AMERICAN TOWER CORP /MA/
Form 10-K/A
March 30, 2005
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTIONS 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For Fiscal Year Ended December 31, 2003

OR

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

For the transition period from to

Commission File No. 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 and Zip Code)

(617) 375-7500

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each Class)	**(Name of exchange on which registered)**
Class A Common Stock, $0.01 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)

None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes x No ¨

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2003 was approximately $1,671,008,644, based on the closing price of the registrant s Class A Common Stock as reported on the New York Stock Exchange as of the last business day of the registrant s most recently completed second quarter.

As of March 5, 2004, 220,396,852 shares of Class A Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement (the Definitive Proxy Statement) to be filed with the Securities and Exchange Commission relative to the Company s 2004 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

Table of Contents

EXPLANATORY NOTE

American Tower Corporation (the Company) is filing this amendment (this Amendment) to its Annual Report on Form 10-K for the year ended December 31, 2003 (the Original Filing) to reflect the restatement of its consolidated financial statements as of December 31, 2003 and 2002 and for each of the years ended December 31, 2003, 2002 and 2001, and certain corresponding changes described below.

As disclosed in a Current Report on Form 8-K dated February 22, 2005, the Company undertook a review of its lease accounting practices as a result of changes in lease accounting announced by other public companies in January and February of 2005 and guidance provided by the Securities and Exchange Commission in its February 7, 2005 letter to the accounting industry. As a result of this review, the Company determined that it should change the periods used to calculate depreciation and amortization expense and straight-line rent expense relating to certain of its tower assets and underlying ground leases. The primary effect of this accounting correction is to accelerate to earlier periods non-cash rent expense and depreciation and amortization expense with respect to certain of the Company s tower sites, resulting in an increase in non-cash expenses compared to what has previously been reported. A discussion of the restatement is set forth in note 2 to the consolidated financial statements included in this Amendment.

Changes also have been made to the following items in this Amendment as a result of the restatement:

Part I	Item 1. Business
Part II	Item 6. Selected Financial Data
	Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations
	Item 8. Financial Statements and Supplementary Data
	Item 9A. Controls and Procedures
Part IV	Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

For ease of reference, this Amendment sets forth the Original Filing in its entirety. However, this Amendment does not reflect events that have occurred after the March 12, 2004 filing date of the Original Filing or modify or update the disclosures presented in the Original Filing, except to reflect the corrections described above. Other events occurring after the filing date of the Original Filing or other disclosures necessary to reflect subsequent events have been or will be addressed in our amended Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2004, June 30, 2004 and September 30, 2004, which are being filed concurrently with the filing of this Form 10-K/A, and any reports filed subsequent to the date of this filing. Any reference to facts and circumstances at a current date refer to such facts and circumstances as of the filing date of the Original Filing.

TABLE OF CONTENTS

FORM 10-K/A AMENDMENT NO. 1 TO ANNUAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2003

		Page
Special Note Regarding Forward-Looking Statements		1
PART I		
ITEM 1.	Business	2
	Overview	2
	Strategy	3
	Products and Services	4
	Recent Transactions	7
	Management Organization	8
	Regulatory Matters	8
	Competition	10
	Construction, Manufacturing and Raw Materials	11
	Employees	11
	Available Information	11
	Factors That May Affect Future Results	12
ITEM 2.	Properties	17
ITEM 3.	Legal Proceedings	17
ITEM 4.	Submission of Matters to a Vote of Security Holders	17
PART II		
ITEM 5.	Market for Registrant s Common Equity and Related Stockholder Matters	18
ITEM 6.	Selected Financial Data	19
ITEM 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	22
	Executive Overview	22
	Results of Operations	23
	Years Ended December 31, 2003 and 2002	23
	Years Ended December 31, 2002 and 2001	28
	Liquidity and Capital Resources	33
	Overview	33
	Uses of Cash	33
	Sources of Cash	35
	Factors Affecting Sources of Liquidity	36
	Critical Accounting Policies and Estimates	38
	Recent Accounting Pronouncements	41
	Information Presented Pursuant to the Indenture of Our 9 $^{3}/8$% Senior Notes	41
	Information Presented Pursuant to the Indentures of Our 9 $^{3}/8$% Senior Notes, ATI 12.25% Notes and ATI 7.25% Notes	42

Table of Contents

		Page
ITEM 7A.	Quantitative and Qualitative Disclosures About Market Risk	43
ITEM 8.	Financial Statements and Supplementary Data	45
ITEM 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	45
ITEM 9A.	Controls and Procedures	45
PART III		
ITEM 10.	Directors and Executive Officers of the Registrant	47
ITEM 11.	Executive Compensation	48
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	48
ITEM 13.	Certain Relationships and Related Transactions	48
ITEM 14.	Principal Accountant Fees and Services	48
PART IV		
ITEM 15.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	49
Signatures		50
Index to Consolidated Financial Statements		F-1
Index to Exhibits		1

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains statements about future events and expectations, or forward-looking statements, all of which are inherently uncertain. We have based those forward-looking statements on our current expectations and projections about future results. When we use words in this document such as anticipate, intend, plan, believe, estimate, expect, or similar expressions, we do so to identify forward-looking statements. Examples of forward-looking statements include statements we make regarding future prospects of growth in the wireless communications and broadcast infrastructure markets, the level of future expenditures by companies in those markets and other trends in those markets, our ability to maintain or increase our market share, our future operating results, our future capital expenditure levels, and our plans to fund our future liquidity needs. These forward-looking statements may be found under the headings Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, as well as in this annual report generally.

You should keep in mind that any forward-looking statement made by us in this annual report or elsewhere speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. In any event, these and other important factors may cause actual results to differ materially from those indicated by our forward-looking statements, including those set forth under the caption Business Factors That May Affect Future Results. We have no duty to, and do not intend to, update or revise the forward-looking statements in this annual report after the date of this annual report, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that the future events or circumstances described in any forward-looking statement made in this annual report or elsewhere might not occur.

Table of Contents

PART I

ITEM 1. BUSINESS

Overview

We are a leading wireless and broadcast communications infrastructure company with a portfolio of approximately 15,000 towers. Our primary business is leasing antenna space on multi-tenant communications towers to wireless service providers and radio and television broadcast companies. We operate the largest independent portfolio of wireless communications and broadcast towers in North America, based on number of towers and revenue.

Our tower portfolio provides us with a recurring base of leasing revenues from our existing customers and growth potential due to the capacity to add more tenants and equipment to these towers. Our broad network of towers enables us to address the needs of wireless service providers on a national basis. We also offer select tower related services, such as antennae and line installation and site acquisition and zoning services, which are strategic to our core leasing business. We intend to capitalize on the continuing increase in the use of wireless communication services by actively marketing space available for leasing on our existing towers and selectively developing or acquiring new towers that meet our return on investment criteria.

Our core leasing business, which we refer to as our rental and management segment, accounted for approximately 98.4% and 96.5% of our segment operating profit for the years ended December 31, 2003 and December 31, 2002, respectively. In 2004, we expect that our rental and management segment will contribute approximately 98% of our segment operating profit, which we define as segment revenue less direct segment expense (rental and management segment operating profit includes interest income, TV Azteca, net see note 17 to the consolidated financial statements).

An element of our strategy is to continue to focus our operations on our rental and management segment by divesting non-core assets and businesses, using the proceeds to purchase high quality tower assets, and reducing outstanding indebtedness. Between January 1, 2003 and March 5, 2004, we completed approximately $123.9 million of non-core asset sales and have or will use the net proceeds to acquire new tower assets and to repay outstanding indebtedness. We expect that we will generate approximately $10.0 million of additional net proceeds in 2004 from the sale of other non-core assets, and intend to reinvest these proceeds in tower assets.

The sales proceeds described above include proceeds from the disposition of our remaining non-core services businesses, including Flash Technologies, Galaxy Engineering and Kline Iron & Steel Co., Inc. (Kline). With the divestiture of Kline in March 2004, we have completed the transformation of our business to a focused tower leasing business with only limited services activities that directly support our core rental and management operations and the addition of new tenants on our towers.

We believe that our strategy of focusing operations on our rental and management segment will make our consolidated operating cash flows more stable, provide us with continuing growth, and enhance our returns on invested capital because of the following characteristics of our core leasing business:

Long-term tenant leases with contractual escalators. In general, a lease with a wireless carrier has a duration of five to ten years and lease payments typically increase 3% to 5% per year.

Tower operating expenses are largely fixed. Incremental operating costs associated with adding wireless tenants to a tower are low.

Low maintenance capital expenditures. On average, a wireless tower requires minimal annual capital investments to maintain.

Table of Contents

High lease renewal rates. Wireless carriers tend to renew leases because repositioning a site in a carrier s network is expensive and often affects several other sites in the wireless network.

Strategy

Our strategy is to capitalize on the continued increase in the use of wireless communication services and the infrastructure requirements necessary to deploy current and future generations of wireless communication technologies. Between December 2001 and June 2003, the number of wireless phone subscribers in the United States increased from 128.4 million to 148.1 million, representing an increase of approximately 15% and market penetration of approximately 51% at June 30, 2003. From December 2001 through June 2003, the number of cell sites (i.e., the number of antennae and related equipment in commercial operation, not the number of towers on which that equipment is located) also increased from 127,500 to 147,700. With respect to Mexico, the number of wireless phone subscribers increased from approximately 21.5 million at the end of 2001, to approximately 30.4 million at the end of 2003, representing an increase of approximately 41% and market penetration of approximately 30% at December 31, 2003. We expect that the continued growth of subscribers for wireless personal communications and phone services will require wireless carriers to add a significant number of additional cell sites to maintain the performance of their networks in the areas they currently cover and to extend service to areas where coverage does not yet exist. In addition, we believe that as data wireless services, such as email, internet access and video, are deployed on a widespread basis, the deployment of these technologies will require wireless carriers to further increase the cell density of their existing networks, may require an overlay of new technology equipment, and may increase the demand for geographic expansion of their network coverage. To meet this demand, we believe wireless carriers will continue to outsource their tower infrastructure needs as a means of improving existing service coverage, implementing new technology, accelerating access to their markets and preserving capital, rather than constructing and operating their own towers and maintaining their own tower service and development capabilities.

We believe that our existing portfolio of towers, our tower related services and network development capabilities and our management team position us to benefit from these communication trends and to play an increasing role in addressing the needs of wireless service providers and broadcasters. The key elements of our strategy include:

Maximize Use of Our Tower Capacity. We believe that our highest returns will be achieved by leasing additional space on our existing towers. Annual rental and management revenue and segment operating profit growth during 2003 was approximately 14% and 26%, respectively. We anticipate that our revenues and segment operating profit will continue to grow because many of our towers are attractively located for wireless service providers and have capacity available for additional antenna space rental that we can offer to customers at low incremental costs to us. Because the costs of operating a tower are largely fixed, increasing utilization significantly improves operating margins. We will continue to target our sales and marketing activities to increase utilization of, and investment return on, our existing towers.

Actively Manage Our Tower Portfolio. We are actively managing our portfolio of towers by selling non-core towers and reinvesting a portion of the proceeds in high quality tower assets. In 2003, we sold over 300 non-core towers and redeployed a portion of the proceeds from these sales to the acquisition of 525 towers from NII Holdings in Mexico and Brazil. We also plan to pursue exchanges and sales of towers or tower clusters with tower operators and other entities. Our goal is to enhance operating efficiencies either by acquiring towers in regions where we have insufficient coverage or by disposing or exchanging towers in areas where we do not have operating economies of scale. If we are successful in disposing of certain tower assets, we may reinvest a portion of the proceeds received in tower assets that are expected to provide a greater return.

Employ Selective Criteria for New Tower Construction and Acquisitions. While our first priority is leasing capacity on our existing towers, we continue to construct and acquire new towers when our strict initial and long-term return on investment criteria can be met. These criteria include securing leases from customers in advance of construction, ensuring reasonable estimated construction costs and

3

Table of Contents

obtaining the land on which to build the tower, whether by purchase or ground lease, on reasonable terms.

Continue Our Focus on Customer Service and Processes. Because speed to market and reliable network performance are critical components to the success of wireless service providers, our ability to assist our customers in meeting their goals will ultimately define our success. To that end, we intend to continue to focus on customer service by, for example, reducing cycle time for key functions, such as lease processing and antennae and line installations. Accordingly, we have established a team dedicated to exploring and leveraging customer-driven process improvement capabilities. This establishes another connection point with our customers, sharing operational processes and outcomes, and provides us valuable input and relationship enhancing opportunities. We believe that this effort should enable us to improve revenue generation through improved speed, accuracy and quality.

Build On Our Strong Relationships with Major Wireless Carriers. Our understanding of the network needs of our wireless carrier customers and our ability to convey effectively how we can satisfy those needs are key to our efforts to add new antennae leases, cross-sell our services and identify desirable new tower development projects. We are building on our strong relationships with our customers to gain more familiarity with their evolving network plans so we can identify opportunities where our nationwide portfolio of towers, extensive service offerings and experienced construction personnel can be used to satisfy their needs. We believe that we are well positioned to be a preferred partner to major wireless carriers in leasing tower space and new tower development projects because of the location of our towers, our proven operating and construction experience and the national scope of our tower portfolio and services.

Participation in Industry Consolidation. We believe there are benefits to consolidation among tower companies. More extensive networks will be better positioned to provide more comprehensive service to customers and to support the infrastructure requirements of future generations of wireless communication technologies. Combining with one or more other tower companies also should result in improvements in cost structure efficiencies, with a corresponding positive impact on operating results. These benefits should, in turn, enhance access to capital and accelerate the de-levering process. Accordingly, we continue to be interested in participating in the consolidation of our industry on terms that are consistent with these perceived benefits and that create long-term value for our stockholders.

Products and Services

We operate in two business segments: rental and management and network development services. For more information about our business segments, as well as financial information about the geographic areas in which we operate, see note 17 to our consolidated financial statements included in this annual report and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations below.

Our primary business is our leasing business, which we refer to as our rental and management segment, and which accounted for approximately 98.4% of our segment operating profit for the year ended December 31, 2003. We also offer tower related services through our network development services segment that are strategic to our rental and management segment.

Prior to December 2002, we also operated a satellite and fiber network access services segment through our Verestar, Inc., subsidiary (Verestar). In December 2002, we committed to a plan to dispose of this business, and in December 2003, Verestar and its affiliates filed for protection under Chapter 11 of the federal bankruptcy laws. Accordingly, we have accounted for Verestar as a discontinued operation through the date of the bankruptcy filing and we ceased to consolidate Verestar s financial results as of that date. See Factors That May Affect Future Results The bankruptcy proceeding of our Verestar subsidiary exposes us to risks and uncertainties.

4

Table of Contents

Rental and Management

Leasing of Antennae Sites. Our primary business is leasing antenna space on multi-tenant communications towers to wireless service providers and radio and television broadcast companies. We operate a tower network of approximately 15,000 multi-user sites in the United States, Mexico and Brazil, including more than 300 broadcast tower sites. Our networks in the United States and Mexico are national in scope. Our U.S. network spans 49 states and the District of Columbia. In addition, 85% of our U.S. network provides coverage in the top 100 markets or core areas such as high traffic interstate corridors. Giving effect to pending transactions, our Mexican network includes more than 1,800 sites in highly populated areas, including Mexico City, Monterrey, Guadalajara and Acapulco. Our Brazilian network consists of approximately 425 towers, which are primarily located in Sao Paulo, Rio de Janeiro and Curitiba.

We lease antenna space on our towers to tenants in a diverse range of wireless communications and broadcast industries. Wireless industries we serve primarily include: personal communications services, cellular, enhanced specialized mobile radio, paging and fixed microwave. Our major domestic customers include ALLTEL, AT&T Wireless Services, Cingular Wireless, Nextel, Sprint PCS, T-Mobile USA and Verizon Wireless, and their respective affiliates. Our major international customers include Iusacell Celular, Nextel Mexico, Telefonica Moviles and Unefon in Mexico, and Nextel Brazil, Telecom Americas and Telecom Italia Mobile in Brazil. Our largest customer is Verizon Wireless, which represented approximately 12% of our revenues for the year ended December 31, 2003. No other customer accounted for greater than 10% of our revenues for the year ended December 31, 2003. Approximately 62% of our revenues for the year ended December 31, 2003 were derived from eight customers. See Factors That May Affect Future Results A substantial portion of our revenues is derived from a small number of customers and Due to the long-term expectations of revenue from tenant leases, the tower industry is sensitive to the credit worthiness of its tenants.

The number of antennae that our towers can accommodate varies depending on the tower s location, height, and the structural capacity at certain wind speeds. An antenna s height on a tower and the tower s location determine the line-of-sight of the antenna with the horizon and, consequently, the distance a signal can be transmitted. Some of our customers, such as personal communications services, enhanced specialized mobile radio providers and cellular companies in metropolitan areas, typically do not place their equipment at the highest tower point. Other customers, including paging companies and specialized mobile radio providers in rural areas, prefer higher elevations for broader coverage. We believe that a significant majority of our towers have the capacity to add additional tenants.

Lease Terms. Our leases, like most of those in the tower industry, generally vary depending upon the region and the industry user. Initial terms for television and radio broadcast leases typically range between fifteen and twenty years, while leases for wireless communications providers generally have initial terms of five to ten years. In both cases, the leases often have multiple renewal terms at the option of the tenant. Both wireless carriers and broadcasters generally renew their leases with us. Repositioning an antenna in a wireless carrier s network is expensive and often requires reconfiguring several other antennae in the carrier s network and may require the carrier to obtain other governmental permits.

Most of our leases have provisions that periodically increase the rent due under the lease. These automatic increases are typically annual and are based on a fixed percentage, inflation or a fixed percentage plus inflation.

Annual rental payments vary considerably depending upon:

- the location of the tower;

number and weight of the antennae on the tower and the size of the transmission line;

ground space necessary to store equipment related to the antennae;

Table of Contents

existing capacity of the tower;

the placement of the customer s antenna on the tower; and

range or number of carrier s frequency spectrum.

Tower Development. Historically, cellular and other wireless service providers had constructed and owned a majority of the towers for their own antennae needs, rather than leasing space on towers from a third party. Beginning in the late 1990s, wireless service providers expressed a growing interest in having independent companies own and operate the towers for their antennae, due to the relatively high capital costs and operating expenses for a single carrier s use. This trend resulted in our entering into agreements with a number of wireless carriers to construct and subsequently lease space on towers in key areas identified as optimal for their network expansion requirements. In most cases, because we own the constructed towers, we are able to lease space on them to other tenants, as well as to the original tenant.

