AMERICAN TOWER CORP /MA/
Form 10-K/A
February 23, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

(Mark One):

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the fiscal year ended December 31, 2005

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the transition period from to

Commission File Number: 001-14195

American Tower Corporation

(Exact name of registrant as specified in its charter)

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

116 Huntington Avenue

Boston, Massachusetts 02116

(Address of principal executive offices)

Telephone Number (617) 375-7500

(Registrant s telephone number, including area code)

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:

None

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes ¨ No x

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. ¨

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

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2005 was approximately $4,801,552,860, 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 9, 2006, there were 419,677,495 shares of Class A Common Stock 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 2006 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

EXPLANATORY NOTE

American Tower Corporation (the Company) is filing this amendment no. 2 (this Amendment No. 2) to its Annual Report on Form 10-K for the year ended December 31, 2005, initially filed with the Securities and Exchange Commission (the Commission) on March 15, 2006 (the Original Filing), as amended by Amendment No. 1 to Annual Report on Form 10-K/A filed with the Commission on November 29, 2006 (Amendment No. 1), to include additional disclosure with respect to its restatement of previously issued financial statements for errors in accounting for stock option grants.

The Company filed Amendment No. 1 to restate its previously issued financial statements to correct certain errors related to (i) stock-based compensation not previously recorded for certain stock option grants, including the related payroll and income tax effects, (ii) additional charges for stock-based compensation expense related to the modification and repricing of certain stock option grants, primarily associated with options awarded to two former executive officers of the Company, and (iii) changes to income taxes related to the tax effects of foreign currency fluctuations on an intercompany loan with a foreign subsidiary of the Company. The Company is filing this Amendment No. 2 to provide additional disclosure regarding the impact of the restatement on the Company s financial statements, including quarterly financial information for each quarter of the years ended December 31, 2005 and 2004.

This Amendment No. 2 includes additional disclosure within the following items:

- Selected Financial Data, with respect to the impact of the restatement on the years ended December 31, 1998 - 2003 (included in Part II , Item 6);

- Management s Discussion and Analysis of Financial Condition and Results of Operations, with respect to the impact of the restatement on a quarterly basis on the Company s selling, general, administrative and development expense and income tax (provision) benefit (included in Part II, Item 7); and

- Financial Statements and Supplementary Data, with respect to note 2, Restatement of Consolidated Financial Statements, and note 18, Selected Quarterly Financial Data (Unaudited) (included in Part II, Item 8). In note 2, the Company modified the presentation of the restatement adjustments to separately show the impact of the related tax effects. In note 18, the Company modified the presentation to include quarterly income statements that disclose the restatement adjustments on a line by line basis.

This Amendment No. 2 does not supersede Amendment No. 1 in its entirety. Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, Items 6, 7 and 8 of Part II of Amendment No. 1 are hereby superseded in their entirety and replaced with the Items 6, 7 and 8 included herein. In addition, this Amendment No. 2 includes certain required exhibit filings, which are included in Part IV, Item 15. Exhibits and Financial Statement Schedules.

As used throughout this Amendment No. 2, the term Explanatory Note means the Explanatory Note at the beginning of Amendment No. 1 and the terms this Form 10-K/A and this annual report mean the Original Filing as amended by Amendments No. 1 and No. 2.

The information contained in this Amendment No. 2 does not reflect events that have occurred after March 15, 2006, the filing date of the Original Filing, or modify or update the disclosures presented in the Original Filing or Amendment No. 1, except to reflect the changes described above. Accordingly, this Amendment No. 2 should be read together with Amendment No. 1 and in conjunction with the Company s periodic filings made with the Commission subsequent to the filing date of the Original Filing, including any amendments to those filings, as well as any Current Reports filed on Form 8-K subsequent to the filing date of the Original 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, except as described above.

PART II

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, in Management s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this Form 10-K/A, and in note 2 to the consolidated financial statements included in Item 8 of this Form 10-K/A, 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 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 4 to our consolidated financial statements included in this Form 10-K/A).

Year-to-year comparisons are significantly affected by our acquisitions, dispositions and, to a lesser extent, construction of towers. Our merger with SpectraSite, Inc., which closed in August 2005, significantly impacts the comparability of reported results between periods. Our principal acquisitions and dispositions are described in Business Recent Transactions and in the notes to our consolidated financial statements included in this Form 10-K/A.

	Year Ended December 31,										
	2005(1)	**2004(1)**	**2003(1)**	**2002(1)(2)**				**2001(1)(2)**			
	(as restated)	**(as restated)**	**(as restated)**	**(as previously reported)**	**(restatement adjustments)**	**(reclassification adjustments)**	**(as restated)**	**(as previously reported)**	**(restatement adjustments)**	**(reclassification adjustments)**	**(as restated)**
	(In thousands, except per share data)										
Statements of Operations Data:											
Revenues											
Rental and management	$ 929,762	$ 684,422	$ 619,697	$ 544,906			$ 544,906	$ 431,051			$ 431,051
Network development services	15,024	22,238	12,796	32,888			32,888	85,063			85,063
Total operating revenues	944,786	706,660	632,493	577,794			577,794	516,114			516,114
Operating expenses:											
Costs of operations (exclusive of items shown separately below)											
Rental and management(3)	247,781	195,242	192,380	242,801		$ (55,107)	187,694	221,759		$ (56,311)	165,448
Network development services(3)	8,346	16,220	7,419	29,214		(2,019)	27,195	69,371		(5,282)	64,089
Depreciation, amortization and accretion(4)	411,254	329,449	330,414	327,665			327,665	354,298			354,298
Selling general, administrative and development expenses(3)	108,059	83,094	83,492	30,229	$ 7,309	57,126	94,664	34,310	$ 13,603	61,593	109,506
Impairments, net loss on sale of long-lived assets, restructuring and merger related expense	34,232	23,876	31,656	101,372			101,372	79,496			79,496
Total operating expenses	809,672	647,881	645,361	731,281	7,309		738,590	759,234	13,603		772,837
Operating income (loss) from continuing operations	135,114	58,779	(12,868)	(153,487)	(7,309)		(160,796)	(243,120)	(13,603)		(256,723)
Interest income, TV Azteca, net	14,232	14,316	14,222	13,938			13,938	14,377			14,377
Interest income	4,402	4,844	5,255	3,496			3,496	28,372			28,372
Interest expense	(222,419)	(262,237)	(279,783)	(254,345)			(254,345)	(266,769)			(266,769)
Loss on retirement of long-term obligations	(67,110)	(138,016)	(46,197)	(8,869)			(8,869)	(26,336)			(26,336)
Other income (expense)	227	(2,798)	(8,598)	(7,004)			(7,004)	(27,838)			(27,838)
Loss from continuing operations before	(135,554)	(325,112)	(327,969)	(406,271)	(7,309)		(413,580)	(521,314)	(13,603)		(534,917)

income taxes, minority interest and loss on equity method investments											
Income tax (provision) benefit	(5,714)	83,338	85,567	81,141	11,468		92,609	115,841	4,088		119,929
Minority interest in net earnings of subsidiaries	(575)	(2,366)	(3,703)	(2,118)			(2,118)	(318)			(318)
Loss on equity method investments	(2,078)	(2,915)	(21,221)	(18,555)			(18,555)	(10,957)			(10,957)
(Loss) income from continuing operations before cumulative effect of change in accounting principle	(143,921)	(247,055)	(267,326)	(345,803)	4,159		(341,644)	(416,748)	(9,515)		(426,263)
Loss from discontinued operations, net of income taxes	(1,913)	(8,409)	(61,633)	(255,119)	(705)		(255,824)	(55,289)	(5,649)		(60,938)
Cumulative effect of change in accounting principle, net of income taxes	(35,525)			(562,618)			(562,618)				
Net (loss) income	$ (181,359)	$ (255,464)	$ (328,959)	$ (1,163,540)	$ 3,454		$ (1,160,086)	$ (472,037)	$ (15,164)		$ (487,201)
Basic and diluted loss per common share from continuing operations before cumulative effect of change in accounting principle	$ (0.47)	$ (1.10)	$ (1.28)	$ (1.77)	$ 0.02		$ (1.75)	$ (2.18)	$ (0.05)		$ (2.23)
Weighted average common shares outstanding(5)	302,510	224,336	208,098	195,454			195,454	191,586			191,586
Other Operating Data:											
Ratio of earnings to fixed charges(6)	.51x										

	As of December 31,				
	2005(1)	2004(1)	2003(1)(2)	2002(1)(2)	2001(1)(2)
	(as restated)	(as restated)	(as restated) (In thousands)	(as restated)	(as restated)
Balance Sheet Data:					
Cash and cash equivalents (including restricted cash and investments)(7)	$ 112,701	$ 215,557	$ 275,501	$ 127,292	$ 130,029
Property and equipment, net	3,460,526	2,273,356	2,483,324	2,650,490	3,254,905
Total assets	8,786,854	5,107,696	5,310,906	5,643,691	6,807,737
Long-term obligations, including current portion	3,613,429	3,293,614	3,359,731	3,448,514	3,561,960
Total stockholders equity	4,541,821	1,490,767	1,629,621	1,675,592	2,817,006

(1) See Management s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this Form 10-K/A and note 2 to the consolidated financial statements included in Item 8 of this Form 10-K/A for information regarding the restatement of our financial statements reflected in this selected financial data.

