a limited specified period of time after the applicable acquisition was completed, generally one year or less. The Company initially recorded $9.3 million of contingent consideration liability as part of the preliminary purchase price allocation upon closing of the acquisition. Based on current estimates, the Company expects the value of potential contingent consideration payments required to be made under these agreements to be between zero and $12.1 million and estimates it to be $7.5 million using a probability weighted average of the expected outcomes at March 31, 2014. During the three months ended March 31, 2014, the Company made payments under these agreements of $0.6 million.

For more information regarding contingent consideration, see note 7.

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15. Business Segments

The Company operates in three business segments: domestic rental and management, international rental and management and network development services. The Company s primary business is leasing antenna space on multi-tenant communications sites to wireless service providers, radio and television broadcast companies, wireless data and data providers, government agencies and municipalities and tenants in a number of other industries. This business is referred to as the Company s rental and management operations and is comprised of domestic and international segments, which, as of March 31, 2014, consist of the following:

Domestic: rental and management operations in the United States; and

International: rental and management operations in Brazil, Chile, Colombia, Costa Rica, Germany, Ghana, India, Mexico, Panama, Peru, South Africa and Uganda.

The Company has applied the aggregation criteria to operations within the international rental and management operating segments on a basis consistent with management s review of information and performance evaluation.

The Company s network development services segment offers tower-related services in the United States, including site acquisition, zoning and permitting services and structural analysis services, which primarily support its site leasing business and the addition of new tenants and equipment on its sites. The network development services segment is a strategic business unit that offers different services from the rental and management operating segments and requires different resources, skill sets and marketing strategies.

The accounting policies applied in compiling segment information below are similar to those described in note 1 to the Company s Annual Report on Form 10-K for the year ended December 31, 2013. Among other factors, in evaluating financial performance in each business segment, management uses segment gross margin and segment operating profit. The Company defines segment gross margin as segment revenue less segment operating expenses excluding stock-based compensation expense recorded in costs of operations; Depreciation, amortization and accretion; Selling, general, administrative and development expense; and Other operating expenses. The Company defines segment operating profit as segment gross margin less Selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. For reporting purposes, the international rental and management segment gross margin and segment operating profit also include Interest income, TV Azteca, net. These measures of segment gross margin and segment operating profit are also before Interest income, Interest expense, Loss on retirement of long-term obligations, Other income (expense), Net income (loss) attributable to noncontrolling interest, Income (loss) on equity method investments and Income tax provision (benefit). The categories of expenses indicated above, such as depreciation, have been excluded from segment operating performance as they are not considered in the review of information or the evaluation of results by management. There are no significant revenues resulting from transactions between the Company s operating segments. All intercompany transactions are eliminated to reconcile segment results and assets to the condensed consolidated statements of operations and condensed consolidated balance sheets.

Summarized financial information concerning the Company s reportable segments for the three months ended March 31, 2014 and 2013 is shown in the following tables. The Other column (i) represents amounts excluded from specific segments, such as business development operations, stock-based compensation expense and corporate expenses included in Selling, general, administrative and development expense; Other operating expenses; Interest income; Interest expense; Loss on retirement of long-term obligations; and Other income (expense), and (ii) reconciles segment operating profit to Income from continuing operations before income taxes, as these amounts are not utilized in assessing each segment s performance.

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Three months ended March 31, 2014	Rental and Management Domestic	Rental and Management International	Total Rental and Management	Network Development Services	Other	Total
	(in thousands)					
Segment revenues	$ 635,779	$ 324,341	$ 960,120	$ 23,969		$ 984,089
Segment operating expenses (1)	121,509	128,954	250,463	9,802		260,265
Interest income, TV Azteca, net		2,595	2,595			2,595
Segment gross margin	514,270	197,982	712,252	14,167		726,419
Segment selling, general, administrative and development expense (1)	27,409	29,216	56,625	2,530		59,155
Segment operating profit	$ 486,861	$ 168,766	$ 655,627	$ 11,637		$ 667,264
Stock-based compensation expense					$ 24,604	24,604
Other selling, general, administrative and development expense					26,774	26,774
Depreciation, amortization and accretion					245,763	245,763
Other expense (principally interest expense and other operating expenses)					159,161	159,161
Income from continuing operations before income taxes						$ 210,962
Total assets	$ 13,527,578	$ 6,622,829	$ 20,150,407	$ 65,417	$ 201,583	$ 20,417,407

(1) Segment operating expenses and segment selling, general, administrative and development expenses exclude stock-based compensation expense of \$0.5 million and \$24.1 million, respectively.