Network Development Services

We provide the following tower-related services that are strategic to our rental and management segment.

Antennae and Line Installation and Construction Services. We are one of the leading providers of construction services for wireless communication and broadcast towers. We provide construction services for our own account and for sites owned by third parties. As part of our network development services, we provide antennae and line installation and maintenance services for wireless communication towers and broadcast towers. These services use not only our construction-related skills, but also our technical expertise to ensure that new installations do not cause interference with other tenants. We believe that our antennae and line installation services and maintenance capabilities provide us with a significant opportunity to capture incremental revenue on existing and newly built sites.

Site Acquisition and Zoning Services. We engage in site acquisition services for our own account, in connection with tower development projects and other proprietary construction, as well as for third parties. We typically work with our customers network design engineers to determine the geographic areas where the applicable customer needs a tower site to address its coverage objectives. Once a site is identified, we acquire the rights to the land or structure on which the site will be constructed, and manage the permitting process to ensure all necessary approvals are obtained to construct and operate the communications site under applicable law.

Other Services and Infrastructure. At the beginning of 2003, part of our network development services segment included network engineering services through our Galaxy Engineering division and steel fabrication and tall tower design and construction services through our Kline subsidiary. In August 2003, we sold our Galaxy Engineering division and in June 2003 we committed to a plan to sell Kline, which was sold in March 2004. Accordingly, the results of operations of these businesses are accounted for as discontinued operations and are not included in our network development services segment.

Table of Contents

Recent Transactions

Acquisitions

NII Holdings, Inc. In December 2002, we agreed to acquire over 500 communications sites from NII Holdings (NII), predominantly in Mexico, for an aggregate purchase price of $100.0 million in cash. As of December 31, 2003, we had satisfied our minimum purchase obligation under the agreement and had acquired an aggregate of 665 towers in Mexico and Brazil from NII for a total purchase price of $112.4 million. We have the option to purchase additional tower sites from NII in Mexico and Brazil through 2007, and currently plan to acquire an additional 24 sites in Mexico in the second quarter of 2004 for approximately $4.4 million. We expect to fund any additional closings using funds from operations and proceeds from asset dispositions.

Iusacell Celular. In December 2003, we agreed to acquire up to 143 communications sites from Iusacell Celular in Mexico for up to $31.4 million. We acquired 34 of these towers in December for approximately $8.5 million, and as of March 5, 2004, we had acquired an additional 36 towers for approximately $7.6 million. We expect to acquire the remaining towers by the end of the third quarter of 2004. We expect to fund any additional closings out of funds from operations and proceeds from asset dispositions.

Dispositions

From January 1, 2003 through March 5, 2004, we completed approximately $123.9 million of non-core asset sales. Significant dispositions included the following:

Non-Core Towers. We sold over 300 non-core tower assets, previously included in our rental and management segment, for approximately $37.0 million. These dispositions are part of our program to actively manage our portfolio of tower assets by selling non-core towers and reinvesting a portion of the total proceeds in high quality tower assets.

Flash Technologies. In January 2003, we sold Flash Technologies, our lighting systems business, previously included in our network development services segment, for net cash proceeds of approximately $35.5 million.

MTN. In February 2003, Verestar sold its subsidiary, Maritime Telecommunications Network (MTN), for approximately $25.5 million in cash. The net proceeds from the sale were used by Verestar to repay loans as required under the credit facilities.

Office Buildings. In March 2003, we sold an office building for approximately $10.3 million. In May 2003, we sold an office building for approximately $18.5 million, including $2.4 million in cash proceeds and the buyer s assumption of $16.1 million of related mortgage notes. These buildings were held primarily as rental property in our rental and management segment.

Galaxy Engineering. In August 2003, we sold Galaxy Engineering, a radio frequency engineering, network design and tower-related consulting business previously included in our network development services segment. We received approximately $2.0 million in cash at closing and will receive an additional $1.5 million payable on or before January 15, 2008.

Kline Iron & Steel. In March 2004, we sold substantially all the net assets of Kline for approximately $4.0 million in cash, subject to a post closing working capital adjustment, and we may receive up to an additional $2.0 million in cash payable in 2006 based on the revenues generated by Kline in 2005. Kline was previously included in our network development services segment. We expect to sell the remaining assets of Kline, which primarily include an office building, manufacturing facility and related real estate, by June 30, 2004.

ATC Mexico Holding Corp.

In January 2004, J. Michael Gearon, Jr., one of our executive officers, exercised his previously disclosed right to require us to purchase his 8.7% interest in ATC Mexico Holding Corp. (ATC Mexico). We currently own an 88% interest in ATC Mexico, which is the subsidiary through which we conduct our Mexico operations. The

Table of Contents

purchase price for Mr. Gearon s interest in ATC Mexico is subject to review by an independent financial advisor, and is payable in cash or shares of our Class A common stock, at our option. We intend to pay the purchase price in shares of our Class A common stock, and the closing is expected to occur in the second quarter of 2004. In addition, we expect that payment of a portion of the purchase price will be contingent upon ATC Mexico meeting certain performance criteria.

The remaining 3.3% interest in ATC Mexico was reserved for issuance upon exercise of options granted to certain employees under the ATC Mexico Holding Stock Option Plan. These options became exercisable upon the exercise of Mr. Gearon s put right, and were exercised in January 2004. The employees holding these shares also may require us to purchase their interest in ATC Mexico six months following their issuance, which date will occur in July 2004. William H. Hess, one of our executive officers, owns a 1.4% interest in ATC Mexico as a result of his exercise of options granted to him under the ATC Mexico Holding Stock Option Plan.

Management Organization

Our corporate headquarters is in Boston, Massachusetts. In 2003, we streamlined our United States rental and management organization from three regions and ten areas to centralized management over seven areas. Each of our United States tower and services divisions are now led by a vice president who reports to our President, US Tower Division who, in turn, reports to our Chief Executive Officer. Our United States tower and services divisions are now centrally located in Boston and Atlanta, respectively, and are further subdivided into seven area operations centers that are staffed with skilled engineering, construction management and marketing personnel. Our centralized lease processing for the rental and management segment is based in Woburn, Massachusetts and our related accounting operations are based in Atlanta, Georgia. Our international regional centers are based in Mexico City, Mexico and Sao Paulo, Brazil. We believe our United States and international regional and area operations centers are capable of responding effectively to the opportunities and customer needs of their defined geographic areas.

Regulatory Matters

Towers and Licenses. Both the Federal Communications Commission (FCC) and the Federal Aviation Administration (FAA) regulate towers used for wireless communications and radio and television broadcasting. These regulations govern the siting, lighting, marking and maintenance of towers. Depending on factors such as tower height and proximity to public airfields, the construction of new towers or modifications to existing towers must be reviewed by the FAA prior to initiation to ensure that the tower will not present a hazard to aircraft navigation. After the FAA issues a No Hazard determination, the tower owner must register the tower with the FCC and paint and light the tower in accordance with the FAA determination. The FAA review and the FCC registration processes are prerequisites to FCC authorization of communications devices placed on the tower. Tower owners bear the responsibility for notifying the FAA of any tower lighting failures and for the repair of those lighting failures. Tower owners also must notify the FCC when ownership of a tower changes. We generally indemnify our customers against any failure to comply with applicable standards. Failure to comply with applicable tower-related requirements may lead to monetary penalties.

The FCC separately regulates and licenses wireless communications devices and radio and television stations transmitting from the towers. We hold, through various subsidiaries, certain private microwave licenses granted by the FCC. We are required to obtain the FCC s approval prior to assigning these licenses or transferring control of any entity of ours which holds FCC licenses.

In January 2001, the FCC concluded investigations of several operators of communications towers, including us. The FCC sent us a Notice of Apparent Liability for Forfeiture (NAL) preliminarily determining that we had failed to file certain informational forms, had failed to properly post certain information at various tower sites, and on one occasion had failed to properly light a tower. The FCC also ordered an additional review of our overall procedures for and degree of compliance with the FCC s regulations. We reached a settlement with

Table of Contents

the FCC regarding the compliance issues arising out of the NAL in the form of a Consent Decree. As part of the Consent Decree, the FCC rescinded the NAL and terminated the further investigation ordered in the NAL. In September 2001 we made a voluntary contribution of $0.3 million to the U.S. Treasury and agreed to maintain an active compliance plan. Failure to comply with the Consent Decree may lead to additional monetary penalties and loss of the right to hold our various registrations and licenses. The Consent Decree expires in August 2004.

The FCC considers the construction of a new tower or collocation of an antenna on an existing antenna structure (including building rooftops and watertanks) to be a federal undertaking subject to prior environmental review and approval under the National Environmental Policy Act of 1969 (NEPA), which obligates federal agencies to evaluate the environmental impacts of undertakings to determine whether they may significantly affect the environment. The FCC has issued regulations implementing NEPA as well as the National Historic Preservation Act, and the Endangered Species Act (ESA). These regulations place responsibility on each FCC applicant or licensee to investigate potential environmental and other effects of operations and to disclose any significant impacts in an environmental assessment prior to constructing a tower or collocating an antenna. If a tower or collocation may have a significant impact on the environment, FCC approval of the tower or collocation could be significantly delayed.

In August 2002, certain environmental groups asked the FCC to review the tower registrations of more than 5,000 towers in the gulf coast region to assess compliance with the ESA and Migratory Bird Treaty Act and to require the filing of new or revised environmental assessments under NEPA for all towers in the region. We own a number of the towers identified in the pleading. However, because the pleading was not served on us, we have not been asked by the FCC to respond. PCIA, a trade association representing the tower industry, has asked the FCC to dismiss the pleading based on numerous grounds. The matter is pending. In February 2003, the same environmental groups filed suit against the FCC in a federal appeals court, asking the court to force the FCC to address the groups pending requests and appeals, and asked the court to force the FCC to adopt more stringent environmental rules. Depending on how the court rules, we could be subject to increased compliance obligations. In addition, a ruling in the federal appeals court could affect the groups pending cases with the FCC.

The Telecommunications Act of 1996 amended the Communications Act of 1934 by limiting state and local zoning authorities jurisdiction over the construction, modification and placement of wireless communications towers. The law preserves local zoning authority but prohibits any action that would discriminate between different providers of wireless services or ban altogether the construction, modification or placement of communications towers. It also prohibits state or local restrictions based on the environmental effects of radio frequency emissions to the extent the facilities comply with FCC regulations. The Telecommunications Act of 1996 also requires the federal government to help licensees of wireless communications services gain access to preferred sites for their facilities. This may require that federal agencies and departments work directly with licensees to make federal property available for towers

We are also subject to local and county zoning restrictions and restrictive covenants imposed by local authorities or community developers. These regulations vary greatly, but typically require tower owners and/or licensees to obtain approval from local officials or community standards organizations prior to tower construction or collocations on existing towers. Local zoning authorities often are in opposition to construction in their communities and these regulations can delay or prevent new tower construction, collocations or site upgrade projects, thereby limiting our ability to respond to customer demand. In addition, those regulations increase costs associated with new tower construction and collocation. Existing regulatory policies may adversely affect the timing or cost of new tower construction and collocations, and additional regulations may be adopted which increase delays or result in additional costs to us. These factors could adversely affect our construction program and operations.

Table of Contents

Our tower operations in Mexico and Brazil are also subject to regulation. If we pursue additional international opportunities, we will be subject to regulations in additional foreign jurisdictions. In addition, our customers, both domestic and foreign, also may be subject to new regulatory policies that may adversely affect the demand for communications sites.

Satellite and Fiber Network Access Services (Discontinued Operations). Our Verestar subsidiary is required to obtain licenses and other authorizations from the FCC for its use of radio frequencies to provide satellite and wireless services in the United States. Verestar also is required to obtain authorizations from foreign regulatory agencies in connection with its provision of these services abroad. Verestar also holds a number of point-to-point microwave radio licenses that are used to provide telecommunications services. Additionally, Verestar holds a number of satellite earth station licenses in connection with its operation of satellite-based networks. We and Verestar are required to obtain consent from the FCC prior to assigning these licenses or transferring control of any of our companies holding an FCC license.

Environmental Matters. Our operations, like those of other companies engaged in similar businesses, are subject to various federal, state and local and foreign environmental and occupational safety and health laws and regulations, including those relating to the management, use, storage, disposal, emission and remediation of, and exposure to, hazardous and non-hazardous substances, materials, and wastes, and the siting of our towers. As an owner, lessee and/or operator of real property and facilities, we may have liability under those laws for the costs of investigation, removal or remediation of soil and groundwater contaminated by hazardous substances or wastes. Certain of these laws impose cleanup responsibility and liability without regard to whether we, as the owner, lessee or operator, knew of or were responsible for the contamination, and whether or not we have discontinued operations or sold the property. We may also be subject to common law claims by third parties based on damages and costs resulting from off-site migration of contamination.

We, and our customers, also may be required to obtain permits, obey regulatory requirements, and make certain informational filings related to hazardous substances used at our sites by our customers. Violations of these types of regulations could subject us to fines and/or criminal sanctions. In October 2001, we paid $150,000 in civil penalties and entered into a settlement agreement that expires in 2006 related to certain alleged environmental permitting and filing violations in the County of Santa Clara in California.

Health, Safety and Transportation. As an FCC licensee, we are subject to regulations and guidelines imposing certain operational obligations relating to radio frequency emissions. As an employer, we are subject to the Occupational Safety and Health Act and similar guidelines regarding employee protection from radio frequency exposure. Our construction teams are subject to regulation by the Occupational Safety and Health Administration and equivalent state agencies concerning health and safety matters. Our heavy vehicles and their drivers are subject to regulation by the Department of Transportation (DOT). Our DOT compliance program is currently rated Satisfactory, the highest rating assigned by the DOT.

Competition

Rental and Management Segment

We compete for antennae site customers with other national tower companies (such as Crown Castle International Corp., SpectraSite, Inc., and SBA Communications Corp.), wireless carriers that own and operate their own tower networks and lease tower space to other carriers, numerous independent tower owners and the owners of non-tower sites, including rooftops, water towers and other alternative structures. We believe that tower location and capacity, price and quality of service historically have been and will continue to be the most significant competitive factors affecting owners, operators and managers of communications sites.

The emergence or growth of new technologies also may make it possible for wireless carriers to expand their use of existing infrastructure, which could reduce customer demand for our communications sites. The increased use of capacity enhancing technologies, such as lower-rate vocoders, and more spectrally efficient air-link standards, which potentially can relieve some network capacity problems, could reduce the demand for tower-based antenna space.

Table of Contents

Any increase in the use of network sharing or roaming or resale arrangements by wireless service providers also could adversely affect the demand for tower space. These arrangements, which are essentially extensions of traditional roaming agreements, enable a provider to serve customers outside its license area, to give licensed providers the right to enter into arrangements to serve overlapping license areas, and to permit non-licensed providers to enter the wireless marketplace. Consolidation among wireless carriers, such as the recently announced transaction between Cingular Wireless and AT&T Wireless, could have a similar impact on customer demand for our tower sites because the existing networks of many wireless carriers overlap. Although we do not expect the Cingular/AT&T Wireless transaction to have a material adverse effect on our results of operations, significant consolidation among wireless carriers may adversely affect demand for our tower sites and, accordingly, our revenues and cash flows.

Network Development Services Segment Competition. Our network development services compete with a variety of companies offering individual, or combinations of, competing services. The field of competitors includes site acquisition consultants, zoning consultants, real estate firms, right-of-way consulting firms, construction companies, tower owners/managers, radio frequency engineering consultants, telecommunications equipment vendors who can provide turnkey site development services through multiple subcontractors, and our customers internal staffs. We believe that our customers base their decisions on network development services on various criteria, including a company s experience, track record, local reputation, price, and time for completion of a project.

We believe that we compete favorably as to the key competitive factors relating to our rental and management and network development services segments.

Construction, Manufacturing and Raw Materials

We build, maintain and install land-based wireless communications and broadcast transmitting and receiving facilities by obtaining steel and other raw material parts and components from a variety of vendors. We also engage third party contract manufacturers to construct certain of these facilities. We have historically obtained the majority of our raw material parts and components from a limited number of suppliers. However, substantially all of these items are available from numerous other suppliers. We have not, to date, experienced any significant difficulties in obtaining the needed quantities of materials from suppliers in a timely manner.

Employees

As of December 31, 2003, we employed approximately 1,400 full-time individuals, including approximately 250 employees in our deconsolidated Verestar subsidiary and approximately 80 employees in our discontinued Kline subsidiary, and consider our employee relations to be satisfactory.

Available Information

Our Internet website address is www.americantower.com. Information contained in our website is not incorporated by reference into this annual report, and you should not consider information contained in our website as part of this annual report. You may access, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, plus amendments to such reports as filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, through the Investors portion of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

We have adopted a written code of conduct that applies to all of our employees and directors, including, but not limited to, our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. The code of conduct, our corporate governance guidelines, and the charters of our audit, compensation, and nominating and corporate governance committees, are available at the Investors portion of our website. In the event we amend, or provide any waivers from, the provisions of this code of conduct, we intend to disclose these events on our website as required by law.

Table of Contents

In addition, paper copies of these documents may be obtained free of charge by writing us at the following address: 116 Huntington Avenue, Boston, Massachusetts 02116, Attention: Vice President of Finance, Investor Relations; or by calling us at (617) 375-7500.

Factors That May Affect Future Results

Decrease in demand for tower space would materially and adversely affect our operating results and we cannot control that demand.

Many of the factors affecting the demand for wireless communications tower space, and to a lesser extent our network development services business, could materially affect our operating results. Those factors include:

- consumer demand for wireless services;
- the financial condition of wireless service providers;
- the ability and willingness of wireless service providers to maintain or increase their capital expenditures;
- the growth rate of wireless communications or of a particular wireless segment;
- governmental licensing of broadcast rights;
- mergers or consolidations among wireless service providers;
- increased use of network sharing arrangements or roaming and resale arrangements by wireless service providers;
- delays or changes in the deployment of 3G or other technologies;
- zoning, environmental, health and other government regulations; and
- technological changes.

The demand for broadcast antenna space is dependent, to a significantly lesser extent, on the needs of television and radio broadcasters. Among other things, technological advances, including the development of satellite-delivered radio, may reduce the need for tower-based broadcast transmission. We could also be affected adversely should the development of digital television be further delayed or impaired, or if demand for it were less than anticipated because of delays, disappointing technical performance or cost to the consumer.