(2) The restated amounts for these years are unaudited. The unaudited results for the years ended December 31, 1998, 1999 and 2000, which are presented below in condensed form, and the selected consolidated financial data as of December 31, 2001, 2002 and 2003 and for the years ended December 31, 2001 and 2002, presented above, have been restated to reflect adjustments related to the restatement described in note 2 to the consolidated financial statements included in this Form 10-K/A. The restatement adjustments correct certain errors related to (i) stock-based compensation expense not previously recorded for certain stock option grants, including the related payroll and income tax effects, (ii) additional charges for stock-based compensation expense related to the modification and repricing of certain stock option grants and (iii) changes to income taxes related to the tax effects of foreign currency fluctuations on an intercompany loan with a foreign subsidiary of the Company. The restatement adjustments resulted in an increase (decrease) in loss from continuing operations from amounts previously reported of $(4.2) million, $9.5 million, $9.5 million, $2.4 million and $1.0 million for the years ended December 31, 2002, 2001, 2000, 1999 and 1998, respectively. These cumulative adjustments are reflected as adjustments to the beginning balances of the accumulated deficit and total comprehensive loss in the consolidated statement of stockholder s equity for the year ended December 31, 2003.

(3) Segment selling, general and administrative expense was previously a component of our rental and management and network development services segment operating expenses. We changed our classification to aggregate all segment and corporate selling, general, administrative and development expenses previously included in rental and management expense, network development services expense and corporate, general, administrative and development expense into one line item entitled selling, general, administrative and development expense. The change in classification for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 resulted in decreases in rental and management expense of $58.4 million, $42.1 million, $44.3 million, $55.1 million and $56.3 million, respectively, decreases in network development services expense of $3.6 million, $2.6 million, $2.1 million, $2.0 million and $5.3 million, respectively, with a corresponding increase in selling, general, administrative and development expense of $62.0 million, $44.7 million, $46.4 million. $57.1 million and $61.6 million, respectively, from amounts previously reported. We made this change in classification to enable the evaluation of our rental and management segment gross margin, which is calculated based on direct tower-level expenses and does not include selling, general, administrative and development expense related to the rental and management segment.

(4) 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 year ended December 31, 2001, do not include goodwill amortization. The amortization of goodwill for the year ended December 31, 2001 was approximately $67.0 million.

(5) 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 these computations, as their effect is anti-dilutive.

(6) For the purpose of this calculation, 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 expense, including amounts 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): 2005 $133,464; 2004 $322,806; 2003 $326,154; 2002 $417,123; 2001 $548,651.

(7) As of December 31, 2005 and 2004, no escrows are required under the terms of the credit facilities. Includes, as of December 31, 2003, approximately $170.0 million of restricted funds that were held in escrow to pay, repurchase, redeem or retire certain of our outstanding debt through January 2004. Includes, as of December 31, 2001 approximately $94.1 million of restricted funds required under the previous credit facility to be held in escrow.

Restatement of Financial Results Prior to 2001

The financial information set forth below reflects the restatement of our financial statements for the years ended December 31, 2000, 1999 and 1998 for items discussed in note 2 to the consolidated financial statements included in this Form 10-K/A.

	Year Ended December 31,								
	2000(1)			1999(1)			1998(1)		
	(as previously reported)	(restatement adjustments)	(as restated)	(as previously reported)	(restatement adjustments)	(as restated)	(as previously reported)	(restatement adjustments)	(as restated)
	(In thousands, except per share data)								
Total revenues	$ 310,712		$ 310,712	$ 151,303		$ 151,303	$ 83,820		$ 83,820
Total operating expenses	458,225	$ 13,318	471,543	223,026	$ 3,578	226,604	124,234	$ 1,234	125,468
Operating loss from continuing operations	$ (147,513)	$ (13,318)	$ (160,831)	$ (71,723)	$ (3,578)	$ (75,301)	$ (40,414)	$ (1,234)	$ (41,648)
Loss from continuing operations	(213,036)	(9,536)	(222,572)	(68,953)	(2,368)	(71,321)	(54,526)	(1,008)	(55,534)
Income (loss) from discontinued operations	2,500	(3,838)	(1,338)	4,937	(667)	4,270	1,020		1,020
Net loss	(210,536)	(13,374)	(223,910)	(64,016)	(3,035)	(67,051)	(53,506)	$ (1,008)	(54,514)
Basic and diluted loss per common share amounts:									
Loss from continuing operations	$ (1.26)	$ (0.06)	$ (1.32)	$ (0.46)	$ (0.02)	$ (0.48)	$ (0.68)	$ (0.01)	$ (0.69)
Income (loss) from discontinued operations, net	$ 0.01	$ (0.02)	$ (0.01)	$ 0.03		$ 0.03	$ 0.01		$ 0.01
Net loss	$ (1.25)	$ (0.08)	$ (1.33)	$ (0.43)	$ (0.02)	$ (0.45)	$ (0.67)	$ (0.01)	$ (0.68)

(1) See Management s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this Form 10-K/A and note 2 to the consolidated financial statements included in Item 8 of this Form 10-K/A for information regarding the restatement of our financial statements reflected in this selected financial data.

6

Impact of Restatement Adjustments on Financial Results Prior to 2003

The financial information set forth below reflects the impact of each of the restatement adjustments on our net loss and accumulated deficit for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 for items discussed in note 2 to the consolidated financial statements included in this Form 10-K/A (in thousands):

	Net Loss for the Years Ended December 31,					Accumulated Deficit as of January 1,
	2002	2001	2000	1999	1998	2003
As Previously Reported	$ (1,163,540)	$ (472,037)	$ (210,536)	$ (64,016)	$ (53,506)	$ (1,966,495)
(Increase) Decrease to Net Loss and Accumulated Deficit:						
Stock-Based Compensation Adjustments Related to Revised Accounting Measurement Dates (including related Payroll Tax Effects)	(8,394)	(22,295)	(19,502)	(4,218)	(646)	(55,055)
Tax effect of Stock-Based Compensation Adjustments Related to Revised Accounting Measurement Dates	2,938	7,793	6,128	1,476	226	18,561
Stock-Based Compensation Adjustments Related to Modifications and Repricings				(293)	(588)	(881)
Income Taxes related to Foreign Currency Denominated Loan	8,910	(662)				8,248
Total (Increase) in Net Loss and Accumulated Deficit	3,454	(15,164)	(13,374)	(3,035)	(1,008)	(29,127)
As Restated	$ (1,160,086)	$ (487,201)	$ (223,910)	$ (67,051)	$ (54,514)	$ (1,995,622)

Restated Pro Forma Disclosures of Stock-Based Compensation Prior to 2003

The financial information set forth below reflects our restated pro forma disclosures made in accordance with Statement of Financial Accounting Standard No. 123, Accounting for Stock-Based Compensation for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 for the items discussed in note 2 to the consolidated financial statements included in this Form 10-K/A.

	Year Ended December 31,				
	2002(1)	2001(1)	2000(1)	1999(1)	1998(1)
	(In thousands, except per share data) (As restated)				
Net loss, as restated	$ (1,160,086)	$ (487,201)	$ (223,910)	$ (67,051)	$ (54,514)
Add: Stock-based employee compensation expense, net of related tax effect, included in net loss as reported	4,751	8,770	8,312	2,326	802
	(35,209)	(53,147)	(39,720)	(21,622)	(13,783)

Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect					
Pro-forma net loss	$ (1,190,544)	$ (531,578)	$ (255,318)	$ (86,347)	$ (67,495)
Basic and diluted net loss per share as restated	$ (5.94)	$ (2.54)	$ (1.33)	$ (0.45)	$ (0.68)
Basic and diluted net loss per share pro-forma	$ (6.09)	$ (2.77)	$ (1.51)	$ (0.58)	$ (0.85)

(1) See Management s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this Form 10-K/A and note 2 to the consolidated financial statements included in Item 8 of this Form 10-K/A for information regarding the restatement of our financial statements reflected in this selected financial data.

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 in Item 8 of this Form 10-K/A, and the following discussion and analysis of our financial condition and results of operations reflect this restatement.

The preparation of these 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 caption Critical Accounting Policies and Estimates on page 52.

Stock Option Review and Restatement of Financial Statements

As discussed in note 2 to our consolidated financial statements, the restatement reflected in this Form 10-K/A corrects certain errors related to (i) stock-based compensation not previously recorded for certain stock option grants, including the related payroll and income tax effects, (ii) additional charges for stock-based compensation expense related to the modification and repricing of certain stock option grants, primarily associated with options awarded to two former executive officers, and (iii) changes to income taxes related to the tax effects of foreign currency fluctuations on an intercompany loan with a foreign subsidiary. Our decision to restate our previously issued financial statements was based, in part, on an independent review of our historical stock option granting practices and related accounting. On May 19, 2006, we announced that our Board of Directors had established a special committee of independent directors to conduct a review of our stock option granting practices and related accounting with the assistance of independent legal counsel and forensic auditors. The special committee determined that, for certain stock option grants, the legal grant dates when all necessary corporate action had been taken differ from the dates previously recorded by us for financial accounting and tax purposes.

The special committee reviewed substantially all stock options granted during the period from our becoming a public company in June 1998 through May 2006, including all option grants to our officers and directors, all option grants to individuals in excess of 100,000 shares and all option grants to employees in connection with our annual all-employee option grant program. On November 6, 2006, the special committee reported to our Board of Directors regarding its findings. The following is a summary of the special committee s key findings:

The grant dates reported by the Company for accounting and financial reporting purposes for most stock option grants during the period from the Company s becoming a public company in June 1998 and into 2005 were incorrect because they did not reflect the dates on which the grants were legally effective.

From June 1998 through 2004, for certain large annual grants and many other individual grants, certain members of management followed a practice of choosing past dates as grant dates so as to use a lower exercise price, with the period of lookback appearing to range from a couple of days to eight weeks.