Three months ended March 31, 2013	Rental and Management Domestic	Rental and Management International	Total Rental and Management	Network Development Services	Other	Total
	(in thousands)					
Segment revenues	$ 515,676	$ 261,757	$ 777,433	$ 25,295		$ 802,728
Segment operating expenses (1)	91,833	99,216	191,049	10,279		201,328
Interest income, TV Azteca, net		3,543	3,543			3,543
Segment gross margin	423,843	166,084	589,927	15,016		604,943
Segment selling, general, administrative and development expense (1)	22,898	29,535	52,433	2,901		55,334
Segment operating profit	$ 400,945	$ 136,549	$ 537,494	$ 12,115		$ 549,609

Stock-based compensation expense					$ 21,042	21,042
Other selling, general, administrative and development expense					25,215	25,215
Depreciation, amortization and accretion					185,804	185,804
Other expense (principally interest expense and other (expense) income)					137,378	137,378
Income from continuing operations before income taxes						$ 180,170
Total assets	$ 8,477,955	$ 5,564,160	$ 14,042,115	$ 66,857	$ 354,768	$ 14,463,740

(1) Segment operating expenses and segment selling, general, administrative and development expenses exclude stock-based compensation expense of $0.4 million and $20.6 million, respectively.

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16. Subsequent Events

Richland Acquisition On April 3, 2014, the Company, through its wholly-owned subsidiary, acquired entities holding a portfolio of 60 communications sites, which at the time of acquisition were leased primarily to radio and television broadcast tenants, and four property interests in the United States from Richland Properties LLC and other related entities for an aggregate purchase price of $381.1 million and approximately $4.8 million of additional net assets for total consideration of approximately $385.9 million. The total consideration of approximately $385.9 million was satisfied with approximately $182.9 million in cash, approximately $6.5 million payable to the seller upon satisfaction of certain closing conditions and the assumption of approximately $196.5 million of existing indebtedness.

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

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

The discussion and analysis of our financial condition and results of operations that follow are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ significantly from these estimates under different assumptions or conditions. This discussion should be read in conjunction with our condensed consolidated financial statements herein and the accompanying notes thereto, information set forth under the caption Critical Accounting Policies and Estimates of our Annual Report on Form 10-K for the year ended December 31, 2013, and in particular, the information set forth therein under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are a leading independent owner, operator and developer of wireless and broadcast communications real estate. Our primary business is leasing antenna space on multi-tenant communications sites to wireless service providers, radio and television broadcast companies, wireless data and data providers, government agencies and municipalities and tenants in a number of other industries. We refer to this business as our rental and management operations, which accounted for approximately 98% of our total revenues for the three months ended March 31, 2014. Through our network development services, we offer tower-related services domestically, including site acquisition, zoning and permitting services and structural analysis services, which primarily support our site leasing business and the addition of new tenants and equipment on our sites. We began operating as a real estate investment trust (REIT) for federal income tax purposes effective January 1, 2012.

Our communications real estate portfolio of 68,074 sites, as of March 31, 2014, includes wireless and broadcast communications towers and distributed antenna system (DAS) networks, which provide seamless coverage solutions in certain in-building and outdoor wireless environments. Our portfolio primarily consists of towers that we own and towers that we operate pursuant to long-term lease arrangements, including, as of March 31, 2014, 27,846 towers domestically and 39,864 towers internationally. Our portfolio also includes 364 DAS networks. In addition to the communications sites in our portfolio, we manage rooftop and tower sites for property owners under various contractual arrangements. We also hold property interests that we lease to communications service providers and third-party tower operators.