Substantial leverage and debt service obligations may adversely affect us.

We have a substantial amount of indebtedness. As of December 31, 2003, we had approximately $3.4 billion of consolidated debt.

Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness. Approximately 21% of our outstanding indebtedness bears interest at floating rates. As a result, our interest payment obligations on such indebtedness will increase if interest rates increase.

Our substantial leverage could have significant negative consequences on our financial condition and results of operations, including:

- impairing our ability to meet one or more of the financial ratios contained in our debt agreements or to generate cash sufficient to pay interest or principal, including periodic principal amortization payments, which events could result in an acceleration of some or all of our outstanding debt as a result of cross-default provisions;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional debt or equity financing;

Table of Contents

- requiring the dedication of a substantial portion of our cash flow from operations to service our debt, thereby reducing the amount of our cash flow available for other purposes, including capital expenditures;

- requiring us to sell debt or equity securities or to sell some of our core assets, possibly on unfavorable terms, to meet payment obligations;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we compete; and

- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

Restrictive covenants in our credit facilities and indentures could adversely affect our business by limiting flexibility.

Our credit facilities and the indentures governing the terms of our other debt securities contain restrictive covenants and, in the case of the credit facilities, requirements that we comply with certain leverage and other financial tests. These limit our ability to take various actions, including incurring additional debt, guaranteeing indebtedness, issuing preferred stock, engaging in various types of transactions, including mergers and sales of assets, and paying dividends and making distributions or other restricted payments, including investments. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, new tower development, merger and acquisition or other opportunities.

Our participation or inability to participate in tower industry consolidation could involve certain risks.

We believe there are benefits to consolidation among tower companies, and have in the past and may in the future explore merger or acquisition transactions with one or more other companies in our industry. Any merger or acquisition transaction would involve several risks to our business, including demands on managerial personnel that could divert their attention from other aspects of our core leasing business, increased operating risks due to the integration of major national networks into our operational system, and potential antitrust constraints, either in local markets or on a regional basis, that could require selective divestitures at unfavorable prices. Any completed transaction may have an adverse effect on our operating results, particularly in the fiscal quarters immediately following its completion while we integrate the operations of the other business. In addition, once integrated, combined operations may not necessarily achieve the levels of revenues, profitability or productivity anticipated. There also may be limitations on our ability to consummate a merger or acquisition transaction. For example, any transaction would have to comply with the terms of our credit facilities and note indentures, or may require the consent of lenders under those instruments that might be required that might not be obtainable on acceptable terms. In addition, regulatory constraints might impede or prevent business combinations. Our inability to consummate a merger or acquisition for these or other reasons could result in our failure to participate in the expected benefits of industry consolidation and may have an adverse effect on our ability to compete effectively.

If our wireless service provider customers consolidate or merge with each other to a significant degree, our growth, revenue and ability to generate positive cash flows could be adversely affected.

Significant consolidation among our wireless service provider customers, such as the recently announced transaction between Cingular Wireless and AT&T Wireless, may result in reduced capital expenditures in the aggregate because the existing networks of many wireless carriers overlap, as do their expansion plans. Similar consequences might occur if wireless service providers engage in extensive sharing, roaming or resale arrangements as an alternative to leasing our antennae space. In January 2003, the Federal Communications Commission (FCC) eliminated its spectrum cap, which prohibited wireless carriers from owning more than 45 MHz of spectrum in any given geographical area, expired. The FCC has also eliminated the cross-interest rule for metropolitan areas, which limited an entity s ability to own interests in multiple cellular licenses in an overlapping geographical service area. Also, in May 2003, the FCC adopted new rules authorizing wireless radio services holding exclusive licenses to freely lease unused spectrum. Some wireless carriers may be encouraged to consolidate with each other as a result of these regulatory changes as a means to strengthen their financial condition. Consolidation among wireless carriers would also increase our risk that the loss of one or more of our major customers could materially decrease revenues and cash flows.

Due to the long-term expectations of revenue from tenant leases, the tower industry is sensitive to the creditworthiness of its tenants.

Due to the long-term nature of our tenant leases, we, like others in the tower industry, are dependent on the continued financial strength of our tenants. Many wireless service providers operate with substantial leverage. During the past two years, several of our customers have filed for bankruptcy, although to date these bankruptcies have not had a material adverse effect on our business or revenues. In addition, Iusacell Celular, which is our largest customer in Mexico and accounted for approximately 4.7% of our total revenues for the year ended December 31, 2003 and approximately 3.7% for the year ended December 31, 2002, is currently in default under its debt obligations. If one or more of our major customers experience financial difficulties or if Iusacell files for bankruptcy, it could result in uncollectible accounts receivable and our loss of significant customers and anticipated lease revenues.

Our foreign operations are subject to expropriation risk, governmental regulation, funds inaccessibility and foreign exchange exposure.

Our expansion in Mexico and Brazil, and any other possible foreign operations in the future, could result in adverse financial consequences and operational problems not experienced in the United States. We have loaned $119.8 million (undiscounted) to a Mexican company, own or have the economic rights to over 1,800 towers in Mexico, including approximately 200 broadcast towers (after giving effect to pending transactions) and, subject to certain rejection rights, are contractually committed to construct up to approximately 400 additional towers in that country over the next three years. We also own or have acquired the rights to approximately 425 communications towers in Brazil and are, subject to certain rejection rights, contractually committed to construct up to 350 additional towers in that country over the next three years. The actual number of sites constructed will vary depending on the build out plans of the applicable carrier. We may, if economic and capital market conditions permit, also engage in comparable transactions in other countries in the future. Among the risks of foreign operations are governmental expropriation and regulation, the credit quality of our customers, inability to repatriate earnings or other funds, currency fluctuations, difficulty in recruiting trained personnel, and language and cultural differences, all of which could adversely affect our operations.

A substantial portion of our revenues is derived from a small number of customers.

A substantial portion of our total operating revenues is derived from a small number of customers. Approximately 61.5% of our revenues for the year ended December 31, 2003 were derived from eight customers. Our largest domestic customer is Verizon Wireless, which represented approximately 12.3% of our total revenues for the year ended December 31, 2003. If the recently announced transaction between Cingular Wireless and AT&T Wireless had occurred as of January 1, 2003, however, the combined revenues would have represented approximately 15.0% of our total revenues for the year ended December 31, 2003. Our largest international customer is a group of companies affiliated with Azteca Holdings, S.A. de C.V., including TV Azteca, Unefon and, due to its acquisition in 2003 by Movil Access, an affiliate of Azteca Holdings, Iusacell Celular. Iusacell Celular, Unefon and their affiliates collectively represented approximately 7.5% of our total revenues for the year ended December 31, 2003. In addition, we received $14.2 million in interest income, net, for the year ended December 31, 2003, from TV Azteca. If any of these customers were unwilling or unable to perform their obligations under our agreements with them, our revenues, results of operations, and financial condition could be adversely affected.

Table of Contents

In the ordinary course of our business, we also sometimes experience disputes with our customers, generally regarding the interpretation of terms in our agreements. Although historically we have resolved most of these disputes in a manner that did not have a material adverse effect on our company or our customer relationships, these disputes could lead to a termination of our agreements with customers or a material modification of the terms of those agreements, either of which could have a material adverse effect on our business, results of operations and financial condition. If we are forced to resolve any of these disputes through litigation, our relationship with the applicable customer could be terminated or damaged, which could lead to decreased revenues or increased costs, resulting in a corresponding adverse effect on our operating results.

New technologies could make our tower antenna leasing services less desirable to potential tenants and result in decreasing revenues.

The development and implementation of new technologies designed to enhance the efficiency of wireless networks could reduce the use and need for tower-based wireless services transmission and reception and have the effect of decreasing demand for antenna space. Examples of such technologies include technologies that enhance spectral capacity, such as lower-rate vocoders, which can increase the capacity at existing sites and reduce the number of additional sites a given carrier needs to serve any given subscriber base. In addition, the emergence of new technologies could reduce the need for tower-based broadcast services transmission and reception. For example, the growth in delivery of video services by direct broadcast satellites could adversely affect demand for our antenna space. The development and implementation of any of these and similar technologies to any significant degree could have an adverse effect on our operations.

We could have liability under environmental laws.

Our operations, like those of other companies engaged in similar businesses, are subject to the requirements of various federal, state and local and foreign environmental and occupational safety and health laws and regulations, including those relating to the management, use, storage, disposal, emission and remediation of, and exposure to, hazardous and non-hazardous substances, materials and wastes. As owner, lessee or operator of approximately 15,000 real estate sites, we may be liable for substantial costs of remediating soil and groundwater contaminated by hazardous materials, without regard to whether we, as the owner, lessee or operator, knew of or were responsible for the contamination. In addition, we cannot assure you that we are at all times in complete compliance with all environmental requirements. We may be subject to potentially significant fines or penalties if we fail to comply with any of these requirements. The current cost of complying with these laws is not material to our financial condition or results of operations. However, the requirements of these laws and regulations are complex, change frequently, and could become more stringent in the future. It is possible that these requirements will change or that liabilities will arise in the future in a manner that could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to government regulations and changes in current or future laws or regulations could restrict our ability to operate our business as we currently do.

We are subject to federal, state, local and foreign regulation of our business, including regulation by the Federal Aviation Administration (FAA), the FCC, the Environmental Protection Agency, the Department of Transportation and the Occupational Safety and Health Administration. Both the FCC and the FAA regulate towers used for wireless communications and radio and television antennae and the FCC separately regulates transmitting devices operating on towers. Similar regulations exist in Mexico, Brazil and other foreign countries regarding wireless communications and the operation of communications towers. Local zoning authorities and community organizations are often opposed to construction in their communities and these regulations can delay, prevent or increase the cost of new tower construction, collocations or site upgrade projects, thereby limiting our ability to respond to customer demand. Existing regulatory policies may adversely affect the timing or cost of new tower construction and locations and additional regulations may be adopted that increase delays or result in additional costs to us or that prevent or restrict new tower construction in certain locations. These factors could adversely affect our operations.

Table of Contents

Increasing competition in the tower industry may create pricing pressures that may adversely affect us.

Our industry is highly competitive, and our customers have numerous alternatives for leasing antenna space. Some of our competitors are larger and have greater financial resources than we do, while other competitors are in weak financial condition or may have lower return on investment criteria than we do. Competitive pricing pressures for tenants on towers from these competitors could adversely affect our lease rates and services income.

In addition, if we lose customers due to pricing, we may not be able to replace these customers, leading to an accompanying adverse effect on our profitability. Increasing competition could also make the acquisition of high quality tower assets more costly.

Our competition includes:

- national tower companies;
- wireless carriers that own towers and lease antenna space to other carriers;
- site development companies that purchase antenna space on existing towers for wireless carriers and manage new tower construction; and
- alternative site structures (e.g., building rooftops, billboards and utility poles).

Our costs could increase and our revenues could decrease due to perceived health risks from radio emissions, especially if these perceived risks are substantiated.

Public perception of possible health risks associated with cellular and other wireless communications media could slow the growth of wireless companies, which could in turn slow our growth. In particular, negative public perception of, and regulations regarding, these perceived health risks could slow the market acceptance of wireless communications services and increase opposition to the development and expansion of tower sites. The potential connection between radio frequency emissions and certain negative health effects has been the subject of substantial study by the scientific community in recent years. To date, the results of these studies have been inconclusive.

If a connection between radio frequency emissions and possible negative health effects, including cancer, were established, or if the public perception that such a connection exists were to increase, our operations, costs and revenues would be materially and adversely affected. We do not maintain any significant insurance with respect to these matters.

The bankruptcy proceeding of our Verestar subsidiary exposes us to risks and uncertainties.

Our wholly owned subsidiary, Verestar, Inc., filed for protection under Chapter 11 of the federal bankruptcy laws on December 22, 2003. Verestar was reported as a discontinued operation in December 2002 for financial statement purposes and, as of the date of the bankruptcy filing, was deconsolidated for financial statement purposes.

If Verestar fails to honor certain of its contractual obligations because of its bankruptcy filing or otherwise, claims may be made against us for breaches by Verestar of those contracts as to which we are primarily or secondarily liable as a guarantor, which we do not expect will exceed $10.0 million. In addition, Verestar s bankruptcy estate may bring certain claims against us or seek to hold us liable for certain transfers made by Verestar to us and/or for Verestar s obligations to creditors under various equitable theories recognized under bankruptcy law. The outcome of complex litigation (including those claims which may be asserted against us by Verestar s bankruptcy estate) cannot be predicted with certainty and is dependent upon many factors beyond our control. Finally, we will incur additional costs in connection with our involvement in the reorganization or liquidation of Verestar s business.

Table of Contents

ITEM 2. PROPERTIES

Our principal offices are located in Boston, Southborough and Woburn, Massachusetts; Atlanta, Georgia; Mexico City, Mexico; and Sao Paulo, Brazil. Details of each of these offices are provided below:

Location	Function	Size (square feet)	Property Interest
Boston	Corporate Headquarters; US Tower Division	30,000[1]	Leased
Southborough	Data Center	13,900	Leased
Woburn	Lease Administration	34,000	Owned
Atlanta	US Tower and Services Division; Accounting	17,900 (Rental)	Leased
		4,800 (Services)	
Mexico City	Mexico Headquarters	12,300	Leased
Sao Paulo	Brazil Headquarters	3,200	Leased

(1) Of the total 30,000 square feet in our current leasehold, we are consolidating our operations into 20,000 square feet during 2004 and are currently offering the remaining 10,000 square feet for re-lease or sub-lease.

We have seven additional area offices in the United States through which our tower leasing and services businesses are operated on a local basis. These offices are located in Ontario, California; Marietta, Georgia; Crest Hill, Illinois; Worcester, Massachusetts; New Hudson, Michigan; Mount Pleasant, South Carolina; and Kent, Washington. In addition, we maintain smaller field offices within each of the areas at locations as needed from time to time.

Our interests in individual communications sites are comprised of a variety of fee and leasehold interests in land and/or buildings (rooftops). Of the approximately 15,000 towers comprising our portfolio, approximately 16% are located on parcels of land that we own and approximately 84% are either located on parcels of land that have leasehold interests created by long-term lease agreements, private easements and easements, licenses or rights-of-way granted by government entities, or are sites that we manage for third parties. In rural areas, a wireless communications site typically consists of a 10,000 square foot tract, which supports towers, equipment shelters and guy wires to stabilize the structure, whereas a broadcast tower site typically consists of a tract of land of up to twenty-acres. Less than 2,500 square feet are required for a monopole or self-supporting tower structure of the kind typically used in metropolitan areas for wireless communication tower sites. Land leases generally have an initial term of five years with three or four additional automatic renewal periods of five years, for a total of twenty to twenty-five years.

Pursuant to our credit facilities, our lenders have liens on, among other things, all towers, leasehold interests, tenant leases and contracts relating to the management of towers for others.

We believe that our owned and leased facilities are suitable and adequate to meet our anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

We periodically become involved in various claims and lawsuits (either asserted or unasserted) that are incidental to our business. We believe, after consultation with counsel, that no matters currently pending would, in the event of an adverse outcome, have a material impact on our consolidated financial position, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table presents reported high and low sale prices of our Class A common stock on the Composite Tape of the New York Stock Exchange (NYSE) for the years 2003 and 2002.

2003	High	Low
Quarter ended March 31	$ 5.94	$ 3.55
Quarter ended June 30	9.90	5.41
Quarter ended September 30	11.74	8.73
Quarter ended December 31	12.00	9.59
2002		
Quarter ended March 31	10.40	3.50
Quarter ended June 30	5.65	2.70
Quarter ended September 30	3.55	1.10
Quarter ended December 31	4.29	0.60

On March 5, 2004, the closing price of our Class A common stock was $11.79 as reported on the NYSE.

The outstanding shares of common stock and number of registered holders as of December 31, 2003 were as follows:

	Class		
	A	B	C
Outstanding shares	211,710,437	6,969,529	1,224,914
Registered holders	805	49	1

In February 2004, all outstanding shares of Class B common stock were converted into shares of Class A common stock on a one-for-one basis pursuant to the occurrence of the Dodge Conversion Event as defined in our charter. Our charter prohibits the future issuance of shares of Class B common stock. Also in February 2004, all outstanding shares of Class C common stock were converted into shares of Class A common stock on a one-for-one basis. Our charter permits the issuance of shares of Class C common stock in the future.

The information under Securities Authorized for Issuance Under Equity Compensation Plans from the Definitive Proxy Statement is hereby incorporated by reference into Item 12 of this annual report.

Dividends

We have never paid a dividend on any class of our common stock. We anticipate that we will retain future earnings, if any, to service our debt and to fund the development and growth of our business and, therefore, do not anticipate paying cash dividends on shares of our common stock in the foreseeable future. Our borrower subsidiaries are prohibited under the terms of their credit facilities from paying cash dividends or making other distributions on, or making redemptions, purchases or other acquisitions of, their capital stock or other equity interests, including preferred stock, except that, beginning on April 15, 2004, if no default exists or would be created thereby under the credit facilities, our borrower subsidiaries may pay cash dividends or make other distributions to the extent that restricted payments, as defined in the credit facilities, do not exceed 50% of excess cash flow, as defined in the credit facilities, for the preceding calendar year. The 12.25% senior subordinated discount notes due 2008 and the 7.25% senior subordinated notes due 2011 of American Towers, Inc. (ATI), our

Table of Contents

principal operating subsidiary, impose similar limitations on the ability of ATI and certain of our subsidiaries that have guaranteed these notes (sister guarantors) to pay dividends and make other distributions. The indentures for our 9 $^{3}/8$% senior notes due 2009 and our 7.50% notes due 2012 also impose significant limitations on the payment of dividends by us to our stockholders.

ITEM 6. SELECTED FINANCIAL DATA

We have restated our consolidated financial statements, as further discussed in the Explanatory Note in the forepart of this Form 10-K/A and in note 2 to the consolidated financial statements included herein, and the following selected financial data reflect this restatement. You should read the selected financial data in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations, and our audited consolidated financial statements and the related notes to those consolidated financial statements included in this Form 10-K/A.

Our continuing operations are reported in two segments, rental and management and network development services. In accordance with generally accepted accounting principles, the consolidated statements of operations for all periods presented in this Selected Financial Data have been adjusted to reflect certain businesses as discontinued operations (see note 3 to our consolidated financial statements).

