

CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
November 08, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013
OR

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

For the transition period _____ to _____

Commission File Number 001-16441

CROWN CASTLE INTERNATIONAL
CORP.

(Exact name of registrant as specified in its charter)

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

1220 Augusta Drive, Suite 600, Houston, Texas 77057-2261
(Address of principal executives office) (Zip Code)
(713) 570-3000
(Registrant's telephone number, including area code)

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

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

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

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Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

Number of shares of common stock outstanding at November 1, 2013: 334,070,455

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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Cautionary Language Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements that are based on our management's expectations as of the filing date of this report with the SEC. Statements that are not historical facts are hereby identified as forward-looking statements. In addition, words such as "estimate," "anticipate," "project," "plan," "intend," "believe," "expect," "likely," "predicted," forms of these words and similar expressions are intended to identify forward-looking statements. Such statements include plans, projections and estimates contained in "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part I—Item 3. Quantitative and Qualitative Disclosures About Market Risk" herein. Such forward-looking statements include (1) expectations regarding anticipated growth in the wireless communication industry, carriers' investments in their networks, new tenant additions, cancellations of customer contracts, including the impact of the iDEN network decommissioning, customer consolidation or ownership changes, and demand for our towers and small cell networks, (2) availability of cash flows and liquidity for, and plans regarding, future discretionary investments including capital expenditures, (3) anticipated growth in our future revenues, margins, Adjusted EBITDA and operating cash flows, (4) expectations regarding the credit markets, our availability and cost of capital, and our ability to service our debt and comply with debt covenants, (5) our intention to convert to a real estate investment trust ("REIT"), and the timing and impact thereof on our financial statements and our expected dividend policy, (6) the potential advantages, benefits and impact of, and opportunities created by, converting to a REIT, (7) our intention to pursue certain steps and corporate actions in connection with our potential REIT conversion, including our future inclusion of REIT-related ownership limitations and transfer restrictions related to our capital stock, (8) our expected dividend policy and the timing and the amount and growth of any dividends, (9) timing of the Proposed AT&T Transaction (as defined below) and (10) financing and funding of the Proposed AT&T Transaction.

Such forward-looking statements are subject to certain risks, uncertainties and assumptions, including prevailing market conditions, risk factors described under "Part II—Item 1A. Risk Factors" herein and in "Item 1A. Risk Factors"

of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 ("2012 Form 10-K") and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected. As used herein, the term "including," and any variation of thereof, means "including without limitation." The use of the word "or" herein is not exclusive.

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands of dollars, except share amounts)

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$218,649	\$441,364
Restricted cash	157,699	575,938
Receivables, net	236,211	192,833
Prepaid expenses	117,866	103,808
Deferred income tax assets	189,878	193,420
Other current assets	79,500	73,961
Total current assets	999,803	1,581,324
Deferred site rental receivables, net	1,031,966	864,819
Property and equipment, net of accumulated depreciation of \$4,611,200 and \$4,249,183, respectively	6,904,346	6,917,531
Goodwill	3,140,308	3,119,957
Other intangible assets, net	2,821,812	2,941,696
Deferred income tax assets	21,311	33,914
Long-term prepaid rent, deferred financing costs and other assets, net	648,026	629,468
Total assets	\$15,567,572	\$16,088,709
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$119,689	\$115,999
Accrued interest	64,571	52,592
Deferred revenues	248,807	241,127
Other accrued liabilities	131,273	140,084
Current maturities of debt and other obligations	115,378	688,056
Total current liabilities	679,718	1,237,858
Debt and other long-term obligations	10,660,076	10,923,186
Deferred income tax liabilities	153,967	65,830
Below-market tenant leases, deferred ground lease payable and other liabilities	1,076,521	910,571
Total liabilities	12,570,282	13,137,445
Commitments and contingencies (note 8)		
CCIC stockholders' equity:		
Common stock, \$.01 par value; 600,000,000 shares authorized; shares issued and outstanding: September 30, 2013—292,675,430 and December 31, 2012—293,164,786	2,927	2,932
Additional paid-in capital	5,553,717	5,623,595
Accumulated other comprehensive income (loss)	(61,339)	(61,791)
Accumulated deficit	(2,512,333)	(2,625,990)
Total CCIC stockholders' equity	2,982,972	2,938,746
Noncontrolling interest	14,318	12,518
Total equity	2,997,290	2,951,264
Total liabilities and equity	\$15,567,572	\$16,088,709

See notes to condensed consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2013	2012	2013	2012
Net revenues:				
Site rental	\$620,766	\$538,761	\$1,853,030	\$1,553,878
Network services and other	128,211	82,576	370,935	204,715
Net revenues	748,977	621,337	2,223,965	1,758,593
Operating expenses:				
Costs of operations ^(a) :				
Site rental	181,966	135,314	538,587	389,756
Network services and other	81,998	50,029	229,574	121,812
General and administrative	58,504	55,862	171,539	153,941
Asset write-down charges	3,893	1,560	10,705	8,250
Acquisition and integration costs	4,369	2,937	13,186	12,112
Depreciation, amortization and accretion	195,408	154,867	572,518	446,749
Total operating expenses	526,138	400,569	1,536,109	1,132,620
Operating income (loss)	222,839	220,768	687,856	625,973
Interest expense and amortization of deferred financing costs	(142,016)	(144,949)	(446,641)	(427,361)
Gains (losses) on retirement of long-term obligations	(1)	—	(36,487)	(14,586)
Interest income	236	291	861	1,027
Other income (expense)	(631)	(632)	(753)	(3,958)
Income (loss) before income taxes	80,427	75,478	204,836	181,095
Benefit (provision) for income taxes	(33,959)	(32,300)	(88,254)	29,437
Net income (loss)	46,468	43,178	116,582	210,532
Less: Net income (loss) attributable to the noncontrolling interest	632	1,133	2,925	2,443
Net income (loss) attributable to CCIC stockholders	45,836	42,045	113,657	208,089
Dividends on preferred stock	—	—	—	(2,629)
Net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock	\$45,836	\$42,045	\$113,657	\$205,460
Net income (loss)	\$46,468	\$43,178	\$116,582	\$210,532
Other comprehensive income (loss):				
Interest rate swaps, net of taxes of \$5,678, \$5,705, \$17,054, and \$11,415, respectively:				
Amounts reclassified into "interest expense and amortization of deferred financing costs", net of taxes (see note 4)	10,544	10,594	31,671	37,541
Foreign currency translation adjustments	5,874	6,876	(32,344)	7,120
Total other comprehensive income (loss)	16,418	17,470	(673)	44,661
Comprehensive income (loss)	62,886	60,648	115,909	255,193
Less: Comprehensive income (loss) attributable to the noncontrolling interest	898	1,171	1,800	1,741
Comprehensive income (loss) attributable to CCIC stockholders	\$61,988	\$59,477	\$114,109	\$253,452
Net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share:				

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Basic	\$0.16	\$0.14	\$0.39	\$0.71
Diluted	\$0.16	\$0.14	\$0.39	\$0.71
Weighted-average common shares outstanding (in thousands):				
Basic	290,372	290,762	290,900	288,775
Diluted	291,378	292,098	292,043	290,527