In October 2013, we acquired MIP Tower Holdings LLC (MIPT), a private REIT and parent company to Global Tower Partners (GTP), an owner and operator of approximately 5,370 communications sites, through its various operating subsidiaries, in the United States, Costa Rica and Panama. GTP also manages rooftops and holds property interests that it leases to communications service providers and third-party tower operators.

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The following table details the number of communications sites we own or operate as of March 31, 2014:

Country	Number of Owned Sites	Number of Operated Sites (1)
United States	20,914	7,219
International:		
Brazil	6,616	155
Chile	1,163	
Colombia	2,790	706
Costa Rica	457	
Germany	2,031	
Ghana	2,002	
India	11,956	
Mexico	8,213	199
Panama	58	
Peru	498	
South Africa	1,903	
Uganda	1,194	

(1) All of the communications sites we operate are held pursuant to long-term capital leases, including those subject to purchase options.

Our continuing operations are reported in three segments: domestic rental and management, international rental and management and network development services. Among other factors, in evaluating operating performance in each business segment, management uses segment gross margin and segment operating profit. We define segment gross margin as segment revenue less segment operating expenses, excluding stock-based compensation expense recorded in costs of operations; Depreciation, amortization and accretion; Selling, general, administrative and development expense; and Other operating expense. We define segment operating profit as segment gross margin less Selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. Segment gross margin and segment operating profit for the international rental and management segment also include Interest income, TV Azteca, net (see note 15 to our condensed consolidated financial statements included herein). These measures of segment gross margin and segment operating profit are also before Interest income, Interest expense, Loss on retirement of long-term obligations, Other income (expense), Net income (loss) attributable to noncontrolling interest, Income (loss) on equity method investments and Income tax provision (benefit).

In the section that follows, we provide information regarding management s expectations of long-term drivers of demand for our communications sites, as well as our current results of operations, financial position and sources and uses of liquidity. In addition, we highlight key trends, which management believes provide valuable insight into our operating and financial resource allocation decisions.

Revenue Growth. Due to our diversified communications site portfolio, our tenant lease rates vary considerably depending upon numerous factors, including but not limited to, tower location, amount and type of tenant equipment on the tower, ground space required by the tenant and remaining tower capacity. We measure the remaining tower capacity by assessing several factors, including tower height, tower type, environmental conditions, existing equipment on the tower and zoning and permitting regulations in effect in the jurisdiction where the tower is located. In many instances, tower capacity can be increased through tower augmentation.

The primary factors affecting the revenue growth of our domestic and international rental and management segments are:

- Recurring revenues from tenant leases attributable to sites that existed in our portfolio as of the beginning of the prior year period (legacy sites);

- Contractual rent escalations on existing tenant leases, net of cancellations;

New revenue attributable to leasing additional space on our legacy sites; and

New revenue attributable to sites acquired or constructed since the beginning of the prior year period (new sites).

The majority of our tenant leases with wireless carriers are typically for an initial non-cancellable term of five to ten years, with multiple five-year renewal terms. Accordingly, nearly all of the revenue generated by our rental and management operations during the three months ended March 31, 2014 is recurring revenue that we should continue to receive in future periods. Based upon foreign currency exchange rates and the tenant leases in place as of March 31, 2014, we expect to generate approximately $23 billion of non-cancellable tenant lease revenue over future periods, absent the impact of straight-line lease accounting. Most of our tenant leases have provisions that periodically increase the rent due under the lease, typically annually based on a fixed escalation (approximately 3.0% in the United States) or an inflationary index in our international markets.

Revenue lost from either cancellations of leases at the end of their terms or rent negotiations historically have not had a material adverse effect on the revenues generated by our rental and management operations. During the three months ended March 31, 2014, loss of revenue from tenant lease cancellations or renegotiations represented less than 1.5% of our rental and management operations revenues.