Year-to-year comparisons are significantly affected by our acquisitions, dispositions and, to a lesser extent, construction of towers. Our principal acquisitions and dispositions are described in Business Recent Transactions and in the notes to our consolidated financial statements.

Table of Contents

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues:					
Rental and management	$ 619,697	$ 544,906	$ 431,051	$ 269,282	$ 131,245
Network development services	95,447	130,176	223,926	158,201	67,039
Total operating revenues	715,144	675,082	654,977	427,483	198,284
Operating expenses:					
Rental and management	236,680	242,801	221,759	147,147	65,641
Network development services	88,943	118,591	199,568	140,758	55,217
Depreciation and amortization (1)	332,785	329,702	356,713	249,549	131,960
Corporate general, administrative and development expense	26,867	30,229	34,310	29,378	10,542
Impairments, net loss on sale of long-lived assets and restructuring expense	31,656	101,372	79,496		
Total operating expenses	716,931	822,695	891,846	566,832	263,360
Operating loss from continuing operations	(1,787)	(147,613)	(236,869)	(139,349)	(65,076)
Interest income, TV Azteca, net	14,222	13,938	14,377	12,679	1,856
Interest income	5,255	3,496	28,372	15,948	17,850
Interest expense	(279,875)	(254,446)	(267,199)	(151,702)	(27,274)
Loss on retirement of long-term obligations	(46,197)	(8,869)	(26,336)	(24,198)	(2,286)
Other (expense) income	(8,598)	(7,004)	(27,838)	926	119
Loss from continuing operations before income taxes, minority interest and loss on equity method investments	(316,980)	(400,498)	(515,493)	(285,696)	(74,811)
Income tax benefit	77,509	78,973	113,721	81,358	12,548
Minority interest in net earnings of subsidiaries	(3,703)	(2,118)	(318)	(202)	(142)
Loss on equity method investments	(21,221)	(18,555)	(10,957)	(3,391)	(45)
Loss from continuing operations before cumulative effect of change in accounting principle	(264,395)	(342,198)	(413,047)	(207,931)	(62,450)
Basic and diluted loss per common share from continuing operations before cumulative effect of change in accounting principle (2)	$ (1.27)	$ (1.75)	$ (2.16)	$ (1.23)	$ (0.42)
Weighted average common shares outstanding (2)	208,098	195,454	191,586	168,715	149,749
Other Operating Data:					
Ratio of earnings to fixed charges (3)					

	December 31,				
	2003	2002	2001	2000	1999

	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)
			(in thousands)		
Balance Sheet Data:					
Cash and cash equivalents (including restricted cash and investments) (4)	$ 275,501	$ 127,292	$ 130,029	$ 128,074	$ 25,212
Property and equipment, net	2,488,350	2,650,490	3,254,905	2,278,940	1,080,224
Total assets	5,290,654	5,628,317	6,801,483	5,642,546	3,005,385
Long-term obligations, including current portion	3,361,225	3,448,514	3,561,960	2,468,223	740,822
Total stockholders equity	1,610,178	1,660,858	2,811,392	2,841,169	2,125,130

Table of Contents

(1) As of January 1, 2002, we adopted the provisions of SFAS No. 142, Goodwill and Other Intangible Assets, (SFAS No. 142). Accordingly, we ceased amortizing goodwill on January 1, 2002. The statements of operations for all periods presented except for the years ended December 31, 2003 and 2002 include goodwill amortization. The adoption of SFAS No. 142 reduced amortization expense in continuing operations by approximately $67.6 million for the years ended December 31, 2003 and 2002.

(2) We computed basic and diluted loss per common share from continuing operations before cumulative effect of change in accounting principle using the weighted average number of shares outstanding during each period presented. We have excluded shares issuable upon exercise of options and other common stock equivalents from the computations, as their effect is anti-dilutive.

(3) For purposes of calculating this ratio, earnings consists of loss from continuing operations before income taxes, fixed charges (excluding interest capitalized), minority interest in net earnings of subsidiaries, losses from equity investments and amortization of interest capitalized. Fixed charges consist of interest expensed and capitalized, amortization of debt discount and related issuance costs and the component of rental expense associated with operating leases believed by management to be representative of the interest factor thereon. We had a deficiency in earnings to fixed charges in each period as follows (in thousands): 2003 $315,165; 2002 $404,041; 2001 $529,227; 2000 $296,363; and 1999 $77,984.

(4) Includes, as of December 31, 2003, approximately $170.0 million of restricted funds to be held in escrow to pay, repurchase, redeem or retire certain of our outstanding debt. Any balance remaining on June 30, 2004 from the January 2003 12.25% senior subordinated discount notes offering must be used to prepay a portion of the term loans under our credit facilities. Includes, as of December 31, 2001 and 2000, approximately $94.1 million and $46.0 million, respectively, of restricted funds required under our credit facilities to be held in escrow through August 2002 to fund scheduled interest payments on our outstanding senior and convertible notes.

Table of Contents

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

The discussion and analysis of our financial condition and results of operations that follows are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. We have restated our consolidated financial statements, as further discussed in the Explanatory Note in the forepart of this Form 10-K/A and in note 2 to the consolidated financial statements included herein, and the following discussion and analysis of our financial condition and results of operations reflect this restatement.

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 disclosures in 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 consolidated financial statements and the accompanying notes thereto and the information set forth under the heading Critical Accounting Policies and Estimates on page 38.

Our continuing operations are reported in two segments, rental and management and network development services. Management focuses on segment profit (loss) as a means to measure operating performance in these business segments. We define segment operating profit (loss) as segment revenues less segment operating expenses excluding depreciation and amortization; corporate general, administrative and development expense; and impairments, net loss on sale of long-lived assets and restructuring expense. Segment profit (loss) for the rental and management segment includes interest income, TV Azteca, net (see note 17 to our consolidated financial statements). In accordance with generally accepted accounting principles, the consolidated statements of operations for periods presented in this Management s Discussion and Analysis of Financial Condition and Results of Operations have been adjusted to reflect certain businesses as discontinued operations (see note 3 to our consolidated financial statements).

Executive Overview

Our principal operating segment is our rental and management segment, which accounted for approximately 86.7% and 80.7% of our total revenues and approximately 98.4% and 96.5% of our segment operating profit for the years ending December 31, 2003 and 2002, respectively. The primary factors affecting the stability and growth of our revenues and cash flows for this segment are our recurring revenues from existing tenant leases and the contractual escalators in those leases, leasing additional space on our existing towers, and acquiring and building additional tower sites. We continue to believe that our leasing revenue is likely to grow more rapidly than revenue from our network development services segment due to our strategic focus on our rental and management segment, the continuing growth in the use of wireless communications services and our ability to utilize existing tower capacity. In addition, we believe the majority of our leasing activity will continue to come from broadband-services customers.

The majority of our tenant leases with wireless carriers are for an initial term of five to ten years (fifteen to twenty for broadcast tenants). Accordingly, a significant majority of the revenue generated by our rental and management segment as of the end of December 2003 is recurring revenue that we should continue to receive in future periods. In addition, most of our leases have provisions that periodically increase the rent due under the lease. These contractual escalators are typically annual and are based on a fixed percentage (generally three to five percent), inflation, or a fixed percentage plus inflation. Rate increases based on fixed escalation clauses are recognized on a straight-line basis over the terms of the applicable agreement.

The primary factor affecting our ability to lease additional space on our existing towers is the rate at which wireless carriers choose to deploy capital to improve and expand their networks. This rate, in turn, is influenced by the growth of wireless communications services and the infrastructure needed to support these services, the financial performance of our customers and their access to capital, and general economic conditions. In 2003, our revenue growth on towers that existed during the entire period beginning January 1, 2002 and ending December 31, 2003, was approximately $50.0 million. Based on our understanding of our customers capital spending and network development plans, we do not expect these trends will change materially in 2004.

Table of Contents

In 2002 and 2003, we acquired or constructed 580 and 618 towers, respectively. Because of the nature of our recurring revenues described above, our results of operations only reflect revenues generated by the acquired and newly constructed tower sites following their respective dates of acquisition or construction, which affects year-to-year comparisons. For the year ending December 31, 2003, approximately $28.0 million of our revenue was attributable to towers that we acquired or constructed in 2002, and approximately $16.0 million of our revenue was attributable to towers that we acquired or constructed in 2003.

Our rental and management segment operating expenses are comprised of two major categories: direct tower level expenses and allocable selling, general and administrative expenses. Our direct tower level expenses consist primarily of ground rent, maintenance, taxes and utilities. Because our operating expenses generally do not increase significantly when we add additional customers on a tower site, leasing space to new customers on our existing sites provides significant incremental cash flow. Our profit margin growth is, therefore, directly related to the number of new tenants added to our existing tower sites and the related rental revenue generated in a particular period.

Our selling, general and administrative expenses have two major components. The first component consists of expenses necessary to support our site leasing and network development services such as sales and property management functions. The second component consists of expenses incurred to support all of our operations, such as legal, accounting, human resources and other administrative support. In connection with organizational initiatives in 2002 and 2003 to manage our operations more efficiently, these expenses have decreased over these periods, and we expect them to be relatively stable in 2004.

Results of Operations

Years Ended December 31, 2003 and 2002

	Year Ended December 31,		Amount of Increase	Percent Increase
	2003	2002	(Decrease)	(Decrease)
	(in thousands)			
REVENUES:				
Rental and management	$ 619,697	$ 544,906	$ 74,791	14%
Network development services	95,447	130,176	(34,729)	(27)
Total revenues	715,144	675,082	40,062	6
OPERATING EXPENSES:				
Rental and management	236,680	242,801	(6,121)	(3)
Network development services	88,943	118,591	(29,648)	(25)
Depreciation and amortization	332,785	329,702	3,083	1
Corporate general, administrative and development expense	26,867	30,229	(3,362)	(11)
Impairments, net loss on sale of long-lived assets and restructuring expense	31,656	101,372	(69,716)	(69)

Total operating expenses	716,931	822,695	(105,764)	(13)
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net	14,222	13,938	284	2
Interest income	5,255	3,496	1,759	50
Interest expense	(279,875)	(254,446)	25,429	10
Loss on retirement of long-term obligations	(46,197)	(8,869)	37,328	421
Other expense	(8,598)	(7,004)	1,594	23
Income tax benefit	77,509	78,973	(1,464)	(2)
Minority interest in net earnings of subsidiaries	(3,703)	(2,118)	1,585	75
Loss on equity method investments	(21,221)	(18,555)	2,666	14
Loss from discontinued operations, net	(60,926)	(258,724)	(197,798)	(76)
Cumulative effect of change in accounting principle, net		(562,618)	(562,618)	N/A
Net loss	$ (325,321)	$ (1,163,540)	$ (838,219)	(72)%

Table of Contents

Total Revenues

Total revenues for the year ended December 31, 2003 were $715.1 million, an increase of $40.1 million from the year ended December 31, 2002. The increase resulted from an increase in rental and management revenues of $74.8 million, offset by a decrease in network development services revenue of $34.7 million.

Rental and Management Revenue

Rental and management revenue for the year ended December 31, 2003 was $619.7 million, an increase of $74.8 million from the year ended December 31, 2002. The increase resulted primarily from adding additional broadband tenants to towers that existed as of January 1, 2002 and, to a lesser extent, from revenue generated on the approximately 1,200 towers acquired and/or constructed subsequent to January 1, 2002.

We continue to believe that our leasing revenue, which drives our core business, is likely to grow more rapidly than revenue from our network development services segment due to our expected increase in utilization of existing tower capacity. In addition, we believe that the majority of our leasing activity will continue to come from broadband type customers.

Network Development Services Revenue

Network development services revenue for the year ended December 31, 2003 was $95.4 million, a decrease of $34.7 million from the year ended December 31, 2002. The decline in revenues during 2003 resulted primarily from decreases in revenue related to construction management, installation and tower maintenance services, resulting from lower levels of construction activity and reduced demand for related services in the wireless telecommunications industry.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2003 were $716.9 million, a decrease of $105.8 million from the year ended December 31, 2002. The principal components of the decrease were attributable to expense decreases in our network development services segment of $29.6 million and a decrease in impairments, net loss on sale of long-lived assets and restructuring expense of $69.7 million. The remaining components of the decrease were attributable to decreases in expenses within our rental and management segment of $6.1 million and a decrease in corporate general, administrative and development expense of $3.4 million. These decreases were partially offset by an increase in depreciation and amortization of approximately $3.0 million.

Rental and Management Expense/Segment Profit

Rental and management expense for the year ended December 31, 2003 was $236.7 million, a decrease of $6.1 million from the year ended December 31, 2002. The decrease resulted primarily from a decrease in certain rental and management segment overhead costs, partially offset by an increase in tower expenses related to the 1,200 towers we have acquired/constructed since January 1, 2002 due to their inclusion in our results for a full year in 2003.

Rental and management segment profit for the year ended December 31, 2003 was $397.2 million, an increase of $81.2 million from the year ended December 31, 2002. The increase resulted primarily from incremental revenues and operating profit from adding additional broadband tenants to existing towers and newly acquired and/or constructed towers, coupled with a net reduction in tower expenses, as discussed above.

Network Development Services Expense/Segment Profit

Network development services expense for the year ended December 31, 2003 was $88.9 million, a decrease of $29.6 million from the year ended December 31, 2002. The majority of the decrease was due to an overall decline in demand for the services performed by this segment, as discussed above, partially offset by decreases in overhead and related infrastructure costs.

Table of Contents

Network development services segment profit for the year ended December 31, 2003 was $6.5 million, a decrease of $5.1 million from the year ended December 31, 2002. The decrease resulted primarily from a decline in revenue, as discussed above, partially offset by expense reductions, as discussed above.

Corporate General, Administrative and Development Expense

Corporate general, administrative and development expense for the year ended December 31, 2003 was $26.9 million, a decrease of $3.4 million from the year ended December 31, 2002. The decrease resulted primarily from a decrease in development expense as a result of our curtailed acquisition and development related activities.

Impairments, Net Loss on Sale of Long-Lived Assets and Restructuring Expense

Impairments, net loss on sale of long-lived assets and restructuring expense was $31.7 million for the year ended December 31, 2003. During the year ended December 31, 2003, we sold approximately 300 non-core towers and certain other non-core assets and recorded impairment charges to write-down certain other non-core towers and assets. As a result, we recorded impairment charges and net loss on sale of long-lived assets of approximately $19.1 million. We also wrote-off approximately $9.2 million of construction-in-progress costs, primarily associated with sites we no longer planned to build. Lastly, we incurred employee separation costs (primarily associated with the reorganization of certain functions in our rental and management segment) and facility closing costs aggregating $3.4 million.

Impairments, net loss on sale of long-lived assets and restructuring expense was $101.4 million for the year ended December 31, 2002. During the year-ended December 31, 2002, we sold approximately 720 non-core towers and recorded impairment charges to write-down certain other non-core towers, which resulted in aggregate impairment charges and net losses of approximately $46.8 million. In September 2002, we reduced the scope of our new tower construction and build plans for the remainder of 2002 and 2003 and, as a result, we wrote-off approximately $40.2 million of construction-in-progress costs for the year ended December 31, 2002 associated with sites we no longer planned to build. Additionally, in the latter stages of 2001 and the first quarter of 2002, we announced a restructuring of our organization to include the centralization of certain operational and administrative functions. As a result of these initiatives, during the year ended December 31, 2002, we incurred employee separation costs associated with the termination of approximately 460 employees (primarily development and administrative), as well as costs associated with the termination of lease obligations and other incremental facility closing costs, aggregating $10.6 million.

Interest Income

Interest income for the year ended December 31, 2003 was $5.3 million, an increase of $1.8 million from the year ended December 31, 2002. The increase resulted primarily from an increase in interest earned on restricted cash and investments, resulting principally from our 12.25% senior subordinated discount notes offering in January 2003 and, to a lesser extent, our August 2003 equity offering.

Interest Expense

Interest expense for the year ended December 31, 2003 was $279.9 million, an increase of $25.4 million from the year ended December 31, 2002. The increase resulted primarily from the following: interest expense on our 12.25% senior subordinated discount notes, issued in January 2003; our 3.25% convertible notes, issued in August 2003; the ATI 7.25% senior subordinated notes, issued in November 2003. The increase was partially offset by a net decrease in interest expense on our credit facilities as a result of repayments made during 2003 and, to a lesser extent, lower interest rates. The increase was also partially offset by a decrease in interest expense on our 2.25% and 5.0% convertible notes as a result of repurchases made during 2003 (as discussed below).

Table of Contents

Loss on Retirement of Long-Term Obligations

During the year ended December 31, 2003, we amended our credit facilities and made certain prepayments and unscheduled principal payments on the term loans thereunder, which collectively reduced the borrowing capacity under our credit facilities. As a result, we recorded an aggregate charge of approximately $11.9 million related to the write-off of deferred financing fees associated with the reduction in our overall borrowing capacity. We also repurchased certain of our 2.25% convertible and 5.0% convertible notes (inclusive of the cash tender offer for our 2.25% convertible notes that expired on October 22, 2003) throughout the year. As a result, we incurred an aggregate charge of approximately $34.3 million, which primarily represented the fair market value of the shares of stock issued to our 2.25% convertible note holders in excess of the shares originally issuable upon conversion of the notes, offset by a net gain on the repurchases of our 5.0% convertible notes. The total of these charges, $46.2 million, represents our loss on retirement of long-term obligations for the year ended December 31, 2003.

In February 2002, we repaid $95.0 million outstanding under our Mexican credit facility with borrowings under our credit facilities. As a result of such repayment, for the year ended December 31, 2002, we expensed approximately $1.7 million of deferred financing fees. In addition, in January 2002, we terminated the $250.0 million multi-draw term loan C component of our credit facilities and recorded a non-cash charge of approximately $7.2 million related to the write-off of related deferred financing fees. The total of these charges, $8.9 million, represents our loss on retirement of long-term obligations for the year ended December 31, 2002.

Other Expense

Other expense for the year ended December 31, 2003 was $8.6 million, an increase of $1.6 million from the year ended December 31, 2002. The increase resulted primarily from fees and expenses incurred in 2003 in connection with a financing transaction that we did not consummate as a result of the ATI 12.25% senior subordinated discount notes offering. This increase was partially offset by decreased foreign currency transaction losses and impairments on cost investments.