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

See notes to condensed consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In thousands of dollars)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ 116,582	\$ 210,532
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation, amortization and accretion	572,518	446,749
Gains (losses) on retirement of long-term obligations	36,487	14,586
Amortization of deferred financing costs and other non-cash interest	78,241	74,269
Stock-based compensation expense	29,334	33,573
Asset write-down charges	10,705	8,250
Deferred income tax benefit (provision)	80,999	(35,140)
Other adjustments	2,167	13
Changes in assets and liabilities, excluding the effects of acquisitions:		
Increase (decrease) in accrued interest	11,979	(11,525)
Increase (decrease) in accounts payable	8,279	(494)
Increase (decrease) in deferred revenues, deferred ground lease payables, other accrued liabilities and other liabilities	127,463	31,230
Decrease (increase) in receivables	(45,689)	(44,213)
Decrease (increase) in prepaid expenses, deferred site rental receivables, long-term prepaid rent, restricted cash and other assets	(190,199)	(203,372)
Net cash provided by (used for) operating activities	838,866	524,458
Cash flows from investing activities:		
Payments for acquisitions of businesses, net of cash acquired	(55,131)	(1,236,238)
Capital expenditures	(385,482)	(283,386)
Other investing activities, net	7,601	1,244
Net cash provided by (used for) investing activities	(433,012)	(1,518,380)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	830,941	2,100,000
Proceeds from issuance of capital stock	—	239
Principal payments on debt and other long-term obligations	(77,986)	(59,579)
Purchases and redemptions of long-term debt	(675,481)	(699,486)
Purchases of capital stock	(99,217)	(35,984)
Borrowings under revolving credit facility	94,000	—
Payments under revolving credit facility	(1,092,000)	(251,000)
Payments for financing costs	(20,753)	(40,255)
Net (increase) decrease in restricted cash	415,498	19,533
Dividends on preferred stock	—	(2,481)
Net cash provided by (used for) financing activities	(624,998)	1,030,987
Effect of exchange rate changes on cash	(3,571)	1,718
Net increase (decrease) in cash and cash equivalents	(222,715)	38,783
Cash and cash equivalents at beginning of period	441,364	80,120
Cash and cash equivalents at end of period	\$ 218,649	\$ 118,903

See notes to condensed consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK
AND EQUITY

(In thousands of dollars, except share amounts) (Unaudited)

	CCIC Stockholders		Additional Paid-In Capital	AOCI			Noncontrolling Interest	Total	
	Redeemable Convertible Preferred Stock	Common Stock		Foreign Currency Translation Adjustments	Derivative Instruments, net of tax	Accumulated Deficit			
	Shares	(\$.01 Par)							
Balance, July 1, 2013	—	\$292,685,462	\$2,927	\$5,544,205	\$65,298	\$(142,789)	\$(2,558,169)	\$13,420	\$2,924,892
Stock-based compensation related activity, net of forfeitures	—	(5,001)	—	9,862	—	—	—	—	9,862
Purchases and retirement of capital stock	—	(5,031)	—	(350)	—	—	—	—	(350)
Other comprehensive income (loss) ^(a)	—	—	—	—	5,608	10,544	—	266	16,418
Net income (loss)	—	—	—	—	—	—	45,836	632	46,468
Balance, September 30, 2013	—	\$292,675,430	\$2,927	\$5,553,717	\$70,906	\$(132,245)	\$(2,512,333)	\$14,318	\$2,997,290

	CCIC Stockholders		Additional Paid-In Capital	AOCI			Noncontrolling Interest	Total	
	Redeemable Convertible Preferred Stock	Common Stock		Foreign Currency Translation Adjustments	Derivative Instruments, net of tax	Accumulated Deficit			
	Shares	(\$.01 Par)							
Balance, July 1, 2012	—	\$293,038,013	\$2,930	\$5,599,106	\$96,028	\$(185,093)	\$(2,648,530)	\$1,557	\$2,865,998
Stock-based compensation related activity, net of forfeitures	—	127,860	2	16,468	—	—	—	—	16,470
	—	(4,804)	—	(311)	—	—	—	—	(311)

Purchases and retirement of capital stock									
Other comprehensive income (loss) ^(a)	—	—	—	6,838	10,594	—	38	17,470	
Disposition of noncontrolling interest	—	—	—	—	—	—	—	—	
Net income (loss)	—	—	—	—	—	42,045	1,133	43,178	
Balance, September 30, 2012	—\$—293,161,069	\$2,932	\$5,615,263	\$102,866	\$(174,499)	\$(2,606,485)	\$2,728	\$2,942,805	

^(a) See the statement of operations and other comprehensive income (loss) for the components of "other comprehensive income (loss)" and note 4 with respect to the reclassification adjustment.

See notes to condensed consolidated financial statements.

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	CCIC Stockholders							
	Redeemable Convertible Preferred Common Stock			AOCI				
	Shares	Amount	Additional Paid-In Capital	Foreign Currency Translation Adjustments	Derivative Instruments, net of tax	Accumulated Deficit	Noncontrolling Interest	Total
Balance, January 1, 2013	\$ 293,164,786	\$ 2,932	\$ 5,623,595	\$ 102,125	\$(163,916)	\$(2,625,990)	\$ 12,518	\$ 2,951,264
Stock-based compensation related activity, net of forfeitures	936,946	9	29,325	—	—	—	—	29,334
Purchases and retirement of capital stock	(1,426,302)	(14)	(99,203)	—	—	—	—	(99,217)
Other comprehensive income (loss) ^(a)	—	—	—	(31,219)	31,671	—	(1,125)	(673)
Net income (loss)	—	—	—	—	—	113,657	2,925	116,582
Balance, September 30, 2013	\$ 292,675,430	\$ 2,927	\$ 5,553,717	\$ 70,906	\$(132,245)	\$(2,512,333)	\$ 14,318	\$ 2,997,290

	CCIC Stockholders									
	Redeemable Convertible Preferred Stock			Common Stock			AOCI			
	Shares	Amount	Shares	(\$01 Par)	Additional Paid-In Capital	Foreign Currency Translation Adjustments	Derivative Instruments, net of tax	Accumulated Deficit	Noncontrolling Interest	Total
Balance, January 1, 2012	6,111,000	\$ 305,032	284,449,372	\$ 2,844	\$ 5,312,342	\$ 95,044	\$(212,040)	\$(2,811,945)	\$ 619	\$ 2,997,290
Stock-based compensation related activity, net of forfeitures	—	—	1,124,969	12	33,801	—	—	—	—	33,813
Purchases and retirement of capital stock	—	—	(699,177)	(7)	(35,977)	—	—	—	—	(35,977)
Conversion of redeemable preferred stock into common	(6,111,000)	(305,180)	8,285,905	83	305,097	—	—	—	—	305,097

stock										
Other										
comprehensive income (loss) ^(a)	—	—	—	—	—	7,822	37,541	—	(702)	44
Dividends on preferred stock and amortization of issue costs	—	148	—	—	—	—	—	(2,629)	—	(2)
Disposition of noncontrolling interest	—	—	—	—	—	—	—	—	368	36
Net income (loss)	—	—	—	—	—	—	—	208,089	2,443	21
Balance, September 30, 2012	—	\$—	293,161,069	\$2,932	\$5,615,263	\$102,866	\$(174,499)	\$(2,606,485)	\$2,728	\$2

^(a) See the statement of operations and other comprehensive income (loss) for the components of "other comprehensive income (loss)" and note 4 with respect to the reclassification adjustment.

See notes to condensed consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited
(Tabular dollars in thousands, except per share amounts)

1. General

The information contained in the following notes to the consolidated financial statements is condensed from that which would appear in the annual consolidated financial statements; accordingly, the consolidated financial statements included herein should be reviewed in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2012, and related notes thereto, included in the 2012 Form 10-K filed by Crown Castle International Corp. ("CCIC") with the SEC. All references to the "Company" include CCIC and its subsidiary companies unless otherwise indicated or the context indicates otherwise.