The option grants involving lookbacks were inconsistent with the Company s disclosures that option grants were made at fair market value, were not accounted for properly and, to the extent they involved incentive stock options, violated the requirement under the Company s 1997 Stock Option Plan that they be at fair market value.

Stock options were granted by management pursuant to authority they believed had been delegated by the Compensation Committee, but that delegation was not adequately documented, and therefore the necessary legal approval of some grants did not occur until they were subsequently approved by the Compensation Committee.

The process by which members of the Compensation Committee formally approved option grants involved the signing of unanimous written consents that included schedules of option grants approved by management for the preceding quarter. The Company typically used the date set forth in the schedules attached to the written consents as the option grant date. However, all necessary corporate action had not been taken until the written consents were actually signed by all committee members, which typically did not happen until later, sometimes resulting in a delay of many months between the date recorded by the Company as the option grant date and the legal grant date.

The Company s flawed option practices began with past management, whose members frequently looked back to select option grant dates. With the likely exception of one past member of management, the evidence does not indicate that management at the time in question was aware that, in looking back to choose a past grant date with a more favorable closing price, the Company was failing to take necessary accounting charges or acting contrary to the Company s disclosures. However, certain members of past management who initiated and were involved with the option practices should have been aware of the accounting or legal issues or sought legal and accounting advice as to the practice.

Current management s efforts to improve and formalize procedures for option grants since early 2004 have had the effect of eliminating the practice of lookbacks. In addition, the evidence does not indicate intentional misconduct by any member of current management. Some members of current management, however, were made aware of the use of lookbacks for certain option grants, and certain of them should have been aware of the accounting or legal issues or inquired further.

One or more outside lawyers for the Company were, on multiple occasions, told of the lookback practice and did not advise the Company of the accounting and legal problems with that practice.

The Board of Directors and the Compensation Committee failed to adopt adequate procedures to ensure that Compensation Committee members understood the Company s 1997 Stock Option Plan and that it was properly administered.

From 1998 through 2005, the Company s processes, procedures and controls were inadequate, although management steadily improved the processes beginning in 2001. In 2006, the Compensation Committee revised its procedures for approving stock option grants in an effort to ensure compliance in the future.

The Company also had inadequate controls relating to, and failed to account properly for, certain modifications of outstanding stock option rights.

The special committee will recommend to our Board of Directors a remediation plan to address the issues raised by its findings. While the special committee has not yet finalized its remediation recommendations, they are expected to include recommendations regarding improved stock option administration procedures and controls (with respect to which, as noted above, the committee found that management had already made certain changes), training and monitoring of compliance with those procedures, corporate risk assessment and evaluation of the internal compliance environment, and an evaluation by our chief executive officer of the Company s resources, especially with respect to compliance and administration. The special committee has concluded that it will not recommend any terminations or that any changes in positions of current executive management be made as a result of its findings. It is expected to recommend, however, that our chief executive officer review and evaluate the organization of the Company s senior management consistent with the findings of the special committee, and report back to the Board on any changes that should be made to the Company s organizational plan or to the duties of members of current management.

In connection with the review by the special committee, we undertook a review of option grant dates recorded for financial accounting and tax purposes. Based on our facts and circumstances, we concluded that we should use the legal grant date, as determined by the special committee, as the accounting measurement date for such awards. Accordingly, based on this conclusion, we applied new measurement dates to the affected stock option grants and, as a result, determined that charges for stock-based compensation expense and related payroll and income tax effects were required in instances where the quoted market price of the underlying stock at the

9

new measurement date exceeded the employee s exercise price, in accordance with APB No. 25, Accounting for Stock Issued to Employees. In addition, the restatement reflects charges for penalties and interest related to the failure to properly withhold employee taxes upon exercise of certain stock options that were originally classified as incentive stock options, but were recharacterized as non-qualified stock options as a result of applying a new measurement date to such options.

With respect to our results of operations, the restatement adjustments reflected in this Form 10-K/A primarily impacted our selling, general, administrative and development expense and our income tax (provision) benefit. The discussion of our results of operations for the years ended December 31, 2005 and 2004 below includes a discussion of the impact of the restatement on these items on a quarterly basis.

Executive Overview

Our principal operating segment is our rental and management segment, which accounted for approximately 98.4% and 96.9% of our total revenues and approximately 99.5% and 99.3% of our segment operating profit for the years ended December 31, 2005 and 2004, 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, acquiring and building additional tower sites and the degree to which any of our existing customer leases are cancelled. We continue to believe that our leasing revenue is likely to increase due to 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 wireless broadband-services customers.

The majority of our tenant leases with wireless carriers are for an initial term of five-to-ten years, with multiple five-year renewal terms thereafter. Accordingly, nearly all of the revenue generated by our rental and management segment as of the end of December 2005 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. Revenue generated by rate increases based on fixed escalation clauses is recognized on a straight-line basis over the non-cancelable term of the applicable agreement.

The revenues generated by our rental and management segment also may be affected by cancellations of existing customer leases. As discussed above, most of our tenant leases with wireless carriers and broadcasters are multi-year contracts, which typically may not be cancelled or, in some instances, may be cancelled only upon payment of a termination fee. Accordingly, lease cancellations historically have not had a material adverse effect on the revenues generated by our rental and management segment. During 2005, tenant leases representing less than 2% of our total revenues were cancelled.

A significant majority of our revenue growth in 2005 was attributable to revenue generated from leasing space on the towers and in-building systems acquired in connection with our merger with SpectraSite, Inc. In August 2005, we completed our merger with SpectraSite, Inc., an owner and operator of approximately 7,800 wireless and broadcast towers and in-building systems in the United States. The merger was approved by our and SpectraSite s stockholders on August 3, 2005, and the results of operations of SpectraSite have been included in our consolidated results of operations since that date. During the period August 3, 2005 through December 31, 2005, SpectraSite generated total revenues of $171.2 million and operating profit of $106.8 million.

Our revenue growth in 2005 was also attributable to incremental revenue generated by our existing communications sites. During 2005, incremental revenue attributable to those sites that existed during the entire period between January 1, 2004 and December 31, 2005, was approximately $63.3 million, which reflects revenue increases from adding new tenants to those sites, existing tenants adding more equipment to those sites, contractual escalators net of straight line accounting treatment and favorable currency exchange rate changes, offset by lease cancellations.

Our ability to lease additional space on our sites is a function of the rate at which wireless carriers deploy capital to improve and expand their wireless networks and, to a lesser extent, the location of and available capacity on our existing sites. This rate, in turn, is influenced by the growth of wireless communications services

Our ability to lease additional space on our sites is a function of the rate at which wireless carriers deploy capital to improve and expand their wireless networks and, to a lesser extent, the location of and available capacity on our existing sites. This rate, in turn, is influenced by the growth of wireless communications services and related infrastructure, the financial performance of our customers and their access to capital, and general economic conditions. We believe leasing additional space on our existing sites, including the sites acquired in connection with our merger with SpectraSite, Inc., will continue to contribute the substantial majority of our year-over-year revenue growth in 2006.

We also generate revenues by building and acquiring new communications sites. In addition to the approximately 7,800 towers and in-building systems acquired in connection with our merger with SpectraSite, Inc., we constructed or acquired 289 and 275 sites in 2005 and 2004, respectively. Because of the nature of our recurring revenues described above, our results of operations only reflect revenues generated on these sites following the respective dates of their construction or acquisition, which affects year-over-year comparisons. During 2005, revenue attributable to these 564 sites that were built or acquired between January 1, 2004 and December 31, 2005, was approximately $10.8 million.

Our continuing operations are reported in two business segments: rental and management and network development services. Management focuses on segment gross margin and operating profit (loss) as a means to measure operating performance in these business segments. We define segment gross margin as segment revenue less segment operating expenses excluding depreciation, amortization and accretion; selling, general, administrative and development expense; and impairments, net loss on sale of long-lived assets, restructuring and merger related expense. We define segment operating profit as segment gross margin less selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. Segment gross margin and operating profit (loss) for the rental and management segment include interest income, TV Azteca, net (see note 17 to our consolidated financial statements included herein).

Our rental and management segment operating expenses include our direct tower level expenses and consist primarily of ground rent, property taxes, repairs and maintenance and utilities. These segment level expenses exclude all segment and corporate, selling, general, administrative and development expenses, which are aggregated into one line item entitled selling, general, administrative and development expense. Our segment level selling, general and administrative expenses consist of expenses to support our rental and management and network development services segments, such as sales and property management functions. In general, our segment level selling, general and administrative expenses do not increase as a result of adding incremental customers to our sites and increase only modestly year over year. As a result, 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.