Income Tax Benefit

The income tax benefit for the year ended December 31, 2003 was $77.5 million, a decrease of $1.5 million from the year ended December 31, 2002. The effective tax rate was 24.5% for the year ended December 31, 2003, as compared to 19.7% for the year ended December 31, 2002. The primary reason for the increase in the effective tax rate is a result of a $27.5 million valuation allowance that we recorded in 2002 in connection with our tax planning strategy to carry back approximately $380.0 million of federal net operating losses generated prior to 2003. This strategy resulted in the filing of tax refund claims with the IRS in 2003. In June 2003, we filed an income tax refund claim with the IRS relating to carrying back net operating losses that we generated in 1998, 1999 and 2001. We filed a similar claim in October 2003, with respect to net operating losses generated in 2002. We anticipate receiving a refund of approximately $90.0 million as a result of these claims, which will monetize a portion of our deferred tax asset. We estimate recovery of these amounts within one to three years of the dates the claims were filed with the IRS. There can be no assurances, however, with respect to the specific amount and timing of the refund. The valuation allowance represents the estimated lost tax benefit and costs incurred in connection with implementing this strategy. This increase was offset in part by an increase in the valuation allowance in 2003 for capital losses and non-deductible losses on retirements of our convertible notes.

The effective tax rate on loss from continuing operations for the year ended December 31, 2003 differs from the federal statutory rate due primarily to valuation allowances related to our capital losses, foreign items and non-deductible losses on retirements of our convertible notes. The effective tax rate on loss from continuing operations for the year ended December 31, 2002 differs from the federal statutory rate due primarily to valuation allowances related to our capital losses, foreign items and the valuation allowance recorded in connection with our tax planning strategy discussed above.

Table of Contents

SFAS No. 109, Accounting for Income Taxes, requires that we record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2003, we have provided a valuation allowance of approximately $162.8 million primarily related to net state deferred tax assets, capital loss carryforwards and the lost tax benefit and costs associated with the tax refund claims. We have not provided a valuation allowance for the remaining deferred tax assets, primarily our tax refund claims and our federal net operating loss carryforwards, as management believes that we will be successful with our tax refund claims and will have sufficient time to realize these federal net operating loss carryforwards during the twenty-year tax carryforward period.

We intend to recover a portion of our deferred tax asset through our tax refund claims discussed above. The recoverability of our remaining net deferred tax asset has been assessed utilizing stable state (no growth) projections based on our current operations. The projections show a significant decrease in depreciation and interest expense in the later years of the carryforward period as a result of a significant portion of our assets being fully depreciated during the first fifteen years of the carryforward period and debt repayments reducing interest expense. Accordingly, the recoverability of our net deferred tax asset is not dependent on material improvements to operations, material asset sales or other non-routine transactions. Based on our current outlook of future taxable income during the carryforward period, management believes that our net deferred tax asset will be realized. The realization of our deferred tax assets as of December 31, 2003 will be dependent upon our ability to generate approximately $1.1 billion in taxable income from January 1, 2004 to December 31, 2023. If we are unable to generate sufficient taxable income in the future, or carry back losses, as described below, we will be required to reduce our net deferred tax asset through a charge to income tax expense, which would result in a corresponding decrease in stockholders equity.

Loss on Equity Method Investments

Loss on equity method investments for the year ended December 31, 2003 was $21.2 million, an increase of $2.7 million from the year ended December 31, 2002. This increase is related to an increase in impairment charges on our equity investments of $9.8 million, offset by a decrease in losses on our equity investments of $7.1 million.

Loss from Discontinued Operations, Net

In December 2002, we committed to a plan to sell Verestar by December 31, 2003. In December 2003, Verestar filed for bankruptcy protection and ceased to be included in the accompanying consolidated financial statements. In August 2003, we consummated the sale of Galaxy. In June 2003, we committed to a plan to sell Kline by June 30, 2004. In May 2003, we consummated the sale of an office building in Westwood, Massachusetts. In February 2003, pursuant to our original plan to sell Verestar, we sold MTN, a subsidiary of Verestar. In January 2003, we sold Flash Technologies. In March 2003, we consummated the sale of an office building in Schaumburg, Illinois. In December 2002, we consummated the sale of the building in Boston, Massachusetts where we maintain our corporate headquarters. Finally, in July 2002, we consummated the sale of MTS Components. Accordingly, we have presented the results of these operations (including those of Verestar through the date of the bankruptcy filing), approximately $(12.5) million and $(245.2) million, net of tax, in loss from discontinued operations, net, in the accompanying consolidated statements of operations for the years ended December 31, 2003 and 2002, respectively.

In addition to the above, loss from discontinued operations, net, for the year ended December 31, 2003 includes the following: (a) an aggregate impairment charge of $26.5 million to reduce the carrying amount of our investment in Verestar to zero and to record our estimate of costs that we may incur under certain of Verestar s contracts for which we are primarily or secondarily liable as a guarantor as of December 31, 2003; (b) an aggregate non-cash impairment charge of $14.6 million to reduce the carrying value of Kline s net assets to the estimated proceeds expected upon disposal; (c) a $2.4 million net loss on the disposal of Galaxy; (d) a $3.6 million net loss on the disposal of the office building in Westwood, Massachusetts; (e) a $0.1 million net gain on the sale of Flash Technologies; and (f) a $0.1 million net loss on the sale of the office building in Schaumberg, Illinois. Loss from discontinued operations, net, for the year ended December 31, 2002 includes an aggregate net loss on our disposition of MTS Components and two office buildings of approximately $13.5 million.

Table of Contents

As of December 31, 2003, the disposal of our Kline business was still a pending transaction. In March 2004, we sold substantially all the net assets of Kline and expect to sell the remaining assets by June 30, 2004.

Cumulative Effective of Change in Accounting Principle, Net

As of January 1, 2002, we adopted the provisions of SFAS No. 142 Goodwill and Other Intangible Assets. As a result, we recognized a $562.6 million non-cash charge (net of a tax benefit of $14.4 million) as the cumulative effect of change in accounting principle related to the write-down of goodwill to its fair value. The non-cash charge was comprised of goodwill within our former satellite and fiber network access services segment ($189.3 million) and network development services segment ($387.8 million). In accordance with the provisions of SFAS No. 142, the charge is reflected as of January 1, 2002 and included in our results of operations for the year ended December 31, 2002.

Years Ended December 31, 2002 and 2001

	Year Ended December 31,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2002	2001		
	(in thousands)			
REVENUES:				
Rental and management	$ 544,906	$ 431,051	$ 113,855	26%
Network development services	130,176	223,926	(93,750)	(42)
Total revenues	675,082	654,977	20,105	3
OPERATING EXPENSES:				
Rental and management	242,801	221,759	21,042	9
Network development services	118,591	199,568	(80,977)	(41)
Depreciation and amortization	329,702	356,713	(27,011)	(8)
Corporate general, administrative and development expense	30,229	34,310	(4,081)	(12)
Impairments, net loss on sale of long-lived assets and restructuring expense	101,372	79,496	21,876	28
Total operating expenses	822,695	891,846	(69,151)	(8)
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net	13,938	14,377	(439)	(3)
Interest income	3,496	28,372	(24,876)	(88)
Interest expense	(254,446)	(267,199)	(12,753)	(5)
Loss on retirement of long-term obligations	(8,869)	(26,336)	(17,467)	(66)
Other expense	(7,004)	(27,838)	(20,834)	(75)
Income tax benefit	78,973	113,721	(34,748)	(31)
Minority interest in net earnings of subsidiaries	(2,118)	(318)	1,800	566
Loss on equity method investments	(18,555)	(10,957)	7,598	69

Loss from discontinued operations, net	(258,724)	(58,990)	199,734	339
Cumulative effect of change in accounting principle, net	(562,618)		562,618	N/A
Net loss	$ (1,163,540)	$ (472,037)	$ (691,503)	146%

Total Revenues

Total revenues for the year ended December 31, 2002 were $675.1 million, an increase of $20.1 million from the year ended December 31, 2001. The increase resulted from an increase in rental and management revenues of $113.9 million, offset by a decrease in network development services revenue of $93.8 million.

Table of Contents

Rental and Management Revenue

Rental and management revenue for the year ended December 31, 2002 was $544.9 million, an increase of $113.9 million from the year ended December 31, 2001. The increase resulted primarily from leasing activity on towers acquired and constructed subsequent to January 1, 2001 and, to a lesser extent, increased revenue on towers that existed as of January 1, 2001. The 4,270 towers that we have acquired and constructed since January 1, 2001 have significantly increased our revenues. The increased depth and strength of our national and international portfolio provided us with a much larger base of tower revenue for a full year in 2002 as compared to the year ended December 31, 2001. The remaining component of the increase is attributable to an increase in same tower revenue related to towers included in our portfolio as of January 1, 2001. This increase was driven by our ability to market and add additional tenants to those towers.

Network Development Services Revenue

Network development services revenue for the year ended December 31, 2002 was $130.2 million, a decrease of $93.8 million from the year ended December 31, 2001. The significant decline in revenues during 2002 resulted primarily from decreases in revenue related to construction management, installation and tower maintenance services, resulting from a corresponding decrease in the growth of the wireless telecommunications industry.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2002 were $822.7 million, a decrease of $69.2 million from the year ended December 31, 2001. The principal component of the decrease was attributable to expense decreases in our network development services segment of $81.0 million. The remaining components of the decrease were attributable to a decrease in depreciation and amortization expense of $27.0 million and a decrease in corporate general, administrative and development expense of $4.1 million. These decreases were offset by increases in expenses within our rental and management segment of $21.0 million, coupled with an increase in impairments, net loss on sale of long-lived assets and restructuring expense of $21.9 million.

Rental and Management Expense/Segment Profit

Rental and management expense for the year ended December 31, 2002 was $242.8 million, an increase of $21.0 million from the year ended December 31, 2001. The majority of the increase resulted from incremental operating expenses incurred in 2002 for the more than 3,700 towers that were acquired or constructed during 2001 (due to a full year of inclusion in our results of operations in 2002). The balance of the increase reflects operating expenses incurred in 2002 for the more than 570 towers acquired/constructed in 2002. These increases were partially offset by cost reduction efforts in administrative and operational functions.

Rental and management segment profit for the year ended December 31, 2002 was $316.0 million, an increase of $92.4 million from the year ended December 31, 2001. The increase resulted primarily from incremental revenues and operating profit from both newly acquired and constructed towers and existing towers.

Network Development Services Expense/Segment Profit

Network development services expense for the year ended December 31, 2002 was $118.6 million, a decrease of $81.0 million from the year ended December 31, 2001. The majority of the decrease was due to an overall decline in demand for the services performed by this segment, as discussed above, coupled with decreases in overhead and related infrastructure costs.

Network development services segment profit for the year ended December 31, 2002 was $11.6 million, a decrease of $12.8 million from the year ended December 31, 2001. The decrease resulted primarily from a decline in revenue, as discussed above, partially offset by a reduction in personnel, overhead and infrastructure costs as a result of restructuring initiatives that were implemented in 2002 and 2001.

Table of Contents

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2002 was $329.7 million, a decrease of $27.0 million from the year ended December 31, 2001. The decrease reflects the adoption of SFAS No. 142, which reduced amortization expense by approximately $67.6 million. This decrease was partially offset by an increase in depreciation expense related to acquisitions and capital expenditures of approximately $236.9 million in 2002 and a full year of depreciation on the $1.4 billion of property and equipment acquired in 2001.

Corporate General, Administrative and Development Expense

Corporate general, administrative and development expense for the year ended December 31, 2002 was $30.2 million, a decrease of $4.1 million from the year ended December 31, 2001. The decrease is attributable to cost reduction efforts in administrative and information technology functions related to our restructuring initiatives, as well as a reduction in development expense as a result of our curtailed acquisition and development related activities.

Impairments, Net Loss on Sale of Long-Lived Assets and Restructuring Expense

Impairments, net loss on sale of long-lived assets and restructuring expense was $101.4 million for the year ended December 31, 2002. During the year ended December 31, 2002, we sold approximately 720 non-core towers and recorded impairment charges to write-down certain other non-core towers, which resulted in aggregate impairment charges and net losses of approximately $46.8 million. In September 2002, we reduced the scope of our new tower construction and build plans for the remainder of 2002 and 2003 and, as a result, we wrote-off approximately $40.2 million of construction-in-progress costs for the year ended December 31, 2002 associated with sites we no longer planned to build. Lastly, during the year ended December 31, 2002, we incurred employee separation costs associated with the termination of approximately 460 employees (primarily development and administrative), as well as costs associated with the termination of lease obligations and other incremental facility closing costs aggregating $10.6 million.

Impairments, net loss on sale of long-lived assets and restructuring expense was $79.5 million for the year ended December 31, 2001. In November 2001, we announced a restructuring of our organization to include a reduction in the scope of our tower development and acquisition activities and the centralization of certain operational and administrative functions. This resulted in a significant decrease in new tower construction and more stringent criteria for evaluating tower construction and acquisitions. As a result, we wrote-off approximately $62.6 million of construction-in-progress costs for the year ended December 31, 2001 associated with sites we no longer planned to build. We also incurred impairment charges to write-down certain non-core towers of approximately $11.7 million during the year ended December 31, 2001. Lastly, we incurred employee separation costs associated with the termination of approximately 525 employees (primarily tower development and administrative), as well as facility closing costs, aggregating $5.2 million.

Interest Income

Interest income for the year ended December 31, 2002 was $3.5 million, a decrease of $24.9 million from the year ended December 31, 2001. The decrease resulted primarily from a decrease in interest earned on invested cash primarily attributable to a decrease in cash on hand during

2002, coupled with lower interest rates.

Interest Expense

Interest expense for the year ended December 31, 2002 was $254.4 million, a decrease of $12.8 million from the year ended December 31, 2001. The majority of the decrease, $26.6 million, resulted primarily from a reduction in the interest rates under our credit facilities. The decrease was partially offset by an increase of $7.6 million related to a full year of interest incurred on our 9 $^{3}/8$% senior notes (issued in January 2001) and a reduction in capitalized interest as a result of our reduced capital expenditures in 2002.

Table of Contents

Loss from Retirement of Long-Term Obligations

In February 2002, we repaid all amounts outstanding under our Mexican credit facility with borrowings under our credit facility. As a result of such repayment, we expensed approximately $1.7 million of deferred financing fees. In addition, in January 2002, we terminated the $250.0 million multi-draw term loan C component of our credit facilities and recorded a non-cash charge of approximately $7.2 million related to the write-off of the related deferred financing fees. The aggregate of these charges, $8.9 million, represents our loss on retirement of long-term obligations for the year ended December 31, 2002.

During the year ended December 31, 2001, we acquired a portion of our 2.25% convertible notes in exchange for shares of our Class A common stock. As a consequence of those negotiated exchanges with certain of our noteholders, we recorded a loss on retirement of long-term obligations of $26.3 million for the year ended December 31, 2001. This non-cash charge represents the fair value of incremental stock issued to note holders to induce them to convert their holdings prior to the first scheduled redemption date.

Other Expense

Other expense for the year ended December 31, 2002 was $7.0 million, a decrease of $20.8 million from the year ended December 31, 2001. The decrease resulted primarily from decreased impairment charges on cost basis investments. Such decrease was partially offset by increased foreign currency losses related to our Mexican subsidiary.

Income Tax Benefit

The income tax benefit for the year ended December 31, 2002 was $79.0 million, a decrease of $34.7 million from the year ended December 31, 2001. The effective tax rate was 19.7% for the year ended December 31, 2002, as compared to 22.1% for the year ended December 31, 2001. The decrease in the effective tax rate was primarily attributable to a valuation allowance of $27.5 million that we recorded in 2002 in connection with our tax planning strategy to carry back certain federal net operating losses. The valuation allowance represents the estimated lost tax benefit and costs associated with implementing such strategy. This decrease is offset by the impact of our ceasing to amortize goodwill (the majority of which is non-deductible for tax purposes) in 2002 in connection with the adoption of SFAS No. 142.

The effective tax rate on loss from continuing operations in 2002 differs from the federal statutory rate primarily due to valuation allowances related to our capital losses, tax planning strategy (as discussed above) and foreign items. The effective tax rate in 2001 differs from the federal statutory rate due to valuation allowances related to capital losses and other non-deductible items consisting principally of goodwill amortization, and to a lesser extent, note conversion expense.

SFAS No. 109, Accounting for Income Taxes, requires that we record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2002, we have provided a valuation allowance primarily related to state net operating loss carryforwards, capital loss carryforwards and the lost tax benefit and costs associated with our tax refund claims. We have not provided a valuation allowance for the remaining deferred tax assets, primarily federal net operating loss carryforwards, as management believes that we will have sufficient time to realize these assets during the twenty-year tax carryforward period.

We intend to recover a portion of our deferred tax asset through our tax planning strategy, which carries back certain federal net operating losses. The recoverability of our remaining net deferred tax asset has been assessed utilizing stable state (no growth) projections based on our current operations. The projections show a significant decrease in depreciation and interest expense in the later years of the carryforward period as a result of a significant portion of our assets being fully depreciated during the first fifteen years of the carryforward period and debt repayments reducing interest expense. Accordingly, the recoverability of our net deferred tax

Table of Contents

asset is not dependent on material improvements to operations, material asset sales or other non-routine transactions. Based on our current outlook of future taxable income during the carryforward period, management believes that our net deferred tax asset will be realized. The realization of our deferred tax assets as of December 31, 2002 will be dependent upon our ability to generate approximately $900.0 million in taxable income from January 1, 2003 to December 31, 2022. If we are unable to generate sufficient taxable income in the future, or carry back losses as described above, we will be required to reduce our net deferred tax asset through a charge to income tax expense, which would result in a corresponding decrease in stockholders equity.

Loss on Equity Method Investments

Loss on equity method investments for the year ended December 31, 2002 was $18.6 million, an increase of $7.6 million from the year ended December 31, 2001. The increase is primarily related to increased impairment charges on our equity investments, coupled with increased losses on equity of those investments.

Loss from Discontinued Operations, Net

In December 2002, we committed to a plan to dispose of our wholly owned subsidiary Verestar by sale by December 31, 2003. In the fourth quarter of 2002, we also committed to a plan to sell Flash Technologies and two office buildings held primarily as rental property. In July 2002, we consummated the sale of our MTS Components operations. In the first quarter of 2003, we committed to a plan to sell an office building in Westwood, Massachusetts held primarily as rental property. In the second quarter of 2003, we committed to a plan to sell Kline by June 30, 2004. In August 2003, we consummated the sale of Galaxy. Accordingly, we presented the results of these operations, approximately $(245.2) million and $(59.0) million, net of tax, in loss from discontinued operations, net, in the accompanying statements of operations for the years ended December 31, 2002 and 2001, respectively. Loss from discontinued operations, net, for the year ended December 31, 2002 also includes a net loss on our disposition of MTS Components and two office buildings of approximately $13.5 million, net of a tax benefit.