The Company owns, operates and leases shared wireless infrastructure, including: (1) towers, (2) DAS, a type of small cell network, and (3) third party land interests. The Company conducts operations through subsidiaries of CCOC, including (1) certain subsidiaries which operate wireless infrastructure portfolios in the United States, including Puerto Rico ("U.S." or "CCUSA") and (2) a 77.6% owned subsidiary that operates towers in Australia (referred to as "CCAL"). The Company's core business is providing access, including space or capacity, to (1) its approximately 31,600 towers (of which approximately 29,900 towers are in CCUSA and approximately 1,700 towers are in CCAL) and, to a lesser extent, to (2) its small cell networks, and (3) third party land interests, to wireless communication companies via long-term contracts in various forms. As further discussed in the 2012 Form 10-K, approximately 12,700 of the Company's towers are leased or operated under master leases and subleases. See also note 13 for a description of the Proposed AT&T Transaction (as defined below).

As part of CCUSA's efforts to provide comprehensive wireless infrastructure solutions, it offers certain network services relating to its wireless infrastructure, consisting of (1) customer equipment installation and subsequent augmentation (collectively, "installation services") and (2) the following additional site development services relating to existing and new antenna installations on its wireless infrastructure: site acquisition, architectural and engineering, zoning and permitting, other construction and network development related services.

Basis of Presentation

The condensed consolidated financial statements included herein are unaudited; however, they include all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to fairly state the consolidated financial position of the Company at September 30, 2013, and the consolidated results of operations and the consolidated cash flows for the nine months ended September 30, 2013 and 2012. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the entire year.

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

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the Company's consolidated financial statements are disclosed in the Company's 2012 Form 10-K.

New Accounting Pronouncements

No accounting pronouncements adopted during the nine months ended September 30, 2013 had a material impact on the Company's consolidated financial statements. No new accounting pronouncements issued during the nine months ended September 30, 2013 but not yet adopted are expected to have a material impact on the Company's consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)
 (Tabular dollars in thousands, except per share amounts)

3. Acquisitions

NextG Networks Acquisition

During the second quarter of 2013, the Company finalized the purchase price allocation for the NextG Acquisition. The final purchase price allocation is approximately the same as the preliminary purchase price allocation disclosed in the Company's 2012 Form 10-K.

T-Mobile Acquisition

In September 2012, the Company entered into a definitive agreement with T-Mobile to acquire the exclusive rights to lease, operate or otherwise acquire approximately 7,100 T-Mobile towers for approximately \$2.5 billion. On November 30, 2012, the Company closed on the T-Mobile Acquisition. Upon closing, the Company obtained the exclusive right to lease and operate the T-Mobile towers (that are otherwise not owned by the Company). See the 2012 Form 10-K for further discussion of the terms of the T-Mobile lease including the purchase option. The Company utilized cash on hand, inclusive of the proceeds from the 5.25% Senior Notes, and borrowings from the 2012 Revolver to fund the T-Mobile Acquisition.

The purchase price and the purchase price allocation for the T-Mobile Acquisition is not finalized as of September 30, 2013. As such, the preliminary purchase price allocation presented below is based upon a preliminary valuation which is subject to change as the Company obtains additional information, including with respect to fixed assets, intangible assets, deferred taxes and certain liabilities. The principal changes in the preliminary purchase price allocation between December 31, 2012 and September 30, 2013 relate to (1) a \$37.8 million increase in property and equipment, (2) a \$45.0 million increase to the above-market lease deferred credit and (3) a corresponding increase in goodwill. The effect of the change in the preliminary purchase price allocation on the Company's Statement of Operations and Comprehensive Income (Loss) is immaterial to the periods presented. The preliminary purchase price allocation for the T-Mobile Acquisition, as of September 30, 2013, is shown below.

	Preliminary Purchase Price Allocation Presented September 30, 2013
Current assets	\$17,854
Property and equipment	1,497,204
Goodwill ^(a)	432,148
Other intangible assets, net	407,000
Deferred income tax assets	207,929
Below-market tenant leases and other non-current liabilities ^(b)	(76,349)
Net assets acquired	\$2,485,786

The preliminary purchase price allocation for the T-Mobile Acquisition resulted in the recognition of goodwill at (a) CCUSA primarily because of the anticipated growth opportunities in the tower portfolio. \$371.3 million of the goodwill balance recorded is not expected to be deductible for tax purposes.

(b) Inclusive of above-market leases for land interests under the Company's towers.

Unaudited Pro Forma Operating Results

The unaudited pro forma condensed consolidated results of operations combine the historical results of the Company, along with the historical results of the WCP Acquisition, NextG Acquisition and T-Mobile Acquisition (collectively, "2012 Acquisitions") for the period presented below. The following table presents the unaudited pro forma condensed consolidated results of operations of the Company for the period presented as if each acquisition was completed as of January 1, 2011. The unaudited pro forma amounts are presented for illustrative purposes only and are not necessarily indicative of future consolidated results of operations.

	Nine Months Ended September 30, 2012	
Net revenues	\$1,997,824	(a)
Net income (loss)	\$197,262	(b)(c)
Basic net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share	\$0.67	
Diluted net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share	\$0.66	

Amounts are inclusive of pro forma adjustments to increase net revenues of \$197.2 million that we expect to (a) recognize related to the T-Mobile towers, inclusive of T-Mobile's contracted lease of space on the towers acquired in the T-Mobile Acquisition.

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(b) Amounts are inclusive of pro forma adjustments to increase depreciation and amortization of \$107.5 million related to property and equipment and intangibles recorded as a result of the combined effect of the 2012 Acquisitions.

(c) The pro forma adjustments are tax effected using the federal statutory rate and no adjustment was made with respect to the Company's reversal of valuation allowance.

See also note 13 for a description of the Proposed AT&T Transaction.

4. Debt and Other Obligations

	Original Issue Date	Contractual Maturity Date	Outstanding Balance as of September 30, 2013	Outstanding Balance as of December 31, 2012	Stated Interest Rate as of September 30, 2013(a)	
Bank debt - variable rate:						
2012 Revolver	Jan. 2012	Jan. 2017	(b) 255,000	(b) 1,253,000	2.7	%(c)
Tranche A Term Loans	Jan. 2012	Jan. 2017	462,500	481,250	2.7	%(c)
Tranche B Term Loans ^(d)	Jan. 2012	Jan. 2019	2,370,100	1,584,000	3.3	%(d)
Total bank debt			3,087,600	3,318,250		
Securitized debt - fixed rate:						
January 2010 Tower Revenue Notes	Jan. 2010	2035 - 2040	(e) 1,900,000	1,900,000	5.8	%(e)
August 2010 Tower Revenue Notes	Aug. 2010	2035 - 2040	(e) 1,550,000	1,550,000	4.5	%(e)
2009 Securitized Notes	July 2009	2019/2029	(f) 184,474	198,463	7.3	%
WCP Securitized Notes	Jan. 2010	Nov. 2040	(g) 291,514	(g) 307,739	5.6	%
Total securitized debt			3,925,988	3,956,202		
Bonds - fixed rate:						
9% Senior Notes	Jan. 2009	Jan. 2015	—	304,718	N/A	
7.75% Secured Notes	Apr. 2009	May 2017	—	291,394	N/A	
7.125% Senior Notes	Oct. 2009	Nov. 2019	498,275	498,110	7.1	%
5.25% Senior Notes	Oct. 2012	Jan. 2023	1,649,970	1,650,000	5.3	%
2012 Senior Notes	Dec. 2012	2017/2023	(h) 1,500,000	1,500,000	3.4	%
Total bonds			3,648,245	4,244,222		
Other:						
Capital leases and other obligations	Various	Various	113,621	92,568	Various	
Total debt and other obligations			10,775,454	11,611,242		
Less: current maturities and short-term debt and other current obligations			115,378	688,056		
Non-current portion of long-term debt and other long-term obligations			\$ 10,660,076	\$ 10,923,186		

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

(b) As of September 30, 2013, the undrawn availability under the \$1.5 billion 2012 Revolver is \$1.2 billion.