Demand Drivers. We continue to believe that our site leasing revenue is likely to increase due to the growing use of wireless communications services and our ability to meet the corresponding incremental demand for wireless real estate by adding new tenants and new equipment for existing tenants on our legacy sites, which increases these sites utilization and profitability. In addition, we believe the majority of our site leasing activity will continue to come from wireless service providers. Our legacy site portfolio and our established tenant base provide us with new business opportunities, which have historically resulted in consistent and predictable organic revenue growth as wireless carriers seek to increase the coverage and capacity of their existing networks, while also deploying next generation wireless technologies. In addition, we intend to continue to supplement the organic growth on our legacy sites by selectively developing or acquiring new sites in our existing and new markets where we can achieve our risk adjusted return on investment criteria.

Based on industry research and projections, we expect the following key industry trends will result in incremental revenue opportunities for us:

The deployment of advanced wireless technology across existing wireless networks will provide higher speed data services and enable fixed broadband substitution. As a result, we expect our tenants to continue to deploy additional equipment across their existing networks.

Wireless service providers compete based on the overall capacity and coverage of their existing wireless networks. To maintain or improve their network performance as overall network usage increases, our tenants continue to deploy additional equipment across their existing sites while also adding new cell sites. We anticipate increasing network densification over the next several years, as existing network infrastructure is anticipated to be insufficient to account for rapidly increasing levels of wireless data usage.

Wireless service providers are also investing in reinforcing their networks through incremental backhaul and the utilization of on-site generators, which typically results in additional equipment or space leased at the tower site, and incremental revenue.

Wireless service providers continue to acquire additional spectrum, and as a result are expected to add additional sites and equipment to their network as they seek to optimize their network configuration.

As part of our international expansion initiatives, we have targeted markets in three distinct stages of network development in order to diversify our international exposure and position us to benefit from a number of different wireless technology deployments over the long term. In addition, we have focused on building

relationships with large multinational carriers such as MTN Group Limited, Telefónica S.A. and Vodafone Group PLC. We believe that consistent carrier investments in their networks across our international markets position us to generate meaningful organic revenue growth going forward.

In emerging markets, such as Ghana, India and Uganda, wireless networks tend to be significantly less advanced than those in the United States, and initial voice networks continue to be deployed in underdeveloped areas. In more developed urban locations within these markets, early-stage data network deployments are underway. Carriers are focused on completing voice network build-outs while also investing in initial data networks as wireless data usage and smartphone penetration within their customer bases begin to accelerate.

In markets with rapidly evolving network technology, such as South Africa and most of the countries in Latin America where we do business, initial voice networks, for the most part, have already been built out, and carriers are focused on third generation (3G) network build outs, with select investments in fourth generation (4G) technology. Recent spectrum auctions in these rapidly evolving markets have allowed incumbent carriers to accelerate their data network deployments and have also enabled new entrants to begin initial investments in data networks. Smartphone penetration and wireless data usage in these markets are growing rapidly, which mandates that carriers continue to invest in their networks in order to maintain and augment their quality of service.

Finally, in markets with more mature network technology, such as Germany and Panama, carriers are focused on deploying 4G data networks to account for rapidly increasing wireless data usage. With a more mature customer base, higher smartphone penetration and significantly higher per capita data usage, carrier investment in networks is focused on 4G coverage and capacity.

We believe that the network technology migration we have seen in the United States, which has led to significantly denser networks and meaningful new business commencements for us over a number of years, will ultimately be replicated in our less advanced international markets. As a result, we expect to be able to leverage our extensive international portfolio of approximately 40,000 communications sites and the relationships we have built with our carrier customers to drive sustainable, long-term growth.

Rental and Management Operations Expenses. Direct operating expenses incurred by our domestic and international rental and management segments include direct site level expenses and consist primarily of ground rent, property taxes, repairs and maintenance, security and power and fuel costs, some of which may be passed through to our tenants. These segment direct operating expenses exclude all segment and corporate selling, general, administrative and development expenses, which are aggregated into one line item entitled Selling, general, administrative and development expense in our condensed consolidated statements of operations. In general, our domestic and international rental and management segments selling, general, administrative and development expenses do not significantly increase as a result of adding incremental tenants to our legacy sites and typically increase only modestly year-over-year. As a result, leasing additional space to new tenants on our legacy sites provides significant incremental cash flow. We may, however, incur additional segment selling, general, administrative and development expenses as we increase our presence in geographic areas where we have recently launched operations or are focused on expanding our portfolio. Our profit margin growth is therefore positively impacted by the addition of new tenants to our legacy sites and can be temporarily diluted by our development activities.

Network Development Services Segment Revenue Growth. As we continue to focus on growing our rental and management operations, we anticipate that our network development services revenue will continue to represent a small percentage of our total revenues. Through our network development services segment, we offer tower-related services, including site acquisition, zoning and permitting services and structural analysis services, which primarily support our site leasing business and the addition of new tenants and equipment on our sites, including in connection with provider network upgrades.

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Non-GAAP Financial Measures

Included in our analysis of our results of operations are discussions regarding earnings before interest, taxes, depreciation, amortization and accretion, as adjusted (Adjusted EBITDA), Funds From Operations, as defined by the National Association of Real Estate Investment Trusts (NAREIT FFO) and Adjusted Funds From Operations (AFFO).

We define Adjusted EBITDA as Net income before Income (loss) on discontinued operations, net; Income (loss) on equity method investments; Income tax provision (benefit); Other income (expense); Loss on retirement of long-term obligations; Interest expense; Interest income; Other operating income (expense); Depreciation, amortization and accretion; and stock-based compensation expense.

NAREIT FFO is defined as net income before gains or losses from the sale or disposal of real estate, real estate related impairment charges and real estate related depreciation, amortization and accretion, and including adjustments for (i) unconsolidated affiliates and (ii) noncontrolling interest.

We define AFFO as NAREIT FFO before (i) straight-line revenue and expense; (ii) stock-based compensation expense; (iii) the non-cash portion of our tax provision; (iv) non-real estate related depreciation, amortization and accretion; (v) amortization of deferred financing costs, capitalized interest, debt discounts and premiums and long-term deferred interest charges; (vi) other income (expense); (vii) loss on retirement of long-term obligations; (viii) other operating income (expense); and adjustments for (ix) unconsolidated affiliates and (x) noncontrolling interest, less cash payments related to capital improvements and cash payments related to corporate capital expenditures.

Adjusted EBITDA, NAREIT FFO and AFFO are not intended to replace net income or any other performance measures determined in accordance with GAAP. Neither NAREIT FFO nor AFFO represent cash flows from operating activities in accordance with GAAP and, therefore, these measures should not be considered indicative of cash flows from operating activities as a measure of liquidity or of funds available to fund our cash needs, including our ability to make cash distributions. Rather, Adjusted EBITDA, NAREIT FFO and AFFO are presented as we believe each is a useful indicator of our current operating performance. We believe that these metrics are useful to an investor in evaluating our operating performance because (1) each is a key measure used by our management team for purposes of decision making and for evaluating the performance of our operating segments; (2) Adjusted EBITDA is a component of the calculation used by our lenders to determine compliance with certain debt covenants; (3) Adjusted EBITDA is widely used in the tower industry to measure operating performance as depreciation, amortization and accretion may vary significantly among companies depending upon accounting methods and useful lives, particularly where acquisitions and non-operating factors are involved; (4) each provides investors with a meaningful measure for evaluating our period-to-period operating performance by eliminating items that are not operational in nature; and (5) each provides investors with a measure for comparing our results of operations to those of other companies.

Our measurement of Adjusted EBITDA, NAREIT FFO and AFFO may not, however, be fully comparable to similarly titled measures used by other companies. Reconciliations of Adjusted EBITDA, NAREIT FFO and AFFO to net income, the most directly comparable GAAP measure, have been included below.

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Results of Operations

Three Months Ended March 31, 2014 and 2013 (in thousands, except percentages)

Revenue

	Three Months Ended March 31,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	$ 635,779	$ 515,676	$ 120,103	23%
International	324,341	261,757	62,584	24
Total rental and management	960,120	777,433	182,687	23
Network development services	23,969	25,295	(1,326)	(5)
Total revenues	$ 984,089	$ 802,728	$ 181,361	23%

Total revenues for the three months ended March 31, 2014 increased 23% to $984.1 million. The increase was primarily attributable to an increase in both of our rental and management segments, including organic revenue growth attributable to our legacy sites, and revenue growth attributable to the approximately 13,750 new sites that we have constructed or acquired since January 1, 2013. Approximately $85.0 million of the increase was attributable to revenues generated by MIPT.

Domestic rental and management segment revenue for the three months ended March 31, 2014 increased 23% to $635.8 million. This growth was comprised of:

- Revenue growth from legacy sites of approximately 9%, which includes approximately 7% due to incremental revenue primarily generated from new tenant leases and amendments to existing tenant leases on our legacy sites and approximately 2% attributable to contractual rent escalations, net of tenant lease cancellations.

- Revenue growth of approximately 15% attributable to the addition of approximately 4,860 domestic sites, as well as managed sites, rooftops and land interests under third-party sites in connection with our acquisition of MIPT;

- Revenue growth from new sites (excluding MIPT) of approximately 1%, resulting from the construction or acquisition of approximately 510 new sites, as well as land interests under third-party sites since January 1, 2013; and

- A decrease of approximately 2% from the impact of straight-line lease accounting.

International rental and management segment revenue for the three months ended March 31, 2014 increased 24% to $324.3 million. This growth was comprised of:

- Revenue growth from new sites (excluding MIPT) of approximately 20%, resulting from the construction or acquisition of approximately 7,870 new sites since January 1, 2013;

Revenue growth from legacy sites of approximately 16%, which includes approximately 13% due to incremental revenue primarily generated from new tenant leases and amendments to existing tenant leases on our legacy sites and approximately 3% attributable to contractual rent escalations, net of tenant lease cancellations;

Revenue growth of approximately 2% from the impact of straight-line lease accounting;

Revenue growth of over 1% attributable to the addition of approximately 510 sites in Costa Rica and Panama in connection with our acquisition of MIPT; and

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A decrease of approximately 15% attributable to the negative impact from foreign currency translation, which includes, among others, the negative impact of approximately 5% related to fluctuations in Brazilian Reais (BRL), approximately 3% related to fluctuations in Ghanaian Cedi (GHS) and approximately 3% related to fluctuations in Indian Rupees (INR).

Network development services segment revenue for the three months ended March 31, 2014 decreased 5% to $24.0 million. The decrease was primarily due to a decline in zoning, permitting and site acquisition projects for one of our major customers during the three months ended March 31, 2014 as compared to the three months ended March 31, 2013, partially offset by increased revenue from structural engineering services.

Gross Margin

	Three Months Ended March 31,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	$ 514,270	$ 423,843	$ 90,427	21%
International	197,982	166,084	31,898	19
Total rental and management	712,252	589,927	122,325	21
Network development services	14,167	15,016	(849)	(6)%

Domestic rental and management segment gross margin for the three months ended March 31, 2014 increased 21% to $514.3 million. This growth was comprised of:

Gross margin growth from legacy sites of approximately 9%, primarily associated with the increase in revenue, as described above;

Gross margin growth of approximately 13% attributable to the addition of approximately 4,860 domestic sites, as well as managed sites, rooftops and land interests under third-party sites, in connection with our acquisition of MIPT;

Gross margin growth from new sites (excluding MIPT) of approximately 1%, resulting from the construction or acquisition of approximately 510 new sites, as well as land interests under third-party sites since January 1, 2013; and

A decrease of approximately 2% from the impact of straight-line lease accounting.

International rental and management segment gross margin for the three months ended March 31, 2014 increased 19% to $198.0 million. This growth was comprised of:

Gross margin growth from new sites (excluding MIPT) of approximately 16%, resulting from the construction or acquisition of approximately 7,870 new sites since January 1, 2013;

Gross margin growth from legacy sites of approximately 13%, primarily associated with the increase in revenue, as described above;

Gross margin growth of approximately 2% from the impact of straight-line lease accounting;

- Gross margin growth of less than 2% attributable to the addition of approximately 510 sites in Costa Rica and Panama in connection with our acquisition of MIPT; and

- A decrease of approximately 14% attributable to the negative impact from foreign currency translation, which includes, among others, the negative impact of approximately 5% related to fluctuations in BRL, approximately 2% related to fluctuations in GHS and approximately 2% related to fluctuations in INR.

Network development services segment gross margin for the three months ended March 31, 2014 decreased 6% to $14.2 million. The decrease was primarily attributable to the decrease in revenue as described above.

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Selling, General, Administrative and Development Expense

	Three Months Ended March 31,		Amount of Increase	Percent Increase
	2014	2013	(Decrease)	(Decrease)
Rental and management				
Domestic	$ 27,409	$ 22,898	$ 4,511	20%
International	29,216	29,535	(319)	(1)
Total rental and management	56,625	52,433	4,192	8
Network development services	2,530	2,901	(371)	(13)
Other	50,874	45,819	5,055	11
Total selling, general, administrative and development expense	$ 110,029	$ 101,153	$ 8,876	9%

Total selling, general, administrative and development expense (SG&A) for the three months ended March 31, 2014 increased 9% to $110.0 million. The increase was primarily attributable to an increase in our domestic rental and management segment and other SG&A.

Domestic rental and management segment SG&A for the three months ended March 31, 2014 increased 20% to $27.4 million. The increase was primarily driven by increasing personnel costs to support our business, including additional costs associated with the acquisition of MIPT.

International rental and management segment SG&A for the three months ended March 31, 2014 decreased 1% to $29.2 million. The decrease was primarily due to the impact of foreign currency fluctuations, as well as the reversal of bad debt expense for amounts previously reserved, which was partially offset by increased personnel costs and professional fees to support our business.

Network development services segment SG&A for the three months ended March 31, 2014 decreased 13% to $2.5 million primarily due to a decrease in personnel expense.

Other SG&A for the three months ended March 31, 2014 increased 11% to $50.9 million. The increase was primarily due to a $3.5 million increase in SG&A related stock-based compensation expense and a $1.7 million increase in corporate SG&A. The increase in corporate SG&A was primarily related to personnel costs to support our business, partially offset by a reduction in legal expenses of $3.5 million.

Operating Profit

	Three Months Ended March 31,		Amount of Increase	Percent Increase
	2014	2013	(Decrease)	(Decrease)
Rental and management				
Domestic	$ 486,861	$ 400,945	$ 85,916	21%
International	168,766	136,549	32,217	24
Total rental and management	655,627	537,494	118,133	22
Network development services	11,637	12,115	(478)	(4)%

Domestic rental and management segment operating profit for the three months ended March 31, 2014 increased 21% to $486.9 million. The growth was primarily attributable to the increase in our domestic rental and management segment gross margin (21%), as described above, and was partially offset by an increase in our domestic rental and management segment SG&A (20%), as described above.

International rental and management segment operating profit for the three months ended March 31, 2014 increased 24% to $168.8 million. The growth was primarily attributable to the increase in our international rental

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and management segment gross margin (19%), as described above, and by a decrease in our international rental and management segment SG&A (1%), as described above.

Network development services segment operating profit for the three months ended March 31, 2014 decreased 4% to $11.6 million. The decrease was primarily attributable to the decrease in network development services segment gross margin (6%), as described above, and was partially offset by a decrease in our network development services segment SG&A (13%), as described above.

Depreciation, Amortization and Accretion

	Three Months Ended March 31,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Depreciation, amortization and accretion	$ 245,763	$ 185,804	$ 59,959	32%

Depreciation, amortization and accretion for the three months ended March 31, 2014 increased 32% to $245.8 million. The increase was primarily attributable to the depreciation, amortization and accretion associated with the acquisition or construction of approximately 13,750 sites since January 1, 2013, which resulted in an increase in property and equipment and intangible assets subject to amortization.

Other Operating Expenses

	Three Months Ended March 31,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Other operating expenses	$ 13,891	$ 14,319	$ (428)	(3)%

Other operating expenses for the three months ended March 31, 2014 decreased 3% to $13.9 million. The decrease was primarily attributable to a decrease of $1.4 million in acquisition related costs, primarily offset by an increase in losses from sale or disposal of assets.

Interest Expense

	Three Months Ended March 31,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Interest expense	$ 143,307	111,766	$ 31,541	28%

Interest expense for the three months ended March 31, 2014 increased 28% to $143.3 million. The increase was primarily attributable to an increase in our average debt outstanding of approximately $5.6 billion, which was primarily used to fund our acquisitions, partially offset by a decrease in our annualized weighted average cost of borrowing from 4.94% to 4.01%. The weighted average contractual interest rate was 4.01% at March 31, 2014.

Loss on Retirement of Long-Term Obligations

Three Months Ended March 31,		Amount of Increase (Decrease)	Percent Increase (Decrease)
2014	2013		

Loss on retirement of long-term obligations	$ 238	$ 35,298	$ (35,060)	(99)%

During the three months ended March 31, 2013, we recorded a loss of $35.3 million due to the repayment of the $1.75 billion outstanding balance of the Commercial Mortgage Pass-Through Certificates, Series 2007-1 issued in the securitization transaction completed in May 2007 and incurred prepayment consideration and recorded the acceleration of deferred financing costs.

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Other Expense (Income)

	Three Months Ended March 31,		Amount of	Percent
	2014	2013	Increase (Decrease)	Increase (Decrease)
Other expense (income)	$ 3,743	$ (22,291)	$ 26,034	117%

During the three months ended March 31, 2014, other expense was $3.7 million, which included $2.0 million of unrealized foreign currency losses, as compared to $22.1 million of unrealized foreign currency gains during the three months ended March 31, 2013. We record unrealized foreign currency gains or losses as a result of fluctuations in the foreign currency exchange rates primarily associated with our intercompany notes and similar unaffiliated balances denominated in a currency other than the subsidiaries functional currencies. During the three months ended March 31, 2014, we recorded unrealized foreign currency losses of $15.5 million, of which $13.5 million was recorded in Accumulated other comprehensive income (loss) and $2.0 million was recorded in Other expense (income) (see note 1 to the condensed consolidated financial statements included herein).

Income Tax Provision

	Three Months Ended March 31,		Amount of	Percent
	2014	2013	Increase (Decrease)	Increase (Decrease)
Income tax provision	$ 17,649	19,222	$ (1,573)	(8)%
Effective tax rate	8.4%	10.7%		

The income tax provision for the three months ended March 31, 2014 and 2013 was $17.6 million and $19.2 million, respectively. The effective tax rate (ETR) for the three months ended March 31, 2014 decreased to 8.4% from 10.7%. This decrease was primarily attributable to the restructuring of certain domestic taxable REIT subsidiaries (TRSs) to be treated as direct or indirect qualified REIT subsidiaries or other disregarded entities of a REIT (QRSs) during the three months ended March 31, 2014.

As a REIT, we may deduct earnings distributed to stockholders against the income generated in our QRSs. In addition, we are able to offset income in both our TRSs and QRSs by utilizing our net operating losses (NOLs), subject to specified limitations.

The ETR on income from continuing operations for the three months ended March 31, 2014 and 2013 differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

Net Income/Adjusted EBITDA

	Three Months Ended March 31,		Amount of	Percent
	2014	2013	Increase (Decrease)	Increase (Decrease)
Net income	$ 193,313	$ 160,948	$ 32,365	20%
Income tax provision	17,649	19,222	(1,573)	(8)
Other expense (income)	3,743	(22,291)	26,034	117
Loss on retirement of long-term obligations	238	35,298	(35,060)	(99)
Interest expense	143,307	111,766	31,541	28
Interest income	(2,018)	(1,714)	304	18
Other operating expenses	13,891			