Cumulative Effective of Change in Accounting Principle, Net

As of January 1, 2002, we adopted the provisions of SFAS No. 142 Goodwill and Other Intangible Assets. As a result, we recognized a $562.6 million non-cash charge (net of a tax benefit of $14.4 million) as the cumulative effect of change in accounting principle related to the write-down of goodwill to its fair value. The non-cash charge was comprised of goodwill within our former satellite and fiber network access services segment ($189.3 million) and network development services segment ($387.8 million). In accordance with the provisions of SFAS No. 142, the charge is reflected as of January 1, 2002 and included in our results of operations for the year ended December 31, 2002.

Table of Contents

Liquidity and Capital Resources

Overview

In 2003, we generated sufficient cash flow from operations to fund our capital expenditures and cash interest obligations. We believe cash flow from operations for the year ending December 31, 2004 also will be sufficient to fund our capital expenditures and our cash debt service (interest and principal repayments) obligations for 2004. For information about our outstanding indebtedness, see Contractual Obligations below.

We expect our 2004 cash needs to consist primarily of the following: debt service, including cash interest of approximately $195.0 million, the repayment of approximately $75.8 million of term loans under our credit facilities and capital lease payments and other notes payable of $5.5 million; capital expenditures of between $50.0 and $65.0 million, principally related to new tower construction and improvements to existing towers; and tower acquisitions of approximately $31.4 million. We expect to meet these cash needs through a combination of cash on hand, cash generated by operations and proceeds from sales of non-core assets. Due to the risk factors outlined in Business Factors That May Affect Future Results, however, there can be no assurance that we will be able to meet our cash needs without additional borrowings under our credit facilities.

As of December 31, 2003, we had total outstanding indebtedness of approximately $3.4 billion. We incurred substantially all of this indebtedness prior to 2002 in order to fund the acquisition of communications sites and services businesses (expenditures for such acquisitions for the years ended December 31, 2000 and 2001 were $1.4 billion and $812.8 million, respectively), and capital expenditures related to the construction of new communications sites (capital expenditures for the years ended December 31, 2000 and 2001 were $541.3 million and $568.2 million, respectively).

Beginning in 2002, we significantly reduced our acquisitions and new tower construction activities, and began to focus on reducing our overall indebtedness. In 2003, we continued this trend by reducing our net total indebtedness (the combined decrease in outstanding indebtedness and the increase in cash and cash equivalents and restricted cash and investments) by approximately $235.5 million. We also improved our financial flexibility by opportunistically refinancing approximately $1.0 billion of our indebtedness to extend maturity dates. We plan to continue to reduce our overall indebtedness in 2004 and beyond with cash flow from operations, and may opportunistically further reduce indebtedness and interest expense through future capital market or strategic transactions.

Uses of Cash

Tower Construction, Improvement and Acquisition. Historically, we have used available cash and proceeds from non-core asset sales, including cash obtained from our credit facilities and proceeds from the sale of our debt and equity securities, to fund the construction, improvement and acquisition of tower assets. In 2002, we began to reduce our capital expenditures on new tower development. As a result, we significantly reduced our capital expenditures on new tower development in 2003 from historical levels (for example, our capital expenditures, excluding acquisitions, were $61.6 million in 2003 as compared to $180.5 million and $568.2 million in 2002 and 2001, respectively), and we expect this trend to continue. Accordingly, we expect that our cash needs in 2004 for tower development, improvement and acquisition will be funded out of cash from operations and proceeds from asset dispositions.

Construction and Improvements. Capital expenditures, excluding acquisitions, were approximately $61.6 million for the year ended December 31, 2003. We anticipate that we will build between 120 and 160 new towers through the end of 2004, and expect our 2004 total capital expenditures for construction and improvements to be between approximately $44.0 million and $58.0 million. In addition, we expect to incur approximately $6.0 to $7.0 million in capital expenditures relating to our services division and corporate infrastructure.

Table of Contents

Acquisitions. During the year ended December 31, 2003, we acquired approximately $95.1 million in tower assets. As of December 31, 2003, we were obligated to make capital expenditures to acquire up to approximately $31.4 million of tower assets, of which approximately $10.3 million had been acquired as of March 5, 2004.

We plan to continue to allocate our available capital among investment alternatives that can provide the highest potential returns in light of existing market conditions. Accordingly, we may continue to acquire tower sites, build new tower sites and redevelop or improve existing tower sites when the expected returns on such investments meet our investment criteria.

Debt Service. As of December 31, 2003, we had outstanding debt of approximately $3.4 billion. For the year ending December 31, 2004, we are obligated to make a total of approximately $276.0 million in cash interest and principal payments on outstanding debt (this amount excludes approximately $82.0 million of non-cash interest expense relating to the accretion of our ATI 12.25% Notes and warrants and the amortization of deferred financing costs). Our cash debt service obligations as of December 31, 2003 are summarized under Contractual Obligations below.

Contractual Obligations.

The following table sets forth information relating to our contractual obligations payable in cash as of December 31, 2003 (in thousands):

	Payments Due by Period						
Contractual Obligations	**2004**	**2005**	**2006**	**2007**	**2008**	**Thereafter**	**Total**
Credit facility term loan A (1)	$ 73,056	$ 111,459	$ 133,578	$ 71,448			$ 389,541
Credit facility term loan B (1)(2)	2,697	2,697	2,697	258,895			266,986
Credit facility revolver (1)				48,189			48,189
9 ^{3}/8% senior notes						$ 1,000,000	1,000,000
12.25% senior subordinated discount notes (3)					$ 808,000		808,000
7.25% senior subordinated notes						400,000	400,000
5.0% convertible notes (4)(5)				349,413			349,413
6.25% convertible notes (4)(5)			212,742				212,742
3.25% convertible notes						210,000	210,000
2.25% convertible notes	44						44
Long-term obligations, excluding capital leases and other notes payable	75,797	114,156	349,017	727,945	808,000	1,610,000	3,684,915
Cash interest expense (1)(2)(3)(5)	195,000	184,000	172,000	136,000	130,000	103,000	920,000
Capital lease payments (including interest) and other notes payable	5,548	4,635	19,233	3,355	3,215	208,645	244,631
Operating lease payments (6)	101,445	102,607	102,907	102,883	103,118	1,667,465	2,180,425
Purchase obligations for acquisitions	31,400						31,400
Other long-term liabilities (7)	1,069	322	329	337	345	3,551	5,953
Total	$ 410,259	$ 405,720	$ 643,486	$ 970,520	$ 1,044,678	$ 3,592,661	$ 7,067,324

A description of our contractual debt obligations is included in Item 7A. Quantitative and Qualitative Disclosures about Market Risk, as well as in note 8 to our consolidated financial statements.

(1) Interest on our credit facilities is payable in accordance with the applicable London Interbank Offering Rate (LIBOR) agreement or quarterly and accrues at our option, either at LIBOR plus margin (as defined) or the base rate plus margin (as defined). The weighted average interest rate in effect at December 31, 2003 for the credit facilities was 4.25%. For projections of our cash interest expense related to the credit facilities, we have assumed the LIBOR rate, before the margin as defined in our credit facility agreements, is 1.5% through December 31, 2007.

(2) In January 2004, we refinanced our $267.0 million term loan B with a new term loan C due December 31, 2007. The new term loan C has substantially the same terms as term loan B, except that the interest rate spreads for the LIBOR and base rate loans were reduced from 3.5% above LIBOR to 2.25% and from 2.5% above the base rate to 1.25%, respectively.

Table of Contents

(3) The 12.25% senior subordinated discount notes accrue no cash interest. Instead, the accreted value of each note increases between the date of original issuance and maturity (August 1, 2008) at a rate of 12.25% per annum, with principal due at maturity of $808.0 million. As of December 31, 2003, the outstanding debt under the 12.25% senior subordinated discount notes was $424.2 million accreted value, net of the allocated fair value of $44.2 million relating to warrants issued in conjunction with these notes.
(4) The holders of our 6.25% and 5.0% convertible notes have the right to require us to repurchase their notes on specified dates prior to their maturity dates in 2009 and 2010, but we may pay the purchase price by issuing shares of our Class A common stock, subject to certain conditions. The obligations with respect to the right of the holders to put the 6.25% convertible notes and 5.0% convertible notes on October 22, 2006 and February 20, 2007, respectively, have been classified as cash obligations in those respective periods.
(5) In February 2004, we sold $225.0 million principal amount of 7.50% senior notes due 2012 through an institutional private placement. The net proceeds of the offering were used to redeem all of our outstanding 6.25% convertible notes and to repurchase $4.5 million of our 5.0% convertible notes.
(6) Operating lease payments include payments to be made under non-cancelable initial terms, as well as payments for certain renewal periods at our option because failure to renew could result in a loss of the applicable tower site and related revenues from tenant leases, thereby making it reasonably assured that we will renew the lease.
(7) Liabilities that are not payable in cash, primarily our unearned revenue and deferred rent liability, are not included.

The above table does not include certain commitments relating to the construction of tower sites under existing build to suit agreements as of December 31, 2003, as we cannot currently estimate the timing and amounts of such payments. (See note 10 to our consolidated financial statements.)

Sources of Cash

Total Liquidity at December 31, 2003. As of December 31, 2003, we had approximately $544.8 million of total liquidity, which is comprised of approximately $275.5 million in cash and cash equivalents and the ability to draw approximately $269.3 million of the revolving loan under our credit facilities. Of the approximately $275.5 million in cash and cash equivalents, approximately $170.0 million is held in restrictive accounts and approximately $49.1 million of this amount must be used to repay existing indebtedness.

Cash Generated by Operations. For the years ended December 31, 2003, 2002 and 2001, our cash provided by operating activities was $156.4 million, $105.1 million and $26.1 million, respectively. Each of our rental and management and network development services segments are expected to generate cash flows from operations during 2004 in excess of their cash needs for operations and capital expenditures for tower construction, improvements and acquisitions. We expect to use the excess cash generated from these segments principally to service our debt.

Credit Facilities. As of December 31, 2003, we had approximately $269.3 million of unused capacity under our revolving credit facility, the only loan under our credit facilities that is not fully drawn. We have not borrowed any amounts under our credit facilities since April 2002, and we do not anticipate borrowing any amounts under the revolving credit facility during 2004. In February 2004, we made a $21.0 million voluntary prepayment of term loan A under our credit facilities.

Table of Contents

Proceeds from the Sale of Debt and Equity Securities. During 2003, we raised approximately $1.1 billion in net proceeds from the sale of debt and equity securities as follows:

Date	Transaction	Approximate Net Proceeds
January 2003	ATI 12.25% Senior Subordinated Discount Notes due 2008	$397.0 million
August 2003	$210.0 million 3.25% Convertible Notes due 2010	$202.8 million
	14,260,000 Shares of Class A common stock	$120.3 million
November 2003	$400.0 million ATI 7.25% Senior Subordinated Notes due 2011	$389.3 million

The net proceeds from these offerings were used to repay approximately $961.3 million of existing indebtedness, and approximately $170.0 million remains in restricted cash and investments at December 31, 2003. In addition, during 2003 we issued 8,415,984 shares of our Class A common stock in exchange for an aggregate amount of approximately $53.1 million accreted value ($67.2 million face value) of our 2.25% convertible notes. These exchanges were effected in privately negotiated transactions pursuant to Section 3(a)(9) under the Securities Act of 1933.

In February 2004, we raised an additional approximately $221.7 million of net proceeds through an institutional private placement of our 7.50% senior notes due 2012. Approximately $217.1 million of the net proceeds from this offering were used to redeem all of our outstanding 6.25% convertible notes due 2009, and $4.5 million of those proceeds were used to repurchase our 5.0% convertible notes. (See note 20 to our consolidated financial statements.)

Divestiture Proceeds. During 2003, we continued to execute our strategy of divesting non-core assets and reinvesting the proceeds of such divestitures in higher return tower assets. From January 1, 2003 to March 5, 2004, we received net proceeds of approximately $123.9 million from non-core asset sales related to the sale of our remaining components business, two office buildings, a Verestar subsidiary, Galaxy, Kline, and non-core towers and related assets. Proceeds from these and any future transactions have and will be used, to the extent permitted under our credit facilities and mortgages, to acquire additional tower assets and to service debt. We anticipate receiving approximately $10.0 million of proceeds from additional sales of non-core assets during 2004.

Factors Affecting Sources of Liquidity

Internally Generated Funds. The key factors affecting our ability to generate sufficient funds from operations are the demand for antennae space on wireless and broadcast communications towers and for related services, our ability to maximize the utilization of our existing towers and our ability to minimize costs and fully achieve our operating efficiencies.

Restrictions Under Credit Facilities and Other Debt Securities. The credit facilities with our borrower subsidiaries contain certain financial ratios and operating covenants and other restrictions (including limitations on additional debt, guarantees, use of proceeds from asset sales, dividends and other distributions, investments and liens) with which our borrower subsidiaries and restricted subsidiaries must comply.

The credit facilities contain five financial tests with which we must comply:

- a leverage ratio (Total Debt to Annualized Operating Cash Flow). As of December 31, 2003, we were required to maintain a ratio of not greater than 5.75 to 1.00, decreasing to 5.50 to 1.00 at January 1, 2004, to 5.25 to 1.00 at April 1, 2004, to 5.00 to 1.00 at July 1, 2004, to 4.75 to 1.00 at October 1, 2004, to 4.50 to 1.00 at January 1, 2005, to 4.25 to 1.00 at April 1, 2005 and to 4.00 to 1.00 at July 1, 2005 and thereafter;

Table of Contents

- a senior leverage ratio (Senior Debt to Annualized Operating Cash Flow). As of December 31, 2003, we were required to maintain a ratio of not greater than 4.25 to 1.00, decreasing to 4.00 to 1.00 at January 1, 2004, to 3.75 to 1.00 at April 1, 2004, to 3.50 to 1.00 at July 1, 2004, to 3.25 to 1.00 at October 1, 2004 and to 3.00 to 1.00 at January 1, 2005 and thereafter;

- a pro forma debt service test (Annualized Operating Cash Flow to Pro Forma Debt Service). As of December 31, 2003, we were required to maintain a ratio of not less than 1.00 to 1.00;

- an interest coverage test (Annualized Operating Cash Flow to Interest Expense). As of December 31, 2003, we were required to maintain a ratio of not less than 2.50 to 1.00, increasing to 3.00 to 1.00 at January 1, 2004; and

- a fixed charge coverage test (Annualized Operating Cash Flow to Fixed Charges). As of December 31, 2003, we were required to maintain a ratio of not less than 1.00 to 1.00.

Any failure to comply with these covenants would not only prevent us from being able to borrow additional funds under our revolving line of credit, but would also constitute a default. These covenants also restrict our ability, as the parent company, to incur any debt other than that currently outstanding and refinancings of that debt. The credit facilities also limit our revolving loan drawdowns based on our cash on hand.

In addition to the credit facilities, the indentures governing the terms of the ATI 12.25% Notes and the ATI 7.25% Notes contain certain restrictive covenants with which ATI, the sister guarantors and its and their subsidiaries must comply. These include restrictions on their ability to incur additional debt, guarantee debt, pay dividends and make other distributions, make certain investments and, as in the credit facilities, use the proceeds from asset sales. Any failure to comply with these covenants would constitute a default. Specifically, the indentures restrict ATI, each of the sister guarantors and its and their restricted subsidiaries from incurring additional debt or issuing certain types of preferred stock. ATI, the sister guarantors and its and their subsidiaries are permitted, however, to incur debt under our credit facilities, or renewals, refundings, replacements or refinancings of them, up to $1.6 billion.

The indentures governing the terms of our 9 $^{3}/8$% senior notes and our 7.50% senior notes (issued in February 2004) also contain certain restrictive covenants with which we and our restricted subsidiaries must comply. These include restrictions on our ability to incur additional debt, guarantee debt, pay dividends and make other distributions, make certain investments and, as in the credit facilities, use the proceeds from asset sales. Any failure to comply with these covenants would constitute a default. Specifically, the senior note indentures restrict us from incurring additional debt or issuing certain types of preferred stock unless our consolidated debt is not greater than 7.5 times our adjusted consolidated cash flow. We are permitted, however, to incur debt under our credit facilities (which for these purposes includes indebtedness under the credit facilities of our borrower subsidiaries, the ATI 12.25% Notes, the ATI 7.25% Notes and a portion of our 3.25% convertible notes) even if we are not in compliance with this ratio, or renewals, refundings, replacements or refinancings of our credit facilities.

If a default occurred under our credit facilities or any of our other debt securities, the maturity dates for our outstanding debt could be accelerated, and we likely would be prohibited from making additional borrowings under the credit facilities until we cured the default. If this were to occur, we would not have sufficient cash on hand to repay such indebtedness. The key factors affecting our ability to comply with the debt covenants described above are our financial performance relative to the financial ratios defined in the various agreements and our ability to fund our debt service obligations. Based upon our current expectations, we believe our operating results will be sufficient to comply with these covenants. However, due to the risk factors outlined above in Business Factors That May Affect Future Results, there can be no assurance that our financial performance will not deteriorate to a point that would result in a default.

As outlined above, as of December 31, 2003, our annual consolidated cash debt service obligations (principal and interest) for each of the next five years and thereafter are approximately: $276.0 million, $303.0 million, $540.0 million (which does not reflect the repurchase of our 6.25% convertible notes in February 2004),

37

[Table of Contents](#)

$867.0 million, $941.0 million and $1.9 billion, respectively. If we are unable to refinance our subsidiary debt or renegotiate the terms of such debt, we may not be able to meet our debt service requirements in the future. In addition, as a holding company, we depend on distributions or dividends from our subsidiaries, or funds raised through debt and equity offerings, to fund our debt obligations. Although the agreements governing the terms of our credit facilities and senior subordinated notes permit our subsidiaries to make distributions to us to permit us to meet our debt service obligations, such terms also significantly limit their ability to distribute cash to us under certain circumstances. Accordingly, if we do not receive sufficient funds from our subsidiaries to meet our debt service obligations, we may be required to refinance or renegotiate the terms of our debt, and there is no assurance we will succeed in such efforts.