(c)

The 2012 Revolver and the Tranche A Term Loans bear interest at a per annum rate equal to LIBOR plus 2.0% to 2.75%, based on CCOC's total net leverage ratio.

(d) The Tranche B Term Loans, including the Incremental Loans (defined below), bear interest at a per annum rate equal to LIBOR plus 2.25% to 2.5% (with LIBOR subject to a floor of 0.75% per annum), based on CCOC's total net leverage ratio. In April 2013, the Company refinanced the then outstanding Tranche B Term Loans with new loans pursuant to our existing credit agreement in an aggregate principal amount of \$1.6 billion. In August 2013, the Company borrowed \$800.0 million of incremental tranche B loans ("Incremental Loans"). The proceeds of the Incremental Loans were used to repay a portion of the 2012 Revolver.

(e) If the respective series of the January 2010 Tower Revenue Notes and August 2010 Tower Revenue Notes are not paid in full on or prior to 2015, 2017 and 2020, as applicable, then Excess Cash Flow (as defined in the indenture) of the issuers (of such notes) will be used to repay principal of the applicable series and class of the 2010 Tower Revenue Notes, and additional interest (of approximately 5% per annum) will accrue on the respective 2010 Tower Revenue Notes. The January 2010 Tower Revenue Notes consist of three series of notes with principal amounts of \$300.0 million, \$350.0 million and \$1.3 billion, having anticipated repayment dates in 2015, 2017 and 2020, respectively. The August 2010 Tower Revenue Notes consist of three series of notes with principal amounts of \$250.0 million, \$300.0 million and \$1.0 billion, having anticipated repayment dates in 2015, 2017 and 2020, respectively.

(f) The 2009 Securitized Notes consist of \$114.5 million of principal as of September 30, 2013 that amortizes through 2019, and \$70.0 million of principal as of September 30, 2013 that amortizes during the period beginning in 2019 and ending in 2029.

(g) The anticipated repayment date is 2015 for each class of the WCP Securitized Notes. If the WCP Securitized Notes are not repaid in full by their anticipated repayment dates, the applicable interest rate increases by an additional approximately 5% per annum. If the WCP Securitized Notes are not repaid in full by their rapid amortization date of 2017, monthly principal payments commence using the excess cash flows of the issuers of the WCP Securitized Notes.

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(h) The 2012 Secured Notes consist of \$500 million aggregate principal amount of 2.381% secured notes due 2017 and \$1.0 billion aggregate principal amount of 3.849% secured notes due 2023.

Contractual Maturities

The following are the scheduled contractual maturities of the total debt and other long-term obligations outstanding at September 30, 2013. These maturities reflect contractual maturity dates and do not consider the principal payments that will commence following the anticipated repayment dates on the Tower Revenue Notes and the rapid amortization date on the WCP Securitized Notes.

	Three Months Ended December 31, 2013	Years Ending December 31, 2014	2015	2016	2017	Thereafter	Total Cash Obligations	Unamortized Adjustments Net	Total Debt and Other Obligations Outstanding
Scheduled contractual maturities	\$26,632	\$113,545	\$125,405	\$123,897	\$1,146,074	\$9,232,987	\$10,768,540	\$6,914	\$10,775,454

Purchases and Redemptions of Long-Term Debt

The following is a summary of purchases and redemptions of long-term debt during the nine months ended September 30, 2013.

	Nine Months Ended September 30, 2013		
	Principal Amount	Cash Paid ^(a)	Gains (Losses) ^(c)
9% Senior Notes	314,170	332,045	(17,894)
7.75% Secured Notes ^(b)	294,362	312,465	(18,103)
5.25% Senior Notes	30	30	—
Tranche B Term Loans	30,941	30,941	(490)
Total	\$639,503	\$675,481	\$(36,487)

(a) Exclusive of accrued interest.

(b) The redemption of the 7.75% Secured Notes was funded by the release of restricted cash.

(c) The losses predominantly relate to cash losses, including with respect to make whole payments.

Interest Expense and Amortization of Deferred Financing Costs

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest expense on debt obligations	\$121,246	\$119,460	\$368,400	\$353,702
Amortization of deferred financing costs	5,366	5,293	19,426	15,383
Amortization of adjustments on long-term debt	(971)	3,235	9,500	9,959
Amortization of interest rate swaps ^(a)	16,222	16,300	48,726	48,957
Other, net of capitalized interest	153	661	589	(640)
Total	\$142,016	\$144,949	\$446,641	\$427,361

(a) Amounts reclassified from accumulated other comprehensive income (loss).

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5. Income Taxes

For the nine months ended September 30, 2013, the Company's effective rate differed from the federal statutory rate predominately due to state taxes of \$21.7 million, including the impact of certain subsidiaries without state income tax filing requirements incurring taxable losses for which no state benefit could be recorded. As further discussed in our 2012 Form 10-K, for the nine months ended September 30, 2012, the Company's effective tax rate differed from the federal statutory rate predominately due to its reversal of a total of \$70.1 million of federal and \$20.0 million of state valuation allowances to the benefit (provision) for income taxes.

In September 2013, the Company announced that it was commencing the steps necessary to reorganize to qualify as a REIT for U.S. federal income tax purposes. The Company expects to elect to be taxed as a REIT beginning with the taxable year commencing January 1, 2014.

After conversion into a REIT, the Company generally will not be subject to U.S. federal corporate income tax to the extent it distributes its net taxable income to its stockholders. As a REIT, the Company will also be subject to a number of other organizational and operational requirements. In connection with the Company's anticipated conversion from a taxable C corporation into a REIT, the Company would expect to de-recognize its previously recorded U.S. federal and state deferred tax assets and liabilities related to the entities included in the REIT, because the expected recovery or settlement of the related assets and liabilities would not result in a taxable or deductible amount in the future. In such cases, the Company would continue to record deferred taxes for certain of its subsidiaries ("TRSs"), including its foreign subsidiaries and other taxable REIT subsidiaries. As a result of the expected de-recognition of the aforementioned deferred tax assets and liabilities related to the entities included in the REIT, the Company would also then expect to record a corresponding net non-cash income tax charge of approximately \$130 million to \$160 million in a future period in conjunction with the anticipated REIT conversion. The de-recognition of the deferred tax assets and liabilities would be recorded if and when the Company has completed all necessary actions to qualify as a REIT and has obtained final approval from the Company's board of directors.

6. Fair Value Disclosures

	Level in Fair Value Hierarchy	September 30, 2013 Carrying Amount	September 30, 2013 Fair Value	December 31, 2012 Carrying Amount	December 31, 2012 Fair Value
Assets:					
Cash and cash equivalents	1	\$218,649	\$218,649	\$441,364	\$441,364
Restricted cash, current and non-current	1	162,699	162,699	580,938	580,938
Liabilities:					
Long-term debt and other obligations	2	10,775,454	10,881,293	11,611,242	12,438,032

The fair value of cash and cash equivalents and restricted cash approximate the carrying value. The Company determines fair value of its debt securities based on indicative, non-binding quotes from brokers. Quotes from brokers require judgment and are based on the brokers' interpretation of market information including implied credit spreads for similar borrowings on recent trades or bid/ask prices or quotes from active markets if available. There were no changes since December 31, 2012 in the Company's valuation techniques used to measure fair values.