Results of Operations

Years Ended December 31, 2005 and 2004

	Year Ended December 31, 2005	Year Ended December 31, 2004	Amount of Increase (Decrease)	Percent Increase (Decrease)
	(In thousands)			
REVENUES:				
Rental and management	$ 929,762	$ 684,422	$ 245,340	36%
Network development services	15,024	22,238	(7,214)	(32)
Total revenues	944,786	706,660	238,126	34
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below)				
Rental and management	247,781	195,242	52,539	27
Network development services	8,346	16,220	(7,874)	(49)
Depreciation, amortization and accretion	411,254	329,449	81,805	25
Selling, general, administrative and development expense (including $6,597 and $9,874 of stock-based compensation expense, respectively)	108,059	83,094	24,965	30
Impairments, net loss on sale of long-lived assets, restructuring and merger related expense (including $9,333 and $876 of stock-based compensation expense, respectively)	34,232	23,876	10,356	43
Total operating expenses	809,672	647,881	161,791	25
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense $1,492 and $1,497	14,232	14,316	(84)	(1)
Interest income	4,402	4,844	(442)	(9)
Interest expense	(222,419)	(262,237)	(39,818)	(15)
Loss on retirement of long-term obligations	(67,110)	(138,016)	(70,906)	(51)
Other income (expense)	227	(2,798)	(3,025)	(108)
Income tax (provision) benefit	(5,714)	83,338	(89,052)	(107)
Minority interest in net earnings of subsidiaries	(575)	(2,366)	(1,791)	(76)
Loss on equity method investments	(2,078)	(2,915)	(837)	(29)
Loss from discontinued operations, net	(1,913)	(8,409)	(6,496)	(77)
Cumulative effect of change in accounting principle, net	(35,525)		35,525	
Net loss	$ (181,359)	$ (255,464)	$ (74,105)	(29)%

Total Revenues

Total revenues for the year ended December 31, 2005 were $944.8 million, an increase of $238.1 million from the year ended December 31, 2004. Approximately $171.2 million of the increase was attributable to revenues generated by SpectraSite. The balance of the increase resulted from an increase in other rental and management revenue of $74.1 million, partially offset by a decrease in network development services revenue of $7.2 million.

Rental and Management Revenue

Rental and management revenue for the year ended December 31, 2005 was $929.8 million, an increase of $245.3 million from the year ended December 31, 2004. Approximately $171.2 million of the increase was attributable to revenues generated by SpectraSite. Approximately $63.3 million of the increase resulted from incremental revenue generated by communications sites that existed during the entire period between January 1, 2004 and December 31, 2005, which reflects revenue increases from adding new tenants to those sites, existing tenants adding more equipment to those sites, contractual escalators net of straight-line accounting treatment and favorable currency exchange rates, offset by lease cancellations. Approximately $10.8 million of the increase resulted from revenue generated by the approximately 560 communications sites acquired and/or constructed subsequent to January 1, 2004, other than in connection with the SpectraSite merger. We believe that our rental and management revenue will increase as we continue to utilize existing site capacity. We anticipate that the majority of our new leasing activity will continue to come from wireless and broadcast service providers.

Network Development Services Revenue

Network development services revenue for the year ended December 31, 2005 was $15.0 million, a decrease of $7.2 million from year ended December 31, 2004. The decrease in revenue was attributable to a decline in revenues generated by our site acquisition, zoning and permitting services, primarily as a result of our strategic focus on our core site leasing business. This decrease was partially offset by an increase in revenues generated by our structural analysis services, as a result of the increased business associated with our significantly larger site portfolio following our merger with SpectraSite, Inc. As we continue to focus on and grow our site leasing business, and offer only limited services that directly support our site leasing operations and the addition of new tenants and equipment on our sites, we anticipate that our network development services revenue will continue to decrease as a percentage of our total revenues.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2005 were $809.7 million, an increase of $161.8 million from the year ended December 31, 2004. The increase was attributable to an increase in depreciation, amortization and accretion expense of $81.8 million, an increase in expenses within our rental and management segment of $52.5 million, an increase in selling, general, administrative and development expense of $25.0 million, and an increase in impairments, net loss on sale of long-lived assets, restructuring and merger related expense of $10.4 million. These increases were offset by a decrease in expenses within our network development services segment of $7.9 million. We expect our total operating expenses for the year ended December 31, 2006 to include approximately $38.0 million to $40.0 million related to the January 1, 2006 adoption of SFAS No. 123R regarding stock-based compensation expense, as described below in Recent Accounting Pronouncements.

Rental and Management Expense/Segment Operating Profit

Rental and management expense for the year ended December 31, 2005 was $247.8 million, an increase of $52.5 million from the year ended December 31, 2004. Approximately $53.1 million of the increase was attributable to expenses incurred by SpectraSite. Excluding the impact of expenses incurred by SpectraSite, rental and management expense did not change materially as compared to the year ended December 31, 2004.

Rental and management segment operating profit for the year ended December 31, 2005 was $696.2 million, an increase of $192.7 million from the year ended December 31, 2004. Approximately $118.1 million of the increase was attributable to rental and management segment operating profit generated by SpectraSite. The balance of the increase resulted primarily from additional revenue from adding tenants to communications sites that existed as of January 1, 2004 and revenue generated on the approximately 560 communications sites acquired and/or constructed subsequent to January 1, 2004 other than in connection with the SpectraSite merger, and the impact of favorable currency exchange rates.

Network Development Services Expense

Network development services expense for the year ended December 31, 2005 was $8.4 million, a decrease of $7.9 million from the year ended December 31, 2004. The majority of the decrease correlates directly to the decline in services performed as noted above.

Depreciation, Amortization and Accretion

Depreciation, amortization and accretion expense for the year ended December 31, 2005 was $411.3 million, an increase of $81.8 million from the year ended December 31, 2004. The increase was attributable to approximately $78.0 million of depreciation, amortization and accretion expense related to long-lived assets acquired in connection with the SpectraSite merger and approximately $3.8 million related to other newly acquired or constructed towers and other long-lived assets. We expect our depreciation, amortization and accretion expense for the year ended December 31, 2006 to increase by approximately $131.0 million, including approximately $110.0 million related to the inclusion of a full year of expense related to acquired SpectraSite long-lived assets and approximately $21.0 million related to the acceleration of settlement date assumptions regarding our asset retirement obligations described below.

Selling, General, Administrative and Development Expense

Selling, general, administrative and development expense for the year ended December 31, 2005 was $108.1 million, an increase of $25.0 million from the year ended December 31, 2004. Approximately $18.6 million of the increase was attributable to general and administrative expense incurred by SpectraSite. The balance of the increase was primarily attributable to employee bonuses, including amounts paid in connection with the closing of the SpectraSite merger, offset by a decrease of $3.3 million in stock-based compensation expense, which aggregated $6.6 million and $9.9 million for the years ended December 31, 2005 and 2004, respectively.

The following table sets forth stock-based compensation included in selling, general, administrative and development expense by quarter for 2004 and 2005 (in thousands):

	2005	2004
Quarter ended March 31	$ 761	$ 2,090
Quarter ended June 30	1,765	4,586
Quarter ended September 30	2,088	1,175
Quarter ended December 31	1,983	2,023
Total	$ 6,597	$ 9,874

The decrease in stock-based compensation from 2004 was the result of lower expenses related to modifications and repricings associated with stock options awarded to two former executive officers, which decreased to $3.2 million in 2005 from $4.9 million in 2004, as well as lower stock-based compensation associated with options granted with an exercise price below the quoted marked price of the underlying stock at the accounting measurement date. In 2004, approximately $3.5 million of the expense related to modifications and repricings was recorded in the quarter ended June 30, 2004, including $2.1 million associated with a separation agreement with our former chief operating officer that provided for the reinstatement of previously terminated options. The substantial majority of other stock-based compensation related to modifications and repricings recorded in 2005 and 2004 was associated with two options granted to our former chief financial officer that were accounted for as an indirect repricing.

As a result of the January 1, 2006 adoption of SFAS No. 123R, we expect our total selling, general, administrative and development expenses for the year ended December 31, 2006 to include approximately $38.0 million to $40.0 million of non-cash stock-based compensation expense.

Impairments, Net Loss on Sale of Long-lived Assets, Restructuring and Merger Related Expense

Impairments, net loss on sale of long-lived assets, restructuring and merger related expense for the year ended December 31, 2005 was $34.2 million, an increase of $10.4 million from the year ended December 31, 2004. The increase was due primarily to merger related expense of $9.0 million incurred in connection with the SpectraSite merger, including employee separation costs of $3.1 million, amortization of unearned compensation relating to unvested stock options assumed of $2.4 million and other employee stock option charges of $3.5 million. Restructuring expense and stock-based compensation expense also increased by $4.6 million related to modified option awards, which was partially offset by a decline of $3.2 million in impairments and net losses on sales of long-lived non-core assets.

Interest Expense

Interest expense for the year ended December 31, 2005 was $222.4 million, a decrease of $39.8 million from the year ended December 31, 2004. The decrease resulted primarily as a result of the redemption of all of our outstanding 9 $^{3}/8$% Notes, repurchases of our ATI 12.25% Notes, conversions of our 3.25% Notes and the refinancing of the American Tower credit facility at lower interest rates. This decrease was partially offset by a full year of interest payable on our 7.50% Notes, 3.00% convertible notes due August 15, 2012 (3.00% Notes) Notes and 7.125% Notes issued in February, August and September of 2004, respectively, and approximately $15.2 million of interest expense incurred on the debt assumed in the SpectraSite merger.

Loss on Retirement of Long-Term Obligations

During the year ended December 31, 2005, we redeemed $274.9 million principal amount of our 9 $^{3}/8$% Notes, repurchased $177.8 million accreted value of our ATI 12.25% Notes and converted $57.1 million principal amount of our 3.25% Notes. In addition, we refinanced the American Tower and SpectraSite credit facilities. As a result of these transactions, we recorded a $67.1 million charge primarily related to the write-off of deferred financing fees and amounts paid in excess of the carrying value. For more information regarding our financing activities, see Liquidity and Capital Resources Financing Activities below.

During the year ended December 31, 2004, we redeemed all of our outstanding 6.25% convertible notes, redeemed and repurchased portions of our outstanding 9 $^{3}/8$% Notes, ATI 12.25% Notes and 5.0% convertible notes, and refinanced of our credit facility. As a result of these transactions, we recorded a $138.0 million charge related to the write-off of deferred financing fees and amounts paid in excess of the carrying value.