Our ability to make scheduled payments of principal and interest on our debt obligations, and our ability to refinance such debt obligations, will depend on our future financial performance, which is subject to many factors beyond our control, as outlined above under Business Factors That May Affect Future Results. In addition, our ability to refinance any of our debt in the future may depend on our credit ratings from commercial rating agencies, which are dependent on our expected financial performance, the liquidity factors discussed above, and the rating agencies outlook for our industry. We expect that we will need to refinance a substantial portion or our debt on or prior to its scheduled maturity in the future. There can be no assurance that we will be able to secure such refinancings or, if such refinancings are obtained, that the terms will be commercially reasonable.

Capital Markets. Our ability to raise additional funds in the capital markets depends on, among other things, general economic conditions, conditions of the wireless industry, our financial performance and the state of the capital markets. In December 2003, we filed a universal shelf registration statement for possible future offerings of an aggregate of up to $1.0 billion of debt and/or equity securities, including the offering of Class A common stock pursuant to a direct stock purchase plan with respect to which our Board of Directors currently has approved a $150.0 million offering. This registration statement is not yet effective.

Critical Accounting Policies and Estimates

Management s discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our policies and estimates on an ongoing basis, including those related to income taxes, impairment of assets, allowances for accounts receivable, investment impairment charges and revenue recognition. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have identified the following policies as critical to our business operations and the understanding of our results of operations. This is not a comprehensive list of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management s judgment in its application. There are also areas in which management s judgment in selecting any available alternative would not produce a materially different result. For a discussion of our other accounting policies, see note 1 to the consolidated financial statements in this annual report on Form 10-K/A, beginning on page F-7.

Income Taxes. We record a valuation allowance to reduce our net deferred tax asset to the amount that management believes is more likely than not to be realized. At December 31, 2003, we provided a valuation allowance of approximately $162.8 million primarily related to our net state deferred tax assets and capital loss carryforwards. In addition, we also recorded a valuation allowance in 2002

38

Table of Contents

related to a tax planning strategy related to the carry back of certain federal net operating losses. The valuation allowance represents the estimated lost tax benefit and costs associated with such strategy. We have not provided a valuation allowance for the remaining deferred tax assets, primarily our tax refund claims and our federal net operating loss carryforwards, as management believes that we will be successful with our tax refund claims and have sufficient time to realize these federal net operating loss carryforwards during the twenty-year tax carryforward period.

We intend to recover a portion of our net deferred tax asset through our tax refund claims related to certain federal net operating losses, filed during 2003 as part of a tax planning strategy implemented in 2002. The recoverability of our remaining net deferred tax asset has been assessed utilizing stable state (no growth) projections based on our current operations. The projections show a significant decrease in depreciation and interest expense in the later years of the carryforward period as a result of a significant portion of our assets being fully depreciated during the first fifteen years of the carryforward period and debt repayments reducing interest expense. Accordingly, the recoverability of our net deferred tax asset is not dependent on material improvements to operations, material asset sales or other non-routine transactions. Based on our current outlook of future taxable income during the carryforward period, management believes that our net deferred tax asset will be realized. The realization of our deferred tax assets will be dependent upon our ability to generate approximately $1.1 billion in taxable income from January 1, 2004 to December 31, 2023. If we are unable to generate sufficient taxable income in the future or carry back losses as described above, we will be required to reduce our net deferred tax asset through a charge to income tax expense, which would result in a corresponding decrease in stockholders equity.

Depending on the resolution of the Verestar bankruptcy proceedings described in note 3 to the consolidated financial statements, we may be entitled to a worthless stock or bad debt deduction for our investment in Verestar. No income tax benefit has been provided for these potential deductions due to the uncertainty surrounding the bankruptcy proceedings.

Impairment of Assets.

Assets subject to amortization and non-core assets held for sale: We review long-lived assets, including intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We assess recoverability by determining whether the net book value of the related assets will be recovered through projected undiscounted cash flows. If we determine that the carrying value of an asset may not be recoverable, we will measure any impairment based on the projected future discounted cash flows to be provided from the asset or available market information relative to the asset s fair market value as compared to its carrying value. We record any related impairment losses in the period in which we identify such impairment. We also review the carrying value of assets held for sale for impairment based on management s best estimate of the anticipated net proceeds expected to be received upon final disposition. We record any impairment charges or estimated losses on disposal in the period in which we identify such impairment or loss.

Goodwill Assets not subject to amortization: As of January 1, 2002, we adopted the provisions of SFAS No. 142 Goodwill and Other Intangible Assets, which requires that goodwill and intangible assets with indefinite lives no longer be amortized, but reviewed for impairment at least annually. SFAS No. 142 also requires that we assess whether goodwill is impaired by performing a transitional impairment test. These tests compared the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill to measure the amount of goodwill impairment, if any. We completed our transitional impairment testing in the second quarter of 2002 and concluded that all of the goodwill related to Verestar was impaired and that the majority of the goodwill in the services segment was impaired. As a result, we recognized a $562.6 million non-cash charge (net of a tax benefit of $14.4 million) related to the write-down of goodwill to its fair value. In accordance with the provisions of SFAS No. 142, the charge is reflected as of January 1, 2002 and included in the results of operations for the year ended December 31, 2002 as the cumulative effect of a change in accounting principle. Fair value estimates were determined based on independent third party appraisals for the rental and management segment and Verestar and future discounted cash flows and market information in the services segment.

In December 2003 and 2002, we completed our annual impairment testing related to the goodwill of the rental and management reporting unit (incorporating an independent third party appraisal) that contains goodwill and, in both cases, determined that goodwill was not impaired. Fair value estimates are based on our historical and projected operating results and market information, changes to which could affect those fair value estimates. Our December 2002 annual impairment testing also included the remaining goodwill of Kline (the only services business with remaining goodwill) and, based on available market information, we determined that goodwill was not impaired. In June 2003, we committed to a plan to sell Kline, reclassified its net assets to assets held for sale and recorded an impairment charge (inclusive of Kline s remaining $10.3 million of goodwill) that reduced Kline s net assets to the estimated fair value expected upon disposal.

We will perform our annual goodwill impairment test on December 1st of each year and when events or circumstances indicate that the asset might be impaired.

Allowances for Accounts Receivable. We maintain allowances for accounts receivable for estimated losses resulting from the inability of our customers to make contractually obligated payments that totals approximately $17.4 million as of December 31, 2003. When evaluating the adequacy of the allowances for accounts receivable, we specifically analyze accounts receivable and historical bad debts, customer concentrations, current economic trends, changes in our customers payment terms and the age of the receivables. If the basis for our estimates and financial condition of our customers were to change, adjustments to the allowances may be required.

Investment Impairment Charges. Investments in those entities where we own less than twenty percent of the voting stock of the individual entity and do not exercise significant influence over operating and financial policies of the entity are accounted for using the cost method. Investments in entities where we own less than twenty percent but have the ability to exercise significant influence over operating and financial policies of the entity or where we own more than twenty percent of the voting stock of the individual entity, but not in excess of fifty percent, are accounted for using the equity method. Our investments are in companies that are not publicly traded, and, therefore, no established market for these securities exists. We have a policy in place to review the fair value of our investments on a regular basis to evaluate the carrying value of the investments in these companies. If we believe that the carrying value of an investment is carried at an amount in excess of fair value, it is our policy to record an impairment charge to adjust the carrying value to the market value.

Revenue Recognition. A portion of our network development services revenue is derived under contracts or arrangements with customers that provide for billings on a fixed price basis. Revenues under these contracts are recognized using the percentage-of-completion methodology. Under the percentage-of-completion methodology, revenues are recognized in accordance with the percentage of contract costs incurred to date compared to the estimated total contract costs. Due to uncertainties and estimates inherent within percentage-of-completion accounting it is possible that estimates will be revised as project work progresses. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined.

Table of Contents

Recent Accounting Pronouncements

In January 2003 and December 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46), and its revision, FIN 46-R, respectively. FIN 46 and FIN 46-R addresses the consolidation of entities whose equity holders have either not provided sufficient equity at risk to allow the entity to finance its own activities or do not possess certain characteristics of a controlling financial interest. FIN 46 and FIN 46-R require the consolidation of these entities, known as variable interest entities (VIEs), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that is subject to a majority of the risk of loss from the VIE s activities, entitled to receive a majority of the VIE s residual returns, or both. FIN 46 and FIN 46-R are applicable for financial statements of public entities that have interests in VIEs or potential VIEs referred to as special purpose entities for periods ending after December 15, 2003, of which we had none. Application by public entities for all other types of entities is required in financial statements for periods ending after March 15, 2004. We have applied the provisions of FIN 46 and the adoption was not material to our consolidated financial position and results of operations. We continue to evaluate our investments to determine which, if any, will be impacted by the adoption of FIN 46-R. The adoption of FIN 46-R is not expected to have a material impact on our consolidated financial position or results of operations.

Information Presented Pursuant to the Indenture of Our 9 $^{3}/8\%$ Notes

The following table sets forth information that is presented solely to address certain reporting requirements contained in the indenture for our 9 $^{3}/8\%$ Notes. This information presents certain of our financial data on a consolidated basis and on a restricted group basis, as defined in the indenture governing the senior notes. All of our subsidiaries are part of the restricted group, except our wholly owned subsidiary Verestar. In December 2002, we committed to a plan to dispose of Verestar by sale by December 31, 2003. In December 2003, Verestar filed for protection under the federal bankruptcy laws and ceased to be included in the accompanying consolidated financial statements from the filing date forward. Accordingly, the results of operations related to Verestar have been included in loss from discontinued operations in our accompanying consolidated statements of operations through the date of the bankruptcy filing in December 2003.

	Consolidated		Restricted Group	
	Year Ended December 31,		Year Ended December 31,	
	2003	2002	2003	2002
	(In thousands)			
Operating revenues	$ 715,144	$ 675,082	$ 715,144	$ 675,082
Total operating expenses	716,931	822,695	716,931	822,695
Total other expense	315,193	252,885	315,193	252,885
Loss from continuing operations before income taxes, minority interest and loss on equity method investments	(316,980)	(400,498)	(316,980)	(400,498)
Income tax benefit	77,509	78,973	77,509	78,973
Minority interest in net earnings of subsidiaries	(3,703)	(2,118)	(3,703)	(2,118)
Loss on equity method investments	(21,221)	(18,555)	(21,221)	(18,555)
Loss from continuing operations before cumulative effect of change in accounting principle	(264,395)	(342,198)	(264,395)	(342,198)
Loss from discontinued operations, net of tax	(60,926)	(258,724)	(26,464)	(17,149)

Loss before cumulative effect of change in accounting principle	$ (325,321)	$ (600,922)	$ (290,859)	$ (359,347)

Table of Contents

Information Presented Pursuant to the Indentures of Our 9 3/8% Notes, ATI 12.25% Notes and ATI 7.25% Notes

The following table sets forth information that is presented solely to address certain tower cash flow reporting requirements contained in the indentures for our 9 3/8% Notes and our ATI 12.25% Notes and ATI 7.25% Notes. The information contained in note 21 to our consolidated financial statements is also presented to address certain reporting requirements contained in the indentures for our ATI 12.25% Notes and ATI 7.25% Notes.

Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow for the Company and its restricted subsidiaries, as defined in the indentures for our 9 3/8% Notes, ATI 12.25% Notes and ATI 7.25% Notes, are as follows (in thousands):

	9 3/8% Notes	ATI 12.25% Notes and ATI 7.25% Notes
Tower Cash Flow, for the three months ended December 31, 2003	$ 106,542	$ 105,067
Consolidated Cash Flow, for the twelve months ended December 31, 2003	$ 382,503	$ 376,445
Less: Tower Cash Flow, for the twelve months ended December 31, 2003	(397,239)	(391,203)
Plus: four times Tower Cash Flow, for the three months ended December 31, 2003	426,168	420,268
Adjusted Consolidated Cash Flow, for the twelve months ended December 31, 2003	$ 411,432	$ 405,510
Non-Tower Cash Flow, for the twelve months ended December 31, 2003	$ (17,757)	$ (18,499)

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on long-term debt obligations. We attempt to reduce these risks by utilizing derivative financial instruments, namely interest rate caps, swaps, and collars pursuant to our policies. All derivative financial instruments are for purposes other than trading. For the year ended December 31, 2003, we prepaid $757.8 million of outstanding borrowings under our credit facilities and made scheduled principal payments under the term loans of $47.5 million. In addition, we issued $420.0 million of ATI 12.25% Notes with a principal at maturity of $808.0 million, $210.0 million of 3.25% Notes and $400.0 million of ATI 7.25% Notes. We also had two swaps and two collars expire with aggregate notional amounts totaling $400.0 million and $232.5 million, respectively.

The following tables provide information as of December 31, 2003 and 2002 about our market risk exposure associated with changing interest rates. For long-term debt obligations, the tables present principal cash flows by maturity date and average interest rates related to outstanding obligations. For interest rate caps, swaps and collars, the tables present notional principal amounts and weighted-average interest rates by contractual maturity dates.

As of December 31, 2003

Principal Payments and Interest Rate Detail by Contractual Maturity Dates (In thousands)

Long-Term Debt	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value
Fixed Rate Debt (a)	$ 1,869	$ 1,288	$ 228,776	$ 349,621	$ 808,043	$ 1,650,760	$ 3,040,357	$ 2,885,194
Average Interest Rate (a)	8.69%	8.85%	9.07%	9.99%	9.54%	6.68%		
Variable Rate Debt (a)	$ 75,753	$ 114,156	$ 136,275	$ 378,532			$ 704,716	$ 703,781
Average Interest Rate (a)								

Aggregate Notional Amounts Associated with Interest Rate Caps in Place

As of December 31, 2003 and Interest Rate Detail by Contractual Maturity Dates (In thousands)

Interest Rate CAPS	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value
Notional Amount	$ 500,000(c)							
Cap Rate (b)	5.00%							

As of December 31, 2002

Principal Payments and Interest Rate Detail by Contractual Maturity Dates (In thousands)

Long-Term Debt	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value
Fixed Rate Debt (a)	$ 213,858	$ 2,791	$ 1,405	$ 229,025	$ 450,012	$ 1,041,423	$ 1,938,514	$ 1,467,892
Average Interest Rate (a)	7.82%	7.82%	7.82%	8.04%	9.35%	9.35%		
Variable Rate Debt (a)	$ 56,000	$ 192,000	$ 243,000	$ 321,500	$ 697,500		$ 1,510,000	$ 1,510,000
Average Interest Rate (a)								

Aggregate Notional Amounts Associated with Interest Rate Caps, Swaps and Collars in Place

As of December 31, 2002 and Interest Rate Detail by Contractual Maturity Dates (In thousands)

	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value
Interest Rate CAPS								
Notional Amount	$ 500,000	$ 500,000(c)						$ 150
Cap Rate (b)	5.00%	5.00%						
Interest Rate SWAPS								
Notional Amount	$ 400,000(d)							$ (10,383)
Weighted-Average Fixed Rate Payable (b)	5.59%							
Interest Rate COLLARS								
Notional Amount	$ 232,500(e)							$ (5,307)
Weighted-Average Below Floor Rate Payable, Above Cap Rate Receivable (b)	5.96%, 8.18%							

Table of Contents

(a) As of December 31, 2003, variable rate debt consists of our credit facilities ($704.7 million) and fixed rate debt consists of: the 2.25% Notes ($0.1 million); the 6.25% Notes ($212.7 million); the 5.0% Notes ($349.4 million); the 3.25% Notes ($210.0 million); the ATI 7.25% Notes ($400.0 million); the ATI 12.25% Notes ($808.0 million principal amount due at maturity; the balance as of December 31, 2003 is $424.2 million accreted value, net of the allocated fair value of the related warrants of $44.2 million); the 9 3/8% Notes ($1.0 billion); and other debt of $60.2 million. Interest on the credit facilities is payable in accordance with the applicable London Interbank Offering Rate (LIBOR) agreement or quarterly and accrues at our option either at LIBOR plus margin (as defined) or the base rate plus margin (as defined). The weighted average interest rate in effect at December 31, 2003 for the credit facilities was 4.25%. For the year ended December 31, 2003, the weighted average interest rate under the credit facilities was 3.85%. The 2.25% and 6.25% Notes each bear interest (after giving effect to the accretion of the original discount on the 2.25% Notes) at 6.25% per annum, which is payable semiannually on April 15 and October 15 of each year. The 5.0% Notes bear interest at 5.0% per annum, which is payable semiannually on February 15 and August 15 of each year. The ATI 12.25% Notes bear interest (after giving effect to the accretion of the original discount and the accretion of the warrants) at 14.7% per annum, payable upon maturity. The 9 3/8% Notes bear interest at 9 3/8% per annum, which is payable semiannually on February 1 and August 1 of each year. The 3.25% Notes bear interest at 3.25% per annum, which is payable semiannually on February 1 and August 1 of each year. The ATI 7.25% Notes bear interest at 7.25% per annum, which is payable semiannually on June 1 and December 1 of each year. Other debt consists of notes payable, capital leases and other obligations bearing interest at rates ranging from 7.9% to 12.0%, payable monthly. In January 2004, we refinanced our $267.0 million term loan B under our credit facilities, with a new term loan C due December 31, 2007. The new term loan C has substantially the same terms as term loan B, except that the interest rate spreads for the LIBOR and base rate loans were reduced from 3.5% above LIBOR to 2.25% and from 2.5% above the base rate to 1.25%, respectively. In February 2004, we sold $225.0 million principal amount of 7.50% senior notes due 2012 through an institutional private placement. The net proceeds of the offering were approximately $221.7 million and were used to redeem all of our outstanding 6.25% Notes and to repurchase $4.5 million of our outstanding 5.0% Notes.

As of December 31, 2002 variable rate debt consists of our credit facilities ($1.51 billion) and fixed rate debt consists of the 2.25% Notes ($210.9 million), the 6.25% Notes ($212.7 million), the 5.0% Notes ($450.0 million), the 9 3/8% Notes ($1.0 billion) and other debt of $64.9 million. Interest on the credit facilities is payable in accordance with the applicable London Interbank Offering Rate (LIBOR) agreement or quarterly and accrues at our option either at LIBOR plus margin (as defined) or the base rate plus margin (as defined). The average interest rate in effect at December 31, 2002 for the credit facilities was 4.48%. For the year ended December 31, 2002, the weighted average interest rate under the credit facilities was 4.41%. The 2.25% and 6.25% Notes each bear interest (after giving effect to the accretion of the original discount on the 2.25% Notes) at 6.25% per annum, which is payable semiannually on April 15 and October 15 of each year. The 5.0% Notes bear interest at 5.0% per annum, which is payable semiannually on February 15 and August 15 of each year. The 9 3/8% Notes bear interest at 9 3/8% per annum, which is payable semiannually on February 1 and August 1 of each year beginning August 1, 2001. Other debt consists of notes payable, capital leases and other obligations bearing interest at rates ranging from 7.1% to 12.0%, payable monthly.

(b) Represents the weighted-average fixed rate or range of interest based on contract notional amount as a percentage of total notional amounts in a given year.
(c) Includes notional amounts of $125,000, $250,000 and $125,000 that will expire in May, June and July 2004, respectively.
(d) Includes notional amounts of $215,000 and $185,000 that expired in February and November 2003, respectively.
(e) Includes notional amounts of $185,000 and $47,500 that expired in May and June 2003, respectively.

We maintain a portion of our cash and cash equivalents and restricted cash and investments in short-term financial instruments that are subject to interest rate risks. Due to the relatively short duration of such instruments, we believe fluctuations in interest rates with respect to those investments will not materially affect our financial condition or results of operations. However, changes in interest rates can cause interest charges to

Table of Contents

fluctuate on our variable rate debt, comprised of $704.7 million under our credit facilities as of December 31, 2003. A 10% increase, or approximately 43 basis points, in current interest rates would cause an additional pre-tax charge to our net loss of $3.0 million for the year ended December 31, 2003. In addition, changes in interest rates can also cause our cash flows to fluctuate relative to interest payments on variable rate debt. As described above, an increase of 10%, or approximately 43 basis points, in current interest rates would cause our cash outflows to increase by $3.0 million for the year ended December 31, 2003.

Our foreign operations include rental and management segment divisions in Mexico and Brazil. The remeasurement loss (gain) for the years ended December 31, 2003, 2002 and 2001 approximated $1,142,000 $3,713,000 and $(207,000), respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 15(a).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

We have established disclosure controls and procedures to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

In February 2005, subsequent to the period covered by this report, our management determined that our previously issued financial statements should be restated to correct our accounting practices for ground leases underlying our tower sites. We undertook a review of our lease accounting practices as a result of changes in lease accounting announced by other public companies in January and February of 2005 and guidance provided by the Securities and Exchange Commission in its February 7, 2005 letter to the accounting industry. As a result of this review, our management determined that we should change the periods used to calculate depreciation and amortization expense and straight-line rent expense relating to certain of our tower assets and underlying ground leases. Accordingly, we restated our consolidated financial statements as of December 31, 2003 and 2002 and for each of the years ended December 31, 2003, 2002 and 2001, included in this Form 10-K/A. The restatement is further discussed in the Explanatory Note in the forepart of this Form 10-K/A and in note 2 to our consolidated financial statements included herein.

(a) *Evaluation of disclosure controls and procedures.* Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report in connection with the filing of our Form 10-K in March 2004. Based on that evaluation, our principal executive officer and principal financial officer concluded that these disclosure controls and procedures were effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the requisite time periods.

In connection with the restatement and the filing of this Form 10-K/A, our management, with the participation of our principal executive officer and principal financial officer, re-evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2003, the end of the period covered by this Form 10-K/A. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are not effective, as of the end of the period covered by this Form 10-K/A, in ensuring that material information relating to American Tower Corporation, required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the requisite time periods. The evaluation did not reveal any fraud, intentional misconduct or concealment on the part of our personnel. We have remediated the ineffectiveness of our disclosure controls and procedures by conducting a review of our lease accounting practices and correcting our accounting practices for depreciation and amortization expense and straight-line rent expense relating to certain of our tower assets and underlying ground leases.

(b) *Changes in internal controls.* There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) identified in connection with the evaluation of our internal control performed during the fiscal quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Based on the definition of material weakness in the Public Company Accounting Oversight Board Auditing Standard No. 2, An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements, restatement of financial statements in prior filings with the Securities and Exchange Commission is a strong indicator of the existence of a material weakness in the design or operation of internal control over financial reporting. Based on this interpretation, our management concluded that a material weakness existed in our internal control over financial reporting relating to the selection, application and monitoring of our accounting practices for depreciation and amortization expense and straight-line rent expense relating to certain of our tower assets and underlying ground leases. Our management disclosed this to the Audit Committee and to our independent registered public accountants. We have remediated the material weakness in internal control over financial reporting by conducting a review of our lease accounting practices and correcting our accounting practices for depreciation and amortization expense and straight-line rent expense relating to certain of our tower assets and underlying ground leases.

Table of Contents

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers and their respective ages and positions as of March 5, 2004 are set forth below:

James D. Taiclet, Jr.	43	Chairman, President and Chief Executive Officer
J. Michael Gearon, Jr.	38	Vice Chairman and President, American Tower International
Bradley E. Singer	37	Chief Financial Officer and Treasurer
Steven J. Moskowitz	40	Executive Vice President and President, U.S. Tower Division
William H. Hess	40	Executive Vice President and General Counsel
Timothy F. Allen	35	Vice President of Finance and Corporate Controller

James D. Taiclet, Jr. is our Chairman, President and Chief Executive Officer. Mr. Taiclet joined us in September 2001 as President and Chief Operating Officer, was named our Chief Executive Officer in October 2003, was elected as a director in November 2003, and was named our Chairman in February 2004. Prior to joining us, Mr. Taiclet had been President of Honeywell Aerospace Services, a part of Honeywell International, since March 1999. Mr. Taiclet was with United Technologies from March 1996 until March 1999, serving as Vice President, Pratt & Whitney Engine Services. Mr. Taiclet received a Masters in Public Affairs from Princeton University, where he was a Wilson Fellow, and is a graduate of the United States Air Force Academy.

J. Michael Gearon, Jr. is our Vice Chairman and President, American Tower International, and was a director from the time of our acquisition of Gearon Communications in January 1998 until May 2003. From January 1998 until January 2002, Mr. Gearon served as an Executive Vice President. Prior to joining us, Mr. Gearon had been the founder and Chief Executive Officer of Gearon Communications since September 1991. Mr. Gearon currently serves as a director of TV Azteca, S.A. de C.V. Mr. Gearon is a graduate of Georgia State University.

Bradley E. Singer is our Chief Financial Officer and Treasurer. Mr. Singer joined us in September 2000 as Executive Vice President, Strategy, and was appointed Vice President and General Manager of the Southeast Region in November 2000, positions he held until July 2001. He was appointed Executive Vice President, Finance in July 2001, and appointed to his current position in December 2001. Prior to joining us, Mr. Singer was an investment banker focusing on the telecommunications industry with Goldman, Sachs & Co., which he joined in 1997. Mr. Singer received an M.B.A. degree from Harvard University, and is a graduate of the University of Virginia.

Steven J. Moskowitz is our Executive Vice President and President, U.S. Tower Division. Mr. Moskowitz joined us in January 1998, initially as a Vice President and General Manager of our Northeast Region, and was appointed Executive Vice President, Marketing, and Vice President and General Manager of our Northeast Region in March 1999. He was named Executive Vice President, U.S. Tower Division in January 2002 and named President of the U.S. Tower Division in October 2003. Prior to joining us, Mr. Moskowitz had served as a Vice President of The Katz Media Group, the largest broadcast media representation firm in the United States, since 1989. Mr. Moskowitz received his undergraduate degree from Temple University.

William H. Hess is our Executive Vice President and General Counsel. Mr. Hess joined us in 2001 as Chief Financial Officer of American Tower International, and was appointed Executive Vice President in May 2001. Mr. Hess was appointed to his current position in September 2002. Prior to joining us, Mr. Hess had been a partner with the law firm of King & Spalding, LLP, which he joined in 1990. Mr. Hess received a J.D. degree from Vanderbilt University Law School, and is a graduate of Harding University.

Table of Contents

Timothy F. Allen is our Vice President of Finance and Corporate Controller. Mr. Allen joined us in February 1999 as Manager of Financial Reporting and was appointed Vice President of Finance in February 2002. Mr. Allen was appointed to his current position in April 2003. Prior to joining us, Mr. Allen was a senior manager with the accounting firm of KPMG LLP. Mr. Allen is a graduate of Providence College.

The information under Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance from the Definitive Proxy Statement is hereby incorporated by reference herein. Information required by this item pursuant to Item 401(h) and 401(i) of Regulation S-K relating to our audit committee financial experts and identification of the audit committee of our board of directors is contained in the Definitive Proxy Statement under Corporate Governance and is incorporated herein by reference.

Information regarding our code of ethics applicable to our principal executive officer, our principal financial officer, our controller and other senior financial officers appears in Item 1 of this report. See Business Available Information.

ITEM 11. EXECUTIVE COMPENSATION

The information under Compensation and Other Information Concerning Directors and Officers from the Definitive Proxy Statement is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

AND RELATED STOCKHOLDER MATTERS

The information under Security Ownership of Certain Beneficial Owners and Management and Securities Authorized for Issuance Under Equity Compensation Plans from the Definitive Proxy Statement is hereby incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under Certain Relationships and Related Transactions from the Definitive Proxy Statement is hereby incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information under Independent Auditor Fees and Other Matters from the Definitive Proxy Statement is hereby incorporated by reference herein.

48

Table of Contents

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) *Financial Statements and Schedules.* See Index to Consolidated Financial Statements, which appears on page F-1 hereof. All schedules are omitted because they are not applicable or because the required information is contained in the consolidated financial statements or notes included in this annual report on Form 10-K/A.

(b) *Reports on Form 8-K.*

Form 8-K (Items 5 and 7) filed on October 3, 2003.

Form 8-K (Items 5 and 7) filed on October 10, 2003.

Form 8-K (Items 5 and 7) filed on October 23, 2003.

Form 8-K (Items 5, 7 and 12) filed on October 30, 2003.

Form 8-K (Items 5 and 7) filed on November 4, 2003.

Form 8-K (Items 5 and 7) filed on December 18, 2003.

Form 8-K (Items 5 and 7) filed on December 23, 2003.

(c) *Exhibits.* The exhibits listed on the Exhibit Index hereof are filed herewith in response to this Item.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 29th day of March 2005.

AMERICAN TOWER CORPORATION

By: /s/ JAMES D. TAICLET, Jr.

James D. Taiclet, Jr.

Chairman, President and

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been duly signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JAMES D. TAICLET, Jr. **James D. Taiclet, Jr.**	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 29, 2005
/s/ BRADLEY E. SINGER **Bradley E. Singer**	Chief Financial Officer and Treasurer (Principal Financial Officer)	March 29, 2005
/s/ TIMOTHY F. ALLEN **Timothy F. Allen**	Vice President of Finance and Corporate Controller (Principal Accounting Officer)	March 29, 2005
/s/ RAYMOND P. DOLAN **Raymond P. Dolan**	Director	March 29, 2005
/s/ CAROLYN F. KATZ **Carolyn F. Katz**	Director	March 29, 2005
/s/ GUSTAVO LARA CANTU **Gustavo Lara Cantu**	Director	March 29, 2005
/s/ FRED R. LUMMIS	Director	March 29, 2005

Fred R. Lummis

/s/ PAMELA D.A. REEVE	Director	March 29, 2005
Pamela D. A. Reeve		

Table of Contents

AMERICAN TOWER CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

(RESTATED)

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2003 and 2002	F-3
Consolidated Statements of Operations for the Years Ended December 31, 2003, 2002 and 2001	F-4
Consolidated Statements of Stockholders Equity for the Years Ended December 31, 2003, 2002 and 2001	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001	F-6
Notes to Consolidated Financial Statements	F-7

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of

American Tower Corporation:

We have audited the accompanying consolidated balance sheets of American Tower Corporation and subsidiaries (the Company) as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1 and 9 to the consolidated financial statements, in 2001 the Company adopted the provisions of Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Also, as discussed in notes 1 and 6 to the consolidated financial statements, in 2002 the Company adopted Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets.

As described in note 2 to the consolidated financial statements, the financial statements for all periods presented have been restated to correct the Company s accounting practices for ground leases underlying its tower sites.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

March 12, 2004

(March 29, 2005 as to the effects of note 2)

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2003 and 2002

(in thousands, except share data)

	2003 (as restated, see note 2)	2002 (as restated, see note 2)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 105,465	$ 127,292
Restricted cash and investments	170,036	
Accounts receivable, net of allowances	57,735	64,889
Prepaid and other current assets	34,105	49,324
Costs and earnings in excess of billings on uncompleted contracts and unbilled receivables	19,933	21,955
Deferred income taxes	14,122	13,111
Assets held for sale	10,119	314,205
Total current assets	411,515	590,776
PROPERTY AND EQUIPMENT, net	2,488,350	2,650,490
OTHER INTANGIBLE ASSETS, net	1,019,861	1,106,756
GOODWILL, net	592,683	592,683
DEFERRED INCOME TAXES	502,737	425,616
NOTES RECEIVABLE AND OTHER LONG-TERM ASSETS	275,508	261,996
TOTAL	$ 5,290,654	$ 5,628,317
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 107,557	$ 113,380
Accrued interest	59,734	63,611
Current portion of long-term obligations	77,622	269,858
Billings in excess of costs on uncompleted contracts and unearned revenue	41,449	38,733
Liabilities held for sale	8,416	200,696
Total current liabilities	294,778	686,278
LONG-TERM OBLIGATIONS	3,283,603	3,178,656
OTHER LONG-TERM LIABILITIES	83,496	86,958
Total liabilities	3,661,877	3,951,892
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARIES	18,599	15,567

STOCKHOLDERS EQUITY:		
Preferred Stock: $.01 par value; 20,000,000 shares authorized; no shares issued or outstanding		
Class A Common Stock: $.01 par value; 500,000,000 shares authorized; 211,855,658 and 185,643,625 shares issued, 211,710,437 and 185,499,028 shares outstanding, respectively	2,119	1,856
Class B Common Stock: $.01 par value; 50,000,000 shares authorized; 6,969,529 and 7,917,070 shares issued and outstanding, respectively	70	79
Class C Common Stock: $.01 par value; 10,000,000 shares authorized; 1,224,914 and 2,267,813 shares issued and outstanding, respectively	12	23
Additional paid-in capital	3,910,879	3,642,019
Accumulated deficit	(2,291,816)	(1,966,495)
Accumulated other comprehensive loss		(5,564)
Note receivable	(6,720)	(6,720)
Treasury stock (145,221 and 144,597 shares at cost)	(4,366)	(4,340)
Total stockholders equity	1,610,178	1,660,858
TOTAL	$ 5,290,654	$ 5,628,317

See notes to consolidated financial statements.

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2003, 2002, and 2001

(in thousands, except per share data)

	2003	2002	2001
	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)
REVENUES:			
Rental and management	$ 619,697	$ 544,906	$ 431,051
Network development services	95,447	130,176	223,926
Total operating revenues	715,144	675,082	654,977
OPERATING EXPENSES:			
Rental and management	236,680	242,801	221,759
Network development services	88,943	118,591	199,568
Depreciation and amortization	332,785	329,702	356,713
Corporate general, administrative and development expense	26,867	30,229	34,310
Impairments, net loss on sale of long-lived assets and restructuring expense	31,656	101,372	79,496
Total operating expenses	716,931	822,695	891,846
OPERATING LOSS FROM CONTINUING OPERATIONS	(1,787)	(147,613)	(236,869)
OTHER INCOME (EXPENSE):			
Interest income, TV Azteca, net of interest expense of $1,496, $1,494 and $1,160, respectively	14,222	13,938	14,377
Interest income	5,255	3,496	28,372
Interest expense	(279,875)	(254,446)	(267,199)
Loss on retirement of long-term obligations	(46,197)	(8,869)	(26,336)
Other expense	(8,598)	(7,004)	(27,838)
Total other expense	(315,193)	(252,885)	(278,624)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND LOSS ON EQUITY METHOD INVESTMENTS	(316,980)	(400,498)	(515,493)
Income tax benefit	77,509	78,973	113,721
Minority interest in net earnings of subsidiaries	(3,703)	(2,118)	(318)
Loss on equity method investments	(21,221)	(18,555)	(10,957)
LOSS FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(264,395)	(342,198)	(413,047)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT OF $12,034, $30,531 AND $14,755, RESPECTIVELY	(60,926)	(258,724)	(58,990)

LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(325,321)	(600,922)	(472,037)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF INCOME TAX BENEFIT OF $14,438		(562,618)	
NET LOSS	$ (325,321)	$ (1,163,540)	$ (472,037)
BASIC AND DILUTED LOSS PER COMMON SHARE AMOUNTS:			
Loss from continuing operations before cumulative effect of change in accounting principle	$ (1.27)	$ (1.75)	$ (2.15)
Loss from discontinued operations	(0.29)	(1.32)	(0.31)
Cumulative effect of change in accounting principle		(2.88)	
NET LOSS PER COMMON SHARE	$ (1.56)	$ (5.95)	$ (2.46)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	208,098	195,454	191,586

See notes to consolidated financial statements.

Table of Contents

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Years Ended December 31, 2003, 2002, and 2001 (as restated, see note 2)

(in thousands, except share data)

	Common Stock Class A		Common Stock Class B		Common Stock Class C		Treasury Stock							
	Issued Shares	Amount	Issued Shares	Amount	Issued Shares	Amount	Shares	Amount	Note Receivable	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders Equity	Total Comprehensive Loss
BALANCE, JANUARY 1, 2001 (as previously reported)	170,180,549	$ 1,701	8,095,005	$ 81	2,267,813	$ 23	(144,597)	$ (4,340)		$ 3,174,622		$ (295,057)	$ 2,877,030	
Prior years adjustment (see note 2)												(35,861)	(35,861)	
BALANCE, JANUARY 1, 2001 (as restated, see note 2)	170,180,549	1,701	8,095,005	81	2,267,813	23	(144,597)	(4,340)		3,174,622		(330,918)	2,841,169	
2.25% convertible notes exchanged for common stock	3,962,537	40								86,403			86,443	
Issuance of common stock - January offering and March transaction	10,100,000	101								363,150			363,251	
Issuance of common stock, options, and warrants - mergers	377,394	4								8,454			8,458	
Issuance of common stock - Employee Stock Purchase Plan	231,257	2								2,750			2,752	
Issuance of note to executive officer (secured by class A common stock)									$ (6,720)				(6,720)	