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7. Per Share Information

Basic net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share excludes dilution and is computed by dividing net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock, by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share is computed by dividing net income (loss) attributable to CCIC stockholders, after deduction of dividends on preferred stock, by the weighted-average number of common shares outstanding during the period plus any potential dilutive common share equivalents as determined under the if-converted method. The Company's restricted stock awards are considered participating securities and may be included in the computation pursuant to the two-class method. However, the Company does not present the two-class method when there is no difference between the per share amount under the two-class method and the treasury stock method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income (loss) attributable to CCIC stockholders	\$45,836	\$42,045	\$113,657	\$208,089
Dividends on preferred stock	—	—	—	(2,629)
Net income (loss) attributable to CCIC common stockholders after deduction of dividends on preferred stock for basic and diluted computations	\$45,836	\$42,045	\$113,657	\$205,460
Weighted-average number of common shares outstanding (in thousands):				
Basic weighted-average number of common stock outstanding	290,372	290,762	290,900	288,775
Effect of assumed dilution from potential common shares relating to stock options and restricted stock awards	1,006	1,336	1,143	1,752
Diluted weighted-average number of common shares outstanding	291,378	292,098	292,043	290,527
Net income (loss) attributable to CCIC common stockholders after deduction of dividends on preferred stock, per common share:				
Basic	\$0.16	\$0.14	\$0.39	\$0.71
Diluted	\$0.16	\$0.14	\$0.39	\$0.71

For the three and nine months ended September 30, 2013, 0.6 million restricted stock awards were excluded from the dilutive common shares because certain stock price hurdles would not have been achieved assuming that September 30, 2013 was the end of the contingency period.

See also note 13 for a description of our October Equity Financings (as defined below) as well as the announcement of our expectation to initiate a dividend on shares of our Common Stock (as defined below), subject to the successful completion and financing of the Proposed AT&T Transaction.

8. Commitments and Contingencies

The Company is involved in various claims, lawsuits and proceedings arising in the ordinary course of business. While there are uncertainties inherent in the ultimate outcome of such matters and it is impossible to presently determine the ultimate costs or losses that may be incurred, if any, management believes the resolution of such uncertainties and the incurrence of such costs should not have a material adverse effect on the Company's consolidated financial position or results of operations. Additionally, the Company and certain of its subsidiaries are contingently liable for commitments and performance guarantees arising in the ordinary course of business.

See also note 13 for a description of the Proposed AT&T Transaction.

9. Equity

Purchases of the Company's Common Stock

For the nine months ended September 30, 2013, the Company purchased 1.4 million shares of Common Stock utilizing \$99.2 million in cash.

See also note 13 for a description of our October Equity Financings, as well as our announcement of an expected dividend on shares of our Common Stock.

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(Tabular dollars in thousands, except per share amounts)

10. Operating Segments

The Company's reportable operating segments are (1) CCUSA, primarily consisting of the Company's U.S. operations and (2) CCAL, the Company's Australian operations. Financial results for the Company are reported to management and the board of directors in this manner.

The measurement of profit or loss currently used by management to evaluate the results of operations for the Company and its operating segments is earnings before interest, taxes, depreciation, amortization and accretion, as adjusted ("Adjusted EBITDA"). The Company defines Adjusted EBITDA as net income (loss) plus restructuring charges (credits), asset write-down charges, acquisition and integration costs, depreciation, amortization and accretion, amortization of prepaid lease purchase price adjustments, interest expense and amortization of deferred financing costs, gains (losses) on retirement of long-term obligations, net gain (loss) on interest rate swaps, impairment of available-for-sale securities, interest income, other income (expense), benefit (provision) for income taxes, cumulative effect of change in accounting principle, income (loss) from discontinued operations and stock-based compensation expense. Adjusted EBITDA is not intended as an alternative measure of operating results or cash flow from operations (as determined in accordance with GAAP), and the Company's measure of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. There are no significant revenues resulting from transactions between the Company's operating segments. Inter-company borrowings and related interest between segments are eliminated to reconcile segment results and assets to the consolidated basis.

	Three Months Ended September 30, 2013				Three Months Ended September 30, 2012			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net revenues:								
Site rental	\$589,415	\$31,351	\$ —	\$ 620,766	\$507,247	\$31,514	\$ —	\$ 538,761
Network services and other	122,063	6,148	—	128,211	78,287	4,289	—	82,576
Net revenues	711,478	37,499	—	748,977	585,534	35,803	—	621,337
Operating expenses:								
Costs of operations: ^(a)								
Site rental	172,791	9,175	—	181,966	126,059	9,255	—	135,314
Network services and other	77,929	4,069	—	81,998	46,592	3,437	—	50,029
General and administrative	52,312	6,192	—	58,504	50,461	5,401	—	55,862
Asset write-down charges	3,022	871	—	3,893	1,518	42	—	1,560
Acquisition and integration costs	4,243	126	—	4,369	2,937	—	—	2,937
Depreciation, amortization and accretion	186,521	8,887	—	195,408	147,186	7,681	—	154,867
Total operating expenses	496,818	29,320	—	526,138	374,753	25,816	—	400,569
Operating income (loss)	214,660	8,179	—	222,839	210,781	9,987	—	220,768
Interest expense and amortization of	(142,016)	(3,949)	3,949	(142,016)	(144,949)	(4,478)	4,478	(144,949)

deferred financing costs								
Gains (losses) on retirement of long-term obligations	(1)	—	—	(1)	—	—	—	—
Interest income	144	92	—	236	210	81	—	291
Other income (expense)	3,295	23	(3,949)	(631)	3,825	21	(4,478)	(632)
Benefit (provision) for income taxes	(32,538)	(1,421)	—	(33,959)	(31,864)	(436)	—	(32,300)
Net income (loss)	43,544	2,924	—	46,468	38,003	5,175	—	43,178
Less: Net income (loss) attributable to the noncontrolling interest	—	632	—	632	—	1,133	—	1,133
Net income (loss) attributable to CCIC stockholders	\$43,544	\$2,292	\$ —	\$ 45,836	\$38,003	\$4,042	\$ —	\$ 42,045
Capital expenditures	\$125,941	\$4,722	\$ —	\$ 130,663	\$117,830	\$5,860	\$ —	\$ 123,690

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

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	Nine Months Ended September 30, 2013				Nine Months Ended September 30, 2012			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net revenues:								
Site rental	\$1,754,266	\$98,764	\$ —	\$1,853,030	\$1,463,126	\$90,752	\$ —	\$1,553,878
Network services and other	352,982	17,953	—	370,935	187,304	17,411	—	204,715
Net revenues	2,107,248	116,717	—	2,223,965	1,650,430	108,163	—	1,758,593
Operating expenses:								
Costs of operations: ^(a)								
Site rental	509,617	28,970	—	538,587	363,066	26,690	—	389,756
Network services and other	215,812	13,762	—	229,574	110,240	11,572	—	121,812
General and administrative	154,098	17,441	—	171,539	135,655	18,286	—	153,941
Asset write-down charges	9,633	1,072	—	10,705	8,197	53	—	8,250
Acquisition and integration costs	12,875	311	—	13,186	12,058	54	—	12,112
Depreciation, amortization and accretion	548,951	23,567	—	572,518	423,620	23,129	—	446,749
Total operating expenses	1,450,986	85,123	—	1,536,109	1,052,836	79,784	—	1,132,620
Operating income (loss)	656,262	31,594	—	687,856	597,594	28,379	—	625,973
Interest expense and amortization of deferred financing costs	(446,641)	(12,710)	12,710	(446,641)	(427,349)	(14,815)	14,803	(427,361)
Gains (losses) on retirement of long-term obligations	(36,487)	—	—	(36,487)	(14,586)	—	—	(14,586)
Interest income	592	269	—	861	665	362	—	1,027
Other income (expense)	11,922	35	(12,710)	(753)	10,869	(24)	(14,803)	(3,958)
Benefit (provision) for income taxes	(82,455)	(5,799)	—	(88,254)	30,883	(1,446)	—	29,437
Net income (loss)	103,193	13,389	—	116,582	198,076	12,456	—	210,532
Less: Net income (loss) attributable to the noncontrolling interest	—	2,925	—	2,925	(268)	2,711	—	2,443
	\$103,193	\$10,464	\$ —	\$113,657	\$198,344	\$9,745	\$ —	\$208,089

Net income (loss)
attributable to CCIC
stockholders

Capital expenditures	\$373,653	\$11,829	\$—	\$385,482	\$268,730	\$14,656	\$—	\$283,386
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(a) Exclusive of depreciation, amortization and accretion shown separately.