Other Income

Other income for the year ended December 31, 2005 was $0.2 million, a decrease of $3.0 million from other expense of $2.8 million for the year ended December 31, 2004. The decrease was primarily attributable to approximately $2.9 million of other income generated on interest rate swap agreements assumed in the SpectraSite merger.

Income Tax (Provision) Benefit

The income tax provision for the year ended December 31, 2005 was $5.7 million, as compared to an $83.3 million tax benefit for the year ended December 31, 2004, representing a decrease of $89.1 million from the prior year period. The effective tax rate was 4.2% for the year ended December 31, 2005, as compared to 25.6% for the year ended December 31, 2004. The provision for the year ended December 31, 2005 reflects a $29.5 million charge as a result of a reduction in management s estimate of the net realizable value of our federal income tax refund claims based upon the current status of the claims, as described below.

The following table sets forth income tax (provisions) benefits related to the tax effects of foreign currency fluctuations on an intercompany loan with a foreign subsidiary by quarter for 2005 and 2004 (in thousands):

	2005	2004
Quarter ended March 31	$ 72	$ 55
Quarter ended June 30	(3,060)	1,579
Quarter ended September 30	329	(483)
Quarter ended December 31	(690)	(975)
Total	$ (3,349)	$ 176

The changes in the annual and quarterly impact on income taxes noted above are directly attributable to changes in the Mexican peso to U.S. dollar exchange rate. Tax provisions are recorded in periods in which the Mexican peso to U.S. dollar exchange rate declines.

The effective tax rate on loss from continuing operations for the year ended December 31, 2005 differs from the federal statutory rate due primarily to adjustments to our refund claims as more fully described below and foreign items. The effective tax rate on loss from continuing operations for the year ended December 31, 2004 differs from the federal statutory rate due primarily to valuation allowances related to capital losses and foreign items.

We intend to recover a portion of our deferred tax asset through our federal income tax refund claims related to the carry back of certain federal net operating losses. In June 2003 and October 2003, we filed federal income tax refund claims with the IRS relating to the carry back of $380.0 million of net operating losses generated prior to 2003, of which we initially anticipated receiving approximately $90.0 million. Based on preliminary discussions with tax authorities, we revised our estimate of the net realizable value of our federal income tax refund claims and anticipate receiving a refund of approximately $65.0 million as a result of these claims by the end of 2006. There can be no assurances, however, with respect to the specific amount and timing of any refund.

Minority Interest in Net Earnings of Subsidiaries

Minority interest in net earnings of subsidiaries for the year ended December 31, 2005 was $0.6 million, a decrease of $1.8 million from the year ended December 31, 2004. The decrease is primarily a result of the Company s purchase during 2004 of the remaining 12.0% interest in ATC Mexico that it did not own.

Loss from Discontinued Operations, Net

Loss from discontinued operations, net for the year ended December 31, 2005 was $1.9 million, as compared to $8.4 million for the year ended December 31, 2004. The loss from discontinued operations for the year ended December 31, 2005 primarily represents the legal costs incurred in connection with our involvement in the Verestar bankruptcy proceedings. We also expect to incur additional costs in connection with these proceedings. The loss from discontinued operations for the year ended December 31, 2004 includes $7.8 million related to the results of operations through the date of sale of our tower construction services unit and Kline, as well as a net loss on disposal of our tower construction services unit of $1.7 million and a $1.1 million net gain related to a contractual obligation that was settled for less than its original estimate.

Cumulative Effect of Change in Accounting Principle, Net

As of December 31, 2005, we adopted the provisions of Financial Accounting Standards Board Interpretation No. 47 Accounting for Conditional Asset Retirement Obligations (FIN No. 47). As a result, we recognized a $35.5 million charge (net of an $11.7 million tax benefit) as a cumulative effect of a change in accounting principle in the consolidated statement of operations for the year ended December 31, 2005.

The adoption of FIN No. 47 primarily resulted in the acceleration of settlement date assumptions regarding our asset retirement obligations, as FIN No. 47 precludes us from considering non contractual lease renewal periods in determining our settlement date assumptions. The acceleration of our settlement date assumptions also resulted in an increase to the tower assets included in property and equipment, net of $66.9 million and an increase in the asset retirement obligations included in other long-term obligations of $114.0 million.

Years Ended December 31, 2004 and 2003

	Year Ended December 31, 2004	Year Ended December 31, 2003	Amount of Increase (Decrease)	Percent Increase (Decrease)
	(In thousands)			
REVENUES:				
Rental and management	$ 684,422	$ 619,697	$ 64,725	10%
Network development services	22,238	12,796	9,442	74
Total revenues	706,660	632,493	74,167	12
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below)				
Rental and management	195,242	192,380	2,862	1
Network development services	16,220	7,419	8,801	119
Depreciation, amortization and accretion	329,449	330,414	(965)	
Selling, general, administrative and development expense (including $9,874 and $10,082 of stock-based compensation expense, respectively)	83,094	83,492	(398)	
Impairments, net loss on sale of long-lived assets and restructuring expense (including $876 and $1,106 of stock-based compensation expense, respectively)	23,876	31,656	(7,780)	(25)
Total operating expenses	647,881	645,361	2,520	
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense $1,497 and $1,496	14,316	14,222	94	1
Interest income	4,844	5,255	(411)	(8)
Interest expense	(262,237)	(279,783)	(17,546)	(6)
Loss on retirement of long-term obligations	(138,016)	(46,197)	91,819	199
Other expense	(2,798)	(8,598)	(5,800)	(67)
Income tax benefit	83,338	85,567	(2,229)	(3)
Minority interest in net earnings of subsidiaries	(2,366)	(3,703)	(1,337)	(36)
Loss on equity method investments	(2,915)	(21,221)	(18,306)	(86)
Loss from discontinued operations, net	(8,409)	(61,633)	(53,224)	(86)
Net loss	$ (255,464)	$ (328,959)	$ (73,495)	(22)%

Total Revenues

Total revenues for the year ended December 31, 2004 were $706.7 million, an increase of $74.2 million from the year ended December 31, 2003. The increase resulted from an increase in rental and management revenues of $64.7 million and an increase in network development services revenue of $9.4 million.

Rental and Management Revenue

Rental and management revenue for the year ended December 31, 2004 was $684.4 million, an increase of $64.7 million from the year ended December 31, 2003. The increase resulted primarily from adding additional wireless and broadband tenants to towers that existed as of January 1, 2003 and, to a lesser extent, from revenue generated on the approximately 900 towers acquired and/or constructed subsequent to January 1, 2003. This increase was partially offset by a reduction in revenue on the approximately 400 owned towers sold or disposed of subsequent to January 1, 2003. In 2004, our revenue growth on towers that existed during the entire period beginning January 1, 2003 and ending December 31, 2004, was approximately $51 million. We believe that our rental and management revenue will continue to grow as we utilize existing tower capacity. We anticipate that the majority of our new leasing activity will continue to come from wireless and broadcast service providers.

Network Development Services Revenue

Network development services revenue for the year ended December 31, 2004 was $22.2 million, an increase of $9.4 million from the year ended December 31, 2003. The increase in revenues during 2004 resulted primarily from a long-term construction contract that we did not have in the prior year.

In October 2004, we entered into an agreement to sell our tower construction services unit. Commencing in the fourth quarter of 2004, we reported our tower construction services unit as a discontinued operation. The sale closed in November 2004. After the sale, our network development services segment is focused on providing complementary non-construction services to the rental and management segment, including site acquisition, zoning, permitting and structural analysis.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2004 were $647.9 million, an increase of $2.5 million from the year ended December 31, 2003. The principal components of the increase were attributable to expense increases in our network development services segment of $8.8 million, our rental and management segment of $2.9 million. These increases were partially offset by decreases in selling, general, administrative and development expense of $0.4 million, in impairments, net loss on sale of long-lived assets and restructuring expense of $7.8 million and in depreciation, amortization and accretion of $1.0 million.

Rental and Management Expense/Segment Operating Profit

Rental and management expense for the year ended December 31, 2004 was $195.2 million, an increase of $2.9 million from the year ended December 31, 2003. The increase resulted primarily from our acquisition/construction of approximately 900 towers partially offset by a reduction in expenses related to the 400 towers that were sold or disposed of subsequent to January 2003, coupled with an overall decrease in rental and management segment expenses.

Rental and management segment operating profit for the year ended December 31, 2004 was $503.5 million, an increase of $62.0 million from the year ended December 31, 2003. 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.

Network Development Services Expense

Network development services expense for the year ended December 31, 2004 was $16.2 million, an increase of $8.8 million from the year ended December 31, 2003. The increase in expenses during 2004 resulted primarily from expenses associated with a long-term construction contract that we did not have in the prior year.

Selling, General, Administrative and Development Expense

Selling, general, administrative and development expense for the year ended December 31, 2004 was $83.1 million, a decrease of $0.4 million from the year ended December 31, 2003 primarily related to a decrease in stock-based compensation expense.

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

Impairments, net loss on sale of long-lived assets and restructuring expense for the year ended December 31, 2004 was $23.9 million, a decrease of $7.8 million from the year ended December 31, 2003. The majority of the decrease resulted from decreased impairments and losses on sales of long-lived tower and other non-core assets.

Interest Expense

Interest expense for the year ended December 31, 2004 was $262.2 million, a decrease of $17.5 million from the year ended December 31, 2003. The decrease resulted primarily from the retirement of a portion of our 9 $^{3}/8$% Notes and ATI 12.25% Notes partially offset by additional interest incurred related to the issuance of our 3.00% Notes, 7.125% Notes and 7.50% Notes in 2004.

Loss on Retirement of Long-Term Obligations

During the year ended December 31, 2004, we retired all or a portion of our 6.25% convertible notes, 9 $^{3}/8$% Notes and ATI 12.25% Notes. As a result, we incurred a charge of approximately $103.2 million, which represented the cash paid in excess of the carrying value of the debt at the time of retirement. In addition, we also incurred a charge of $34.8 million related to the write-off of deferred financing fees related to the retirements discussed above, the retirement of a portion of our 5.0% convertible notes and the refinancing of our credit facility. The total of these charges, $138.0 million, represents our loss on retirement of long-term obligations for the year ended December 31, 2004.

During the year ended December 31, 2003, we amended our credit facility and made certain prepayments and unscheduled principal payments on the term loans thereunder, which collectively reduced the borrowing capacity under our credit facility. 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 a portion of our 2.25% convertible notes 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.

Other Expense

Other expense for the year ended December 31, 2004 was $2.8 million, a decrease of $5.8 million from the year ended December 31, 2003. The decrease 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% Notes offering.

Income Tax Benefit

The income tax benefit for the year ended December 31, 2004 was $83.3 million, a decrease of $2.2 million from the year ended December 31, 2003. The effective tax rate was 25.6% for the year ended December 31, 2004, as compared to 26.1% for the year ended December 31, 2003. The primary reason for the increase in the effective tax rate is a result of non-deductible losses on retirements of our debt in 2003.

The effective tax rate on loss from continuing operations for the year ended December 31, 2004 differs from the federal statutory rate due primarily to valuation allowances related to capital losses and foreign items. 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 retirement of our debt.

In June 2003 and October 2003, we filed income tax refund claims with the IRS relating to carrying back of $380.0 million of net operating losses generated prior to 2003. As of December 31, 2004, we anticipated receiving a refund of approximately $90.0 million as a result of these claims and estimated recovery of these amounts within two to three years of the dates the claims were filed with the IRS.

Loss on Equity Method Investments

Loss on equity method investments for the year ended December 31, 2004 was $2.9 million, a decrease of $18.3 million from the year ended December 31, 2003. The decrease is primarily due to an impairment charge recorded on one of our equity investments of $19.3 million in 2003.

Loss from Discontinued Operations, Net

Loss from discontinued operations, net for the year ended December 31, 2004 was $8.4 million, as compared to $61.6 million for the year ended December 31, 2003. In October 2004, we committed to a plan to sell our tower construction services unit, which was subsequently sold in November 2004. In addition, we sold Kline in March 2004. Accordingly, the loss from discontinued operations, net, for the year ended December 31, 2004 includes $7.8 million related to the results of these operations through the date of sale. In addition, the loss from discontinued operations, net, for the year ended December 31, 2004 includes a net loss on disposal of our tower construction services unit of $1.7 million and a $1.1 million net gain related to a contractual obligation that was settled for less than its original estimate.

During 2003, we disposed of two of our wholly owned subsidiaries, Galaxy Engineering and Flash Technologies, two office buildings and two subsidiaries of Verestar. Accordingly, the loss from discontinued operations, net, for the year ended December 31, 2003 includes $13.2 million related to the results of these operations, Kline and the remaining operations of Verestar through the date of its bankruptcy filing in December 2003. In addition to the above, loss from discontinued operations, net, for the year ended December 31, 2003 includes the following net losses on disposal: (a) an 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 contractual obligations; (b) an 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 $3.7 million net loss on the disposal of the office buildings; and (e) a $0.1 million net gain on the sale of Flash.

Liquidity and Capital Resources

Overview

During the year ended December 31, 2005, we improved our financial flexibility by refinancing our existing debt with less restrictive, lower cost capital, which increased our liquidity and our ability to return value to our stockholders. Significant transactions included the following:

In October 2005, we refinanced the two existing credit facilities of our principal operating subsidiaries. We replaced the existing American Tower $1.1 billion senior secured credit facility with a new $1.3 billion senior secured credit facility and replaced the existing SpectraSite $900.0 million senior secured credit facility with a new $1.15 billion senior secured credit facility.

During 2005, consistent with our strategy of replacing our higher cost, more restrictive debt with less expensive, less restrictive capital, we repurchased, redeemed and converted approximately $605.7 million face amount of our outstanding debt securities. In addition, in December 2005, we issued a notice for the redemption of the remaining outstanding $227.7 million face amount of ATI 12.25%

Notes, which we redeemed on February 1, 2006. Upon completion of this redemption, no ATI 12.25% Notes remained outstanding.

In November 2005, we announced that our board of directors had approved a stock repurchase program pursuant to which we intend to repurchase up to $750.0 million of our Class A common stock through December 2006. As of December 31, 2005, we had repurchased 2.8 million shares of Class A common stock for an aggregate of $76.6 million.

As of December 31, 2005, we had total outstanding indebtedness of approximately $3.6 billion. We incurred substantially all of this indebtedness to refinance indebtedness incurred prior to 2002 to fund the acquisition of tower sites and services businesses, and capital expenditures related to the construction of new tower sites. Beginning in 2002, we significantly reduced our acquisitions and new tower construction activities, and began to focus on reducing our overall indebtedness. In 2003, 2004 and 2005, we continued this effort by refinancing indebtedness to extend maturity dates, reduce interest expense and improve our financial flexibility, and since 2004, by using cash flow from operations to repurchase and redeem outstanding debt to reduce our net total indebtedness.

In 2005, we generated sufficient cash flow from operations to fund our capital expenditures and cash interest obligations. We believe our cash generated by operations for the year ending December 31, 2006 also will be sufficient to fund our capital expenditures and our cash debt service (interest and principal repayments) obligations for 2006. For information about our outstanding indebtedness, see Contractual Obligations below.

We expect our 2006 cash needs related to indebtedness outstanding as of December 31, 2005, to consist primarily of the following: debt service, including cash interest of approximately $189.0 million, approximately $179.5 million for the February 1, 2006 redemption of the remaining outstanding ATI 12.25% Notes, and capital lease payments and other notes payable (including interest) of approximately $5.2 million. We expect to fund capital expenditures of between $110.0 and $130.0 million, principally related to new tower construction, improvements to existing towers and installation of new in-building systems in 2006. We also expect to use approximately $22.7 million in cash to purchase the remaining shares of ATC South America that we do not own, as discussed above in Business Recent Transactions ATC International Transactions. In addition, we expect to continue to fund our stock repurchase program, pursuant to which we intend to purchase up to an additional $673.4 million of our Class A common stock in 2006. We also may fund additional purchases of our Class A common stock, either pursuant to, or supplemental to, our stock repurchase program. We expect to meet these cash needs through a combination of cash on hand, cash generated by operations and borrowings under our credit facilities.

Uses of Cash

Stock Repurchase Program. In November 2005, we announced that our Board of Directors had approved a stock repurchase program to repurchase up to $750.0 million of our Class A common stock through December 2006. We expect to utilize cash from operations, borrowings under our credit facilities and cash on hand to fund the repurchase program. Under the program, our management is authorized to purchase shares from time to time in open market purchases or privately negotiated transactions at prevailing prices as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. To facilitate repurchases, we entered into a trading plan under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the Exchange Act) which allows us to repurchase shares during periods when we otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. The program may be discontinued at any time. As of December 31, 2005, we had repurchased 2.8 million shares of Class A common stock for an aggregate of $76.6 million. Between January 1, 2006 and March 9, 2006, we repurchased an additional 3.9 million shares of our Class A common stock for an aggregate of $117.4 million pursuant to our stock repurchase program.

Tower Construction and Improvements and In-Building System Installation. During the year ended December 31, 2005, payments for purchases of property and equipment and construction activities totaled $88.6 million, including capital expenditures incurred in connection with the construction of 245 towers and the installation of 14 in-building systems. 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 communications sites, build or install new communications sites and redevelop or improve existing communications sites when the expected returns on such investments meet our investment criteria. We anticipate that in 2006 we will build approximately 275 new towers and install approximately 40 new in-building systems, and expect our 2006 total capital expenditures for construction, improvements and corporate purposes to be between approximately $110.0 million and $130.0 million.

Refinancing and Repurchases of Debt. In order to extend the maturity dates of our indebtedness, reduce interest expense and improve our financial flexibility, we use our cash to refinance and repurchase our outstanding indebtedness. During the year ended December 31, 2005, we repurchased, redeemed and converted approximately $605.7 million face amount of our outstanding debt securities. For more information about our financing activities, see Financing Activities below. In October 2005, we also refinanced the American Tower credit facility and the SpectraSite credit facility with new credit facilities. (See Sources of Cash below.) In addition, in December 2005, we issued a notice for the redemption of the remaining outstanding $227.7 million face amount of ATI 12.25% Notes, which we redeemed on February 1, 2006. (See Financing Activities below.)

Contractual Obligations. Our contractual obligations relate primarily to borrowings under the credit facilities and our outstanding notes. The following table sets forth information relating to our contractual obligations payable in cash as of December 31, 2005 (in thousands):

	Payments Due by Period						
Contractual Obligations	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**
American Tower credit facility(1)							
Revolving credit facility							
Term Loan A					$ 750,000		$ 750,000
Delayed Draw Term Loan					43,000		43,000
SpectraSite credit facility(1)							
Revolving credit facility							
Term Loan A					700,000		700,000
Delayed Draw Term Loan							
12.25% senior subordinated discount notes(2)	$ 179,488						179,488
7.25% senior subordinated notes						$ 400,000	400,000
7.50% senior notes						225,000	225,000
7.125% senior notes						500,000	500,000
5.0% convertible notes(3)		$ 275,688					275,688
3.25% convertible notes					152,911		152,911
3.00% convertible notes						345,000	345,000
2.25% convertible notes	47						47
Long-term obligations, excluding capital leases and other notes payable	179,535	275,688			1,645,911	1,470,000	3,571,134
Cash interest expense(1)(2)	189,000	177,000	$ 175,000	$ 175,000	161,000	138,000	1,015,000
Capital lease payments (including interest) and other notes payable	5,241	4,395	4,025	3,719	3,776	212,743	233,899
Operating lease payments(4)	190,129	183,595	180,910	178,456	172,060	2,507,444	3,412,594
Other long-term liabilities(5)	400	1,098	437	450	463	165,071	167,919
Total	$ 564,305	$ 641,776	$ 360,372	$ 357,625	$ 1,983,210	$ 4,493,258	$ 8,400,546

(1) For more information regarding the American Tower and SpectraSite credit facilities, see Sources of Cash below. Interest rates for the revolving loan and the term loan components of each of the credit facilities are determined at the

option of the borrowers under the facility and range between 0.50% and 1.25% above the applicable London Interbank Offering Rate (LIBOR) for LIBOR based borrowings or between 0.0% and 0.25% above the defined base rate for base rate borrowings, in each case based on the applicable borrowers debt ratings. A quarterly commitment fee on the undrawn portion of each credit facility is required, ranging from 0.10% to 0.375% per annum, based on the applicable borrowers debt ratings. As discussed in Item 7A. Quantitative and Qualitative Disclosures About Market Risk, we have entered into swap agreements to manage exposure to variable rate interest obligations under the credit facilities. As a result of these swap agreements, the effective weighted average interest rate in effect at December 31, 2005 for the credit facilities was 4.71%. 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 facilities agreements, is 4.53% through their maturity on October 27, 2010.

(2) The ATI 12.25% 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. As of December 31, 2005, the remaining outstanding debt under the ATI 12.25% Notes was $227.7 million face amount ($160.3 million accreted value, net of $7.2 million fair value allocated to warrants). On December 22, 2005, we issued a notice for the redemption on February 1, 2006, of all remaining outstanding ATI 12.25% Notes. Pursuant to the indenture for the notes, once a notice to redeem is issued, notes called for redemption become irrevocably due and payable on the redemption date. On February 1, 2006 we redeemed $227.7 million face amount of ATI 12.25% Notes in accordance with the indenture at 106.125% of their accreted value for an aggregate of $179.5 million. Upon completion of this redemption, no ATI 12.25% Notes remained outstanding.

(3) The holders of our 5.0% convertible notes have the right to require us to repurchase their notes on specified dates prior to their maturity date in 2010, but we may pay the purchase price by issuing shares of our Class A common stock, subject to certain conditions. The obligation with respect to the right of the holders to put the 5.0% convertible notes on February 20, 2007, has been classified as a cash obligation for 2007.

(4) 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.

(5) Primarily represents our asset retirement obligations and excludes certain other long-term liabilities included in our consolidated balance sheet, primarily our straight-line rent liability for which cash payments are included in operating lease payments and unearned revenue that is not payable in cash.

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, 2005, as we cannot currently estimate the timing and amounts of such payments. (See note 10 to our consolidated financial statements included herein.)

Sources of Cash

American Tower Corporation is a holding company, and our cash flows are derived solely from distributions from our operating subsidiaries. Our principal United States operating subsidiaries are ATI and SpectraSite. Our principal international operating subsidiary is American Tower International, Inc. Under the American Tower credit facility and the indentures for our senior notes and the ATI notes, ATI and American Tower International are subject to restrictions on the amount of cash that can be distributed to us. SpectraSite is subject to restrictions on the amount of cash that can be distributed to us under the SpectraSite credit facility, but as a result of its designation as an unrestricted subsidiary, it is not subject to such restrictions under the indentures for our senior notes and the ATI notes.

Total Liquidity at December 31, 2005. As of December 31, 2005, we had approximately $1.047 billion of total liquidity, comprised of approximately $112.7 million in cash and cash equivalents and the ability to borrow approximately $488.8 million under the American Tower credit facility and approximately $445.4 million under the SpectraSite credit facility.

Cash Generated by Operations. For the years ended December 31, 2005, 2004 and 2003, our cash provided by operating activities was $397.2 million, $216.7 million and $156.4 million, respectively. Each of our rental and management and network development services segments are expected to generate cash flows from operations during 2006 in excess of their cash needs for operations and expenditures for tower construction, improvements and acquisitions. (See Results of Operations above.) We expect to use the excess cash generated by operations principally to service our debt and to fund capital expenditures and repurchases of our Class A common stock.

New Credit Facilities. In October 2005, we refinanced the two existing credit facilities of our principal operating subsidiaries. We replaced the existing American Tower $1.1 billion senior secured credit facility with a new $1.3 billion senior secured credit facility and replaced the existing SpectraSite $900.0 million senior secured credit facility with a new $1.15 billion senior secured credit facility.

The new American Tower credit facility consists of a $300.0 million revolving credit facility, a $750.0 million Term Loan A, and a $250.0 million Delayed Draw Term Loan. At closing, we drew down the entire Term Loan A and used the net proceeds to repay principal and interest on the outstanding $745.0 million under the previous American Tower credit facility. At closing, we had approximately $300.0 million of availability under the revolving credit facility, against which approximately $18.2 million of undrawn letters of credit were outstanding, and had the ability to draw down the entire $250.0 million Delayed Draw Term Loan. In December 2005, we drew down $43.0 million of the Delayed Draw Term Loan to finance repurchases of the ATI 12.25% Notes. In January 2006, we drew down an additional $179.0 million of the Delayed Draw Term Loan to finance the redemption of the remaining outstanding ATI 12.25% Notes. The credit facility provides that any portion of the Delayed Draw Term Loan that is not drawn as of October 27, 2006 will be canceled.

The borrowers under the American Tower credit facility include ATI, American Tower, L.P., American Tower International and American Tower LLC. We and the borrowers restricted subsidiaries (as defined in the loan agreement) have guaranteed all of the loans under the credit facility. These loans are secured by liens on and security interests in substantially all assets of the borrowers and the restricted subsidiaries. The American Tower credit facility has a term of five years, maturing on October 27, 2010, and all amounts will be due and payable in full at maturity. The American Tower credit facility does not require amortization of principal payments and may be paid prior to maturity in whole or in part at the borrowers option without penalty or premium. For more information regarding the new American Tower credit facility, please see note 8 to our consolidated financial statements.

The new SpectraSite credit facility consists of a $250.0 million revolving credit facility, a $700.0 million Term Loan A, and a $200.0 million Delayed Draw Term Loan. At closing, we drew down the entire Term Loan A and used the net proceeds to repay principal and interest on the $697.0 million outstanding under the previous SpectraSite credit facility. At closing, we had approximately $250.0 million of availability under the revolving credit facility, against which approximately $4.6 million of undrawn letters of credit were outstanding, and had the ability to draw down the entire $200.0 million Delayed Draw Term Loan. The credit facility provides that any portion of the Delayed Draw Term Loan that is not drawn as of October 27, 2006 will be canceled.

The borrower under the SpectraSite credit facility is SpectraSite Communications. SpectraSite Communications, its parent company (SpectraSite, LLC), and its restricted subsidiaries (as defined in the loan agreement) have guaranteed all of the loans under the credit facility. These loans are secured by liens on and security interests in substantially all assets of the borrower and the restricted subsidiaries. The SpectraSite credit facility has a term of five years, maturing on October 27, 2010, and all amounts will be due and payable in full at maturity. The SpectraSite credit facility does not require amortization of principal and may be paid prior to maturity in whole or in part at the borrower s option without penalty or premium. For more information regarding the new SpectraSite credit facility, see note 8 to our consolidated financial statements.

Proceeds from the Sale of Equity Securities. We receive proceeds from sales of our equity securities pursuant to our stock option and stock purchase plans and upon exercise of warrants to purchase our equity securities. For the year ended December 31, 2005, we received approximately $1.8 million in proceeds from exercises of warrants to purchase shares of our Class A common stock and approximately $63.6 million in proceeds from sales of shares of our Class A common stock pursuant to our stock option and stock purchase plans.

Financing Activities

9 ^{3}/8% Notes Redemptions. During the year ended December 31, 2005, we redeemed an aggregate of $274.9 million principal amount of our 9 ^{3}/8% Notes, representing all of the outstanding 9 ^{3}/8% Notes. We completed partial redemptions of the 9 ^{3}/8% Notes in accordance with the terms of the indenture in January, July and September 2005 for an aggregate redemption price of $288.3 million, plus approximately $9.5 million in accrued interest.

ATI 12.25% Notes Repurchases. During the year ended December 31, 2005, we repurchased an aggregate of $270.6 million face amount of our ATI 12.25% Notes ($177.8 million accreted value, net of $10.1 million fair value allocated to warrants) for approximately $208.4 million in cash, in privately negotiated transactions. As of December 31, 2005, we had outstanding $227.7 face amount of our ATI 12.25% Notes ($160.3 million accreted value, net of $7.2 million fair value allocated to warrants). In December 2005, we issued a notice for the redemption of the remaining outstanding ATI 12.25% Notes. On February 1, 2006, we redeemed an aggregate of $227.7 million face amount of ATI 12.25% Notes in accordance with the indenture at 106.125% of their accreted value for an aggregate of $179.5 million. Upon completion of this redemption, no ATI 12.25% Notes remained outstanding.

3.25% Convertible Notes Conversions. During the year ended December 31, 2005, holders of an aggregate of $57.1 million principal amount of 3.25% Notes converted their notes into an aggregate of 4.7 million shares of our Class A common stock. Pursuant to the terms of the indenture, the holders of the 3.25% Notes received 81.808 shares of our Class A common stock for every $1,000 principal amount of notes converted. In connection with the conversion, we paid such holders an aggregate of $4.9 million, calculated based on the accrued and unpaid interest on the notes and the discounted value of future interest payments on the notes. As of December 31, 2005, $152.9 million principal amount of 3.25% Notes remained outstanding. Between January 1, 2006 and March 9, 2006, holders of an additional $22.5 million principal amount of 3.25% Notes converted their notes into an aggregate of 1.8 million shares of our Class A common stock. In connection with the conversion, we paid such holders an aggregate of $1.7 million, calculated based on the accrued and unpaid interest on the notes and the discounted value of future interest payments on the notes.

Interest Rate Swap Agreements. In the fourth quarter of 2005, we entered into eight interest rate swap agreements to manage exposure to variable rate interest obligations under our new credit facilities. The swaps have an aggregate notional amount of $450.0 million, a weighted average fixed rate of approximately 4.85% and expire in October 2010. During January 2006, we also entered into two additional interest rate swap agreements with an aggregate notional amount of $100.0 million, a weighted average fixed rate of approximately 4.68% and will expire in October 2010. We have designated these swaps as cash flow hedges.

Factors Affecting Sources of Liquidity

Internally Generated Funds. Because the majority of our tenant leases are multi-year contracts, a significant majority of the revenues generated by our rental and management segment as of the end of 2005 is recurring revenue that we should continue to receive in future periods. Accordingly, a key factor affecting our ability to generate cash flow from operating activities is to maintain this recurring revenue and to convert it to operating profit by minimizing operating costs and fully achieving our operating efficiencies. In addition, our ability to increase cash flow from operating activities is dependent upon the demand for antenna space on wireless and broadcast communications towers and for related services and our ability to maximize the utilization of our existing towers.

Restrictions Under Credit Facilities. The American Tower and SpectraSite credit facilities contain certain financial ratios and operating covenants and other restrictions (including limitations on additional debt, distributions and dividends, guaranties, sales of assets and liens) with which the borrowers and their restricted

subsidiaries must comply. Each credit facility contains the following two financial maintenance tests with which the borrowers under the applicable credit facility must comply:

- a leverage ratio (Total Debt to Adjusted EBITDA) of not greater than 5.50 to 1.00 for the borrowers and their restricted subsidiaries; and

- an interest coverage ratio (Adjusted EBITDA to Interest Expense) of not less than 2.50 to 1.00 for the borrowers and their restricted subsidiaries.

As of December 31, 2005, we were in compliance with all of the foregoing financial tests.

Any failure to comply with the financial and operating covenants of the American Tower credit facility or the SpectraSite credit facility would not only prevent us from being able to borrow additional funds under the revolving loans, but would constitute a default, resulting in, among other things, the amounts outstanding, including all accrued interest and unpaid fees, becoming immediately due and payable. The credit facilities allow us to use borrowings for general corporate purposes and, provided certain conditions are met, permit the use of borrowings under the credit facilities and internally generated funds to repurchase our equity securities and repurchase and refinance other indebtedness without additional lender approval.

Restrictions Under Notes Indentures. The indenture governing the terms of the ATI 7.25% Notes contains certain covenants which further restrict ATI, the sister guarantors (as defined) and its and their subsidiaries in addition to the restrictions set forth in the American Tower credit facility. These include restrictions on their ability to incur additional debt, guarantee debt, pay dividends and make other distributions and make certain investments. SpectraSite and its subsidiaries are unrestricted subsidiaries under the indenture for the ATI 7.25% Notes and are not subject to such restrictions. Any failure to comply with these covenants would constitute a default. Specifically, the indenture restricts ATI, the sister guarantors and its and their restricted subsidiaries from incurring additional debt or issuing certain types of preferred stock, other than debt under the American Tower credit facility, or renewals, refundings, replacements or refinancings, up to $1.6 billion.

The indentures governing the terms of our 7.50% Notes and 7.125% Notes also contain certain restrictive covenants with which we and the restricted subsidiaries under these indentures must comply. These include restrictions on our ability to incur additional debt, guarantee debt, pay dividends and make other distributions and make certain investments. SpectraSite and its subsidiaries are unrestricted subsidiaries under the indentures for our 7.50% Notes and 7.125% Notes and are not subject to such restrictions. Any failure to comply with these covenants would constitute a default. Specifically, these 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 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 any of our credit facilities or 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 credit facilities 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.

As of December 31, 2005, our annual consolidated cash debt service obligations (principal and interest) for each of the next five years and thereafter are approximately: $373.8 million, $457.1 million, $179.0 million, $178.7 million, $1.8 billion and $1.8 billion, respectively. 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 the indenture for the ATI 7.25%

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 in Item 1A of this annual report under the caption Risk Factors. 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. 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 April 2004, the SEC declared effective our universal shelf registration statement for possible future offerings of an aggregate of up to $1.0 billion of debt and/or equity securities. As of December 31, 2005, we had not conducted any offerings pursuant to our universal shelf registration statement.

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, purchase price allocation, asset retirement obligations, stock-based compensation, impairment of assets 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 an understanding of our results of operations and financial condition. 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 our consolidated financial statements included in this 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, 2005, we have provided a valuation allowance of approximately $348.8 million, including approximately $173.3 million attributable to SpectraSite, primarily related to certain net operating loss and capital loss carryforwards. Approximately $161.5 million of the SpectraSite valuation allowance was assumed as of the acquisition date. The balance of the valuation allowance primarily relates to net state deferred tax assets. We have not provided a valuation allowance for the remaining deferred tax assets, primarily our federal net operating loss carryforwards, as we believe that we 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 federal income tax refund claims related to the carry back of certain federal net operating losses. In June 2003 and October 2003, we filed federal income tax refund claims with the IRS relating to the carry back of $380.0 million of net operating losses generated prior to 2003, of which we initially anticipated receiving approximately

$90.0 million. Based on preliminary discussions with tax authorities, we revised our estimate of the net realizable value of our federal income tax refund claims and anticipate receiving a refund of approximately $65.0 million as a result of these claims by the end of 2006. There can be no assurances, however, with respect to the specific amount and timing of any refund.

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 $1.3 billion in taxable income from January 1, 2006 to December 31, 2025. 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.

From time to time, we are subject to examination by various tax authorities in jurisdictions in which we have significant business operations, and we regularly assess the likelihood of additional assessments in each of the tax jurisdictions resulting from these examinations. During the year ended December 31, 2005, we recorded a $29.5 million income tax provision to reflect a reduction in management s estimate of the net realizable value of our pending federal tax refund claims as described above. We believe that adequate provisions have been made for income taxes for all periods through December 31, 2005.

Depending on the resolution of the Verestar bankruptcy proceedings described in notes 4 and 10 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.

Purchase Price Allocation. We account for our acquisitions under the purchase method of accounting in accordance with SFAS No. 141 Business Combinations (SFAS No. 141), which provides that purchase prices be allocated to the net assets acquired and the liabilities assumed based on their estimated fair values at the date of acquisition. In the case of tower assets acquired through the purchase of a business, such as our merger with SpectraSite, Inc., we allocate the purchase price to the assets acquired and liabilities assumed at their estimated fair values as of the date of acquisition, and the excess of the purchase price paid over the estimated fair value of net assets acquired is recorded as residual goodwill. We completed our merger with SpectraSite, Inc. in August 2005 for a total preliminary purchase price of approximately $3.1 billion, including the fair value of shares of Class A common stock issued, the fair value of options and warrants assumed and estimated transaction costs. We are in the process of finalizing a third-party valuation of SpectraSite s property and equipment, intangible assets and certain other assets and liabilities. Given the size of the SpectraSite transaction, the values of certain assets and liabilities are based on preliminary valuations and are subject to adjustment as additional information on management s estimates and assumptions is obtained and the third-party valuation is finalized. The primary areas of the purchase price allocation that are not yet finalized relate to the fair values of property and equipment, intangibles, restructuring and merger related liabilities, other assumed liabilities, deferred income taxes and residual goodwill of approximately $1.5 billion. Changes to the valuation of these items may result in adjustments to the overall purchase price allocation of these items and the related depreciation and amortization.

Asset Retirement Obligations. We comply with the provisions of SFAS No. 143, Accounting for Asset Retirement Obligations (SFAS No. 143) and the provisions of FIN No. 47. Both pronouncements address the financial accounting and reporting requirements for conditional obligations associated with our legal obligation to retire tangible long-lived assets and the related asset retirement costs, principally obligations to remediate leased land on which certain of our tower assets are located. Under these accounting principles, we recognize asset retirement obligations in the period in which they are incurred, if a reasonable estimate of a fair value can be made, and we accrete such liability through the obligation s estimated settlement date. The associated retirement costs are capitalized as part of the carrying amount of the related tower fixed assets and depreciated over their estimated useful life.

As of December 31, 2005, we adopted the provisions of FIN No. 47 and recognized a $35.5 million charge (net of an $11.7 million tax benefit) as a cumulative effect of a change in accounting principle in the consolidated statement of operations for the year ended December 31, 2005. This adoption also increased our aggregate asset retirement obligation by approximately $114.0 million to $164.2 million as of December 31, 2005 and resulted in an increase to tower assets included in property and equipment, net of $66.9 million. The adoption of FIN No. 47 primarily resulted in the acceleration of our settlement date assumptions, as FIN No. