AMERICAN TOWER CORP /MA/
Form 10-Q
August 06, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One):

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the quarterly period ended June 30, 2008**

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

AMERICAN TOWER CORPORATION

(Exact name of registrant as specified in its charter)

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

116 Huntington Avenue

Boston, Massachusetts 02116

(Address of principal executive offices)

Telephone Number (617) 375-7500

(Registrant s telephone number, including area code)

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

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

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

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

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

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AMERICAN TOWER CORPORATION

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QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2008

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PART 1. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS Unaudited

(in thousands, except share data)

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 152,130	$ 33,123
Restricted cash	51,160	53,684
Short-term investments and available-for-sale securities	11,786	7,224
Accounts receivable, net of allowances	40,774	40,316
Prepaid and other current assets	63,177	71,264
Deferred income taxes	40,124	40,063
Total current assets	359,151	245,674
PROPERTY AND EQUIPMENT, net	3,010,919	3,045,186
GOODWILL	2,188,312	2,188,312
OTHER INTANGIBLE ASSETS, net	1,637,334	1,686,434
DEFERRED INCOME TAXES	519,404	479,854
NOTES RECEIVABLE AND OTHER LONG-TERM ASSETS	550,420	484,997
TOTAL	$ 8,265,540	$ 8,130,457
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 138,017	$ 175,464
Accrued interest	30,591	33,702
Current portion of long-term obligations	1,699	1,817
Unearned revenue	108,863	106,395
Total current liabilities	279,170	317,378
LONG-TERM OBLIGATIONS	4,419,017	4,283,467
OTHER LONG-TERM LIABILITIES	539,621	504,178
Total liabilities	5,237,808	5,105,023
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARIES	3,231	3,342
STOCKHOLDERS EQUITY:		
Preferred Stock: $.01 par value; 20,000,000 shares authorized; no shares issued or outstanding		
Class A Common Stock: $.01 par value; 1,000,000,000 shares authorized, 456,642,665 and 452,759,969 shares issued, and 396,197,782 and 399,518,542 shares outstanding, respectively	4,566	4,527
Additional paid-in capital	7,856,784	7,772,382
Accumulated deficit	(2,502,432)	(2,703,373)

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

See notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS Unaudited

(in thousands, except per share data)

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

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

See notes to unaudited condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS Unaudited

(in thousands)

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

See notes to unaudited condensed consolidated financial statements.

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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 and subsidiaries (collectively, ATC or the Company) is an independent owner, operator and developer of wireless and broadcast communications sites in the United States, Mexico, Brazil and India. The Company s primary business is the leasing of antenna space on multi-tenant communications sites to wireless service providers and radio and television broadcast companies. The Company also manages rooftop and tower sites for third parties, operates distributed antenna systems, and provides network development services that are complementary to its rental and management operations and that facilitate the addition of new tenants and equipment on its sites.

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

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The financial information included herein is unaudited; however, the Company believes such information and the disclosures herein are adequate to make the information presented not misleading and reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair presentation of the Company s financial position and results of operations for such periods. Results of interim periods may not be indicative of results for the full year. These condensed consolidated financial statements and related notes should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

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

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

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

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

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

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

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

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

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

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

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

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

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

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

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

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

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

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

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

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

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

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

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

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

2. Income Taxes

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year. Cumulative adjustments to the Company s estimate are recorded in the interim period in which a change in the estimated annual effective rate is determined.

As of June 30, 2008 and December 31, 2007, the total amount of unrecognized tax benefits that would affect the effective tax rate, if recognized, was $23.5 million and $23.0 million, respectively. The Company expects the unrecognized tax benefits to change over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this timeframe, as described in note 2 to the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31,

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

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

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

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

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

3. Financing Transactions

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

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

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

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

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

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

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

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

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

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

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

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

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

4. Goodwill and Other Intangible Assets

The Company s net carrying amount of goodwill was approximately $2.2 billion as of June 30, 2008 and December 31, 2007, all of which related to its rental and management segment. The following table presents summary information about the Company s intangible assets subject to amortization (in thousands):

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

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

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

5. Stock-Based Compensation

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

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

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

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

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

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

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

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

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

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

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

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

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

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

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

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

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

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

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

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

6. Business Segments

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

The accounting policies applied in compiling segment information below are similar to those described in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. In evaluating financial performance, management focuses on segment gross margin and segment operating profit. The Company defines segment gross margin as segment revenue less segment operating expenses excluding depreciation, amortization and accretion; selling, general, administrative and development expense; and impairments and net loss on sale of long-lived assets. The Company defines segment operating profit as segment gross margin less selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. For reporting purposes, the rental and management segment operating profit and segment gross margin also include interest income, TV Azteca, net. These measures of segment gross margin and segment operating profit are also before interest income, interest expense, loss on retirement of long-term obligations, other (expense) income, minority interest in net earnings of subsidiaries, income on equity method investments, income taxes and discontinued operations.

The Company s reportable segments are strategic business units that offer different services. They are managed separately because each segment requires different resources, skill sets and marketing strategies. Summarized financial information concerning the Company s reportable segments for the three and six months ended June 30, 2008 and 2007 is shown in the table below. The Other column below represents amounts excluded from specific segments, such as stock-based compensation expense and corporate expenses included in selling, general, administrative and development expense; impairments, and net loss on sale of long-lived assets; interest income; interest expense; loss on retirement of long-term obligations; and other (expense) income, as well as reconciles segment operating profit to income before income taxes, minority interest and income on equity method investments.

Three months ended June 30,	Rental and Management	Network Development Services (in thousands)	Other	Total
2008				
Segment revenues	$ 384,343	$ 9,385		$