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The following are reconciliations of net income (loss) to Adjusted EBITDA for the three and nine months ended September 30, 2013 and 2012.

	Three Months Ended September 30, 2013				Three Months Ended September 30, 2012			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net income (loss)	\$43,544	\$2,924	\$ —	\$ 46,468	\$38,003	\$5,175	\$ —	\$ 43,178
Adjustments to increase (decrease) net income (loss):								
Asset write-down charges	3,022	871	—	3,893	1,518	42	—	1,560
Acquisition and integration costs	4,243	126	—	4,369	2,937	—	—	2,937
Depreciation, amortization and accretion	186,521	8,887	—	195,408	147,186	7,681	—	154,867
Amortization of prepaid lease purchase price adjustments	3,870	—	—	3,870	3,858	—	—	3,858
Interest expense and amortization of deferred financing costs	142,016	3,949	(3,949)	142,016	144,949	4,478	(4,478)	144,949
Gains (losses) on retirement of long-term obligations	1	—	—	1	—	—	—	—
Interest income	(144)	(92)	—	(236)	(210)	(81)	—	(291)
Other income (expense)	(3,295)	(23)	3,949	631	(3,825)	(21)	4,478	632
Benefit (provision) for income taxes	32,538	1,421	—	33,959	31,864	436	—	32,300
Stock-based compensation expense	9,862	316	—	10,178	16,308	(126)	—	16,182
Adjusted EBITDA	\$422,178	\$18,379	\$ —	\$ 440,557	\$382,588	\$17,584	\$ —	\$ 400,172
	Nine Months Ended September 30, 2013				Nine Months Ended September 30, 2012			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net income (loss)	\$103,193	\$13,389	\$ —	\$ 116,582	\$198,076	\$12,456	\$ —	\$ 210,532
Adjustments to increase (decrease) net income (loss):								
Asset write-down charges	9,633	1,072	—	10,705	8,197	53	—	8,250
Acquisition and integration costs	12,875	311	—	13,186	12,058	54	—	12,112
Depreciation, amortization and accretion	548,951	23,567	—	572,518	423,620	23,129	—	446,749

Amortization of prepaid lease purchase price adjustments	11,595	—	—	11,595	10,301	—	—	10,301
Interest expense and amortization of deferred financing costs	446,641	12,710	(12,710)	446,641	427,349	14,815	(14,803)	427,361
Gains (losses) on retirement of long-term obligations	36,487	—	—	36,487	14,586	—	—	14,586
Interest income	(592)	(269)	—	(861)	(665)	(362)	—	(1,027)
Other income (expense)	(11,922)	(35)	12,710	753	(10,869)	24	14,803	3,958
Benefit (provision) for income taxes	82,455	5,799	—	88,254	(30,883)	1,446	—	(29,437)
Stock-based compensation expense	29,335	550	—	29,885	33,413	1,951	—	35,364
Adjusted EBITDA	\$1,268,651	\$57,094	\$—	\$1,325,745	\$1,085,183	\$53,566	\$—	\$1,138,749

11. Concentration of Credit Risk

The Company derives the largest portion of its revenues from customers in the wireless communications industry. The Company also has a concentration in its volume of business with Sprint, AT&T, Verizon Wireless and T-Mobile or their agents that accounts for a significant portion of the Company's revenues, receivables and deferred site rental receivables. The Company mitigates its concentrations of credit risk with respect to trade receivables by actively monitoring the creditworthiness of its customers, utilizing customer leases with contractually determinable payment terms and proactively managing past due balances.

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Major Customers

The following table summarizes the percentage of the consolidated revenues for those customers accounting for more than 10% of the consolidated revenues (all of such customer revenues relate to our CCUSA segment). The following table is after giving effect to T-Mobile's acquisition of MetroPCS (completed in April 2013), Sprint's acquisition of Clearwire (completed in July 2013) and AT&T's pending acquisition of Leap Wireless.

	Nine Months Ended September 30,		
	2013	2012	
Sprint ^(a)	28	% 26	%
T-Mobile ^(b)	23	% 14	%
AT&T ^(c)	22	% 23	%
Verizon Wireless	16	% 18	%
Total	89	% 81	%

For the nine months ended September 30, 2013, Sprint and Clearwire accounted for 25% and 3%, respectively, of consolidated net revenues. As of September 30, 2013, Sprint and Clearwire are co-residents on approximately (a) 2,700 towers. The weighted-average remaining term on these tower tenant contracts with Sprint and Clearwire is approximately seven years and three years, respectively. Revenue from Clearwire on these 2,700 towers represented approximately 2% of consolidated site rental revenues for the nine months ended September 30, 2013.

For the nine months ended September 30, 2013, T-Mobile and MetroPCS accounted for 17% and 6%, respectively, of consolidated net revenues. As of September 30, 2013, T-Mobile and MetroPCS are co-residents on (b) approximately 1,400 towers. The weighted-average remaining term on these tower tenant contracts with T-Mobile and MetroPCS is approximately nine years and five years, respectively. Revenue from MetroPCS on these 1,400 towers represented approximately 2% of consolidated site rental revenues for the nine months ended September 30, 2013.

For the nine months ended September 30, 2013, AT&T and Leap Wireless accounted for 19% and 3%, respectively, of consolidated net revenues. As of September 30, 2013, AT&T and Leap Wireless are co-residents (c) on approximately 1,300 towers. The weighted-average remaining term on these tower tenant contracts with AT&T and Leap Wireless is approximately 10 years and four years, respectively. Revenue from Leap Wireless on these 1,300 towers represented approximately 1% of consolidated site rental revenues for the nine months ended September 30, 2013.

See also note 13 for a description of the Proposed AT&T Transaction.

12. Supplemental Cash Flow Information

	Nine Months Ended	
	September 30, 2013	2012
Supplemental disclosure of cash flow information:		
Interest paid	\$356,421	\$364,507
Income taxes paid	12,769	3,092
Supplemental disclosure of non-cash financing activities:		
Increase (decrease) in liabilities for purchases of property and equipment	28,549	21,139
Conversion of redeemable convertible preferred stock	—	305,180

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

13. Subsequent Events

Proposed AT&T Transaction

During October 2013, the Company entered into a definitive agreement with AT&T pursuant to which the Company will acquire rights to approximately 9,700 AT&T towers for \$4.85 billion in cash at closing (subject to certain limited adjustments). ("Proposed AT&T Transaction"). Pursuant to the Proposed AT&T Transaction, the Company (1) will have the exclusive right to lease or sublease, or the exclusive right to operate and manage approximately 9,060 of the AT&T towers ("MPL Towers") pursuant to a prepaid lease agreement for a weighted average term of approximately 28 years and (2) will purchase approximately 640 towers from AT&T. In addition, the Company will have the option to purchase the leased towers at the end of the respective lease terms for aggregate option payments of approximately \$4.2 billion, which payments, if exercised, would be between 2032 and 2048. The Proposed AT&T Transaction is expected to close in the fourth quarter of 2013. The Company expects to fund the purchase price with cash on hand, proceeds from the October Equity Financings, discussed further below, and other debt financing, including additional borrowings under its revolving credit facility. Based on preliminary unaudited financial information for the AT&T towers currently anticipated to be included as part of the Proposed AT&T Transaction, we estimate that, based upon annualization of financial information for the month ended June 30, 2013, these AT&T towers generate annual third-party cash site rental revenues of approximately \$163 million and incur annual cash ground lease expense of approximately \$142 million. In addition, the Company expects to receive approximately \$221 million in initial annual cash rental revenues from AT&T. The Company believes the Proposed AT&T Transaction will result in the recognition of a significant amount of goodwill as a result of paying a purchase price that assumes the tower portfolio contains growth potential.

Common Stock and Preferred Stock Offering

On October 28, 2013, the Company completed an offering of approximately 41.4 million shares of the Company's common stock, par value \$0.01 per share ("Common Stock"), which generated net proceeds of approximately \$3.0 billion.

On October 28, 2013, the Company completed an offering of approximately 9.8 million shares of the Company's 4.50% Mandatory Convertible Preferred Stock, Series A, par value \$0.01 per share ("4.50% Mandatory Convertible Preferred Stock"), which generated net proceeds of approximately \$949.6 million. The holders of the 4.50% Mandatory Convertible Preferred Stock are entitled to receive cumulative dividends, when and if declared by the Company's board of directors, at the rate of 4.50% per annum payable on February 1, May 1, August 1 and November 1 of each year, commencing on February 1, 2014, and to, and including, November 1, 2016. The dividends may be paid in cash or, subject to certain limitations, shares of Common Stock or any combination of cash and shares of Common Stock.

Unless converted earlier, each outstanding share of the 4.50% Mandatory Convertible Preferred Stock will automatically convert on November 1, 2016 into between 1.0811 and 1.3513 shares of Common Stock, depending on the applicable market value of the Common Stock and subject to certain anti-dilution adjustments. At any time prior to November 1, 2016, holders of the 4.50% Mandatory Convertible Preferred Stock may elect to convert all or a portion of their shares into Common Stock at the minimum conversion rate of 1.0811, subject to certain anti-dilution adjustments.

The Common Stock and 4.50% Mandatory Convertible Preferred Stock offerings in October 2013 are collectively referred to herein as the "October Equity Financings."

The Company expects to use the proceeds from the October Equity Financings to partially fund the Proposed AT&T Transaction. If for any reason the Proposed AT&T Transaction does not close or closes with respect to a reduced number of towers or for reduced consideration, then the Company expects to use any remaining net proceeds from the October Equity Financings for general corporate purposes. The net proceeds from the October Equity Financings are currently held in cash and prime money market investments.

Announcement of Plan to Initiate Common Stock Dividend

On October 21, 2013, the Company announced its expectation, subject to the successful completion and financing of the Proposed AT&T Transaction, to initiate a quarterly dividend on shares of Common Stock of \$0.35 per share beginning in the first quarter of 2014. The declaration, amount and payment of dividends, pursuant to the Company's Common Stock dividend policy, are subject to the final determination of the Company's board of directors based on then-current and anticipated future conditions, including earnings, net cash provided by operating activities, capital requirements, financial condition, relative market capitalization, existing federal net operating losses and other factors deemed relevant by the Company's board of directors.

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

The following discussion should be read in conjunction with the response to Part I, Item 1 of this report and the consolidated financial statements of the Company including the related notes and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") included in our 2012 Form 10-K. Capitalized terms used but not defined in this Item have the same meaning given to them in our 2012 Form 10-K. Unless this Form 10-Q indicates otherwise or the context requires, the terms "we," "our," "our company," "the company," or "us" as used in this Form 10-Q refer to Crown Castle International Corp. and its subsidiaries.

General Overview

Overview

We own, operate or lease shared wireless infrastructure, including: (1) towers, (2) distributed antenna systems, a type of small cell network, and (3) third party land interests. Our core business is providing access, including space or capacity, to our towers, and to a lesser extent, to our small cell networks and third party land interests via long-term contracts in various forms. Site rental revenues represented 83% of our third quarter 2013 consolidated net revenues, of which 95% was attributable to our CCUSA operating segment. The vast majority of our site rental revenues is of a recurring nature and has been contracted for in a prior year. See our 2012 Form 10-K for a further discussion of our business, including our long-term strategy, growth trends in the wireless communications industry and our wireless infrastructure portfolio.

The following are certain highlights of our business fundamentals and results as of and for the nine months ended September 30, 2013.

Potential growth resulting from wireless network expansion and new entrants

We expect wireless carriers will continue their focus on improving network quality and expanding capacity by adding additional antennas and other equipment on our wireless infrastructure.

We expect existing and potential new wireless carrier demand for our wireless infrastructure will result from (1) next generation technologies, (2) continued development of mobile internet applications, (3) adoption of other emerging and embedded wireless devices, (4) increasing smartphone penetration, (5) wireless carrier focus on expanding coverage and capacity and (6) the availability of additional spectrum.

Substantially all of our wireless infrastructure can accommodate additional tenancy, either as currently constructed or with appropriate modifications to the structure.

U.S. wireless carriers continue to invest in their networks.

Our site rental revenues grew \$299.2 million, or 19%, from the nine months ended September 30, 2012 to the nine months ended September 30, 2013. Our site rental revenue growth during the nine months ended September 30, 2013 was impacted by:

Our 2012 Acquisitions ("Item 2. MD&A—Consolidated Results of Operations" and note 3 in our 2012 Form 10-K). The fact that we have effectively pre-sold via a firm contractual commitment a significant portion of the modification of the existing installations relating to certain LTE upgrades. We have done so by increasing the future contracted revenue above that of a typical escalation over a period of time, typically a three to four year period. As a result, for any given period, the increase in cash revenue may not translate into a corresponding increase in reported revenues from the application of straight-line revenue recognition.

Site rental revenues under long-term customer contracts with contractual escalations

Initial terms of five to 15 years with multiple renewal periods at the option of the tenant of five to ten years each. Weighted-average remaining term of approximately eight years, exclusive of renewals at the customer's option, representing approximately \$19 billion of expected future cash inflows.

Revenues predominately from large wireless carriers

Sprint, T-Mobile, AT&T and Verizon Wireless accounted for 89% and 87% of consolidated revenues and site rental revenues, respectively, after giving effect to T-Mobile's acquisition of MetroPCS (completed in April 2013), Sprint's acquisition of Clearwire (completed in July 2013), and AT&T's pending acquisition of Leap Wireless. See "Item 1A. Risk Factors" of our 2012 Form 10-K and note 11 to our condensed consolidated financial statements.

Majority of land interests under our towers under long-term control

Approximately nine-tenths and three-fourths of the site rental gross margin derived from our towers has land interests that we own or control for greater than ten and 20 years, respectively. The aforementioned amounts include towers that reside on land interests that are owned in fee or where we have perpetual or long-term easement, which represents more than one-third of such site rental gross margin.

Relatively fixed wireless infrastructure operating costs

Our wireless infrastructure operating costs tend to increase at approximately the rate of inflation and are not typically influenced by new tenant additions.

Minimal sustaining capital expenditure requirements

Sustaining capital expenditures were approximately 1% percent of net revenues.

Debt portfolio with long-dated maturities extended over multiple years, with the majority of such debt having a fixed rate (see "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for a further discussion of our debt) 71% of our debt has fixed rate coupons.

Our debt service coverage and leverage ratios were comfortably within their respective financial maintenance and cash trap covenants. See "Item 2. MD&A—Liquidity and Capital Resources" for a further discussion of our debt covenants.

Significant cash flows from operations

Net cash provided by operating activities was \$838.9 million.

We believe our core business of providing access to our wireless infrastructure can be characterized as a stable cash flow stream, which we expect to grow as a result of future demand for our wireless infrastructure.

We currently pay minimal cash income taxes as a result of our net operating loss carryforwards. We have approximately \$2.7 billion of federal net operating losses to offset future taxable income. See "Item 2.

MD&A—Liquidity and Capital Resources."

Capital allocated to drive long-term total stockholder value (see also "Item 2. MD&A—Liquidity and Capital Resources")

Historical discretionary investments include (in no particular order): purchasing our Common Stock, acquiring or constructing wireless infrastructure, acquiring land interests under our towers, improving and structurally enhancing our existing wireless infrastructure, and purchasing, repaying or redeeming our debt.

Discretionary investments included:

The purchase of 1.4 million shares of our Common Stock for \$99.2 million.

Discretionary capital expenditures of \$358.3 million, including wireless infrastructure improvements in order to support additional site rentals, construction of wireless infrastructure and land purchases.

In April 2013, we refinanced all of the outstanding Tranche B Term Loans, which effectively lowered the interest rate margin by 75 basis points. See note 4 to our condensed consolidated financial statements.

In January 2013, we completed the repurchase and redemption of all the outstanding 9% Senior Notes and 7.75% Secured Notes.

The following are certain highlights of our full year 2013 and 2014 outlook that impact our business fundamentals described above.

We expect that our full year 2013 site rental revenue growth will be impacted by acquisitions (including the 2012 Acquisitions) and the above mentioned pre-sold arrangements for modifications of existing customer installations. We expect that our full year 2014 site rental revenue growth will also be impacted by both of the items that impacted our 2013 site rental revenue growth, namely pre-sold arrangements and acquisitions (including a substantial expected contribution from the Proposed AT&T Transaction). See notes 3 and 13 to our condensed consolidated financial statements for further discussion of our 2012 Acquisitions and our Proposed AT&T Transaction, respectively.

- We expect site rental revenues from new tenant installations to increase during full year 2013 as compared to 2012 and also expect the site rental revenue contribution from new tenant installations to increase in 2014 from 2013, as a result of our customers' focus on improving network quality and capacity.

Additionally, we do not expect that recent customer consolidations, and any related non-renewal of customer contracts anticipated in 2014 and 2015, will have a material adverse effect on our operations and cash flows for 2013 and subsequent periods. We expect a reduction to our consolidated site rental revenues (approximately 1% in 2014

and approximately 2% reduction coming after 2014) as a result of Sprint's non-renewal of tenant contracts stemming from Sprint's decommissioning of its iDEN network.

• We expect sustaining capital expenditures of approximately 2% of revenue for full year 2014.

Proposed AT&T Transaction and Equity Financing

During October 2013, we entered into the Proposed AT&T Transaction, pursuant to which we expect to acquire rights to approximately 9,700 AT&T towers for \$4.85 billion in cash at closing (subject to certain limited adjustments). Also during October 2013, we completed an offering of (1) approximately 41.4 million shares of Common Stock, which generated net proceeds of approximately \$3.0 billion and (2) approximately 9.8 million shares of the 4.50% Mandatory Convertible Preferred Stock for approximately \$949.6 million in net proceeds. See note 13 to our condensed consolidated financial statements.

Announcement of Plan to Initiate Common Stock Dividend

During October 2013, we announced our expectation, subject to the successful completion and financing of the Proposed AT&T Transaction, to initiate a quarterly dividend on shares of Common Stock of \$0.35 per share beginning in the first quarter of 2014. See note 13 to our condensed consolidated financial statements.

REIT Election

In September 2013, we announced that we are commencing the steps necessary to reorganize to qualify as a REIT for U.S. federal income tax purposes. We expect to elect to be taxed as a REIT beginning with the taxable year commencing January 1, 2014. As a REIT, we will generally be entitled to a deduction for dividends that we pay and therefore will not be subject to U.S. federal corporate income tax on our net taxable income that is currently distributed to our stockholders. Even if we qualify for taxation as REIT, we may be subject to certain federal, state, local and foreign taxes on our income and assets, including alternative minimum taxes, taxes on any undistributed income, and state, local or foreign income, franchise, property and transfer taxes. In addition, we could in certain circumstances be required to pay an excise or penalty tax, which could be significant in amount, in order to utilize one or more relief provisions under the Internal Revenue Code ("Code") to maintain qualification for taxation as a REIT. Our small cell operations will initially be conducted through one or more wholly-owned TRSs. Additionally, we intend to include in TRSs our tower operations in Australia, and may include certain other assets and operations. Those TRS assets and operations would continue to be subject, as applicable, to federal and state corporate income taxes and to foreign taxes in the jurisdictions in which such assets and operations are located. Our foreign assets and operations most likely will be subject to foreign income taxes in the jurisdictions in which such assets and operations are located, regardless of whether they are included in a TRS or not.

To qualify and be taxed as a REIT, we will generally be required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gain) each year to our stockholders. Our determination as to the timing and amount of future dividends that we may make as a REIT will be based on a number of factors, including investment opportunities around our core business and our federal net operating losses of approximately \$2.7 billion (see note 9 to our consolidated financial statements in the 2012 Form 10-K). We do not expect to make any distribution (commonly referred to as a "purging" dividend) prior to our REIT conversion.

See note 5 of our condensed consolidated financial statements and "Item 1A—Risk Factors" for additional information concerning our REIT election.

Consolidated Results of Operations

The following discussion of our results of operations should be read in conjunction with our condensed consolidated financial statements and our 2012 Form 10-K. The following discussion of our results of operations is based on our condensed consolidated financial statements prepared in accordance with GAAP, which requires us to make estimates and judgments that affect the reported amounts (see "Item 2. MD&A—Accounting and Reporting Matters—Critical Accounting Policies and Estimates" and note 2 to our consolidated financial statements on our 2012 Form 10-K).

Comparison of Consolidated Results

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

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Percent Change ^(b)	
	Amount	Amount		
	(Dollars in thousands)			
Net revenues:				
Site rental	\$620,766	\$538,761	15	%
Network services and other	128,211	82,576	55	%
Net revenues	748,977	621,337	21	%
Operating expenses:				
Costs of operations ^(a) :				
Site rental	181,966	135,314	34	%
Network services and other	81,998	50,029	64	%
Total costs of operations	263,964	185,343	42	%
General and administrative	58,504	55,862	5	%
Asset write-down charges	3,893	1,560	*	
Acquisition and integration costs	4,369	2,937	*	
Depreciation, amortization and accretion	195,408	154,867	26	%
Total operating expenses	526,138	400,569	31	%
Operating income (loss)	222,839	220,768	1	%
Interest expense and amortization of deferred financing costs	(142,016)	(144,949)	(2)	%
Gains (losses) on retirement of long-term obligations	(1)	—		
Interest income	236	291		
Other income (expense)	(631)	(632)		
Income (loss) before income taxes	80,427	75,478		
Benefit (provision) for income taxes	(33,959)	(32,300)		
Net income (loss)	46,468	43,178		
Less: Net income (loss) attributable to the noncontrolling interest	632	1,133		
Net income (loss) attributable to CCIC stockholders	\$45,836	\$42,045		

*Percentage is not meaningful

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

(b) Inclusive of the impact of foreign exchange rate fluctuations. See "Item 2. MD&A—Comparison of Operating Segments—CCAL."

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012	Percent Change ^(b)	
	Amount	Amount		
	(Dollars in thousands)			
Net revenues:				
Site rental	\$1,853,030	\$1,553,878	19	%
Network services and other	370,935	204,715	81	%
Net revenues	2,223,965	1,758,593	26	%
Operating expenses:				
Costs of operations ^(a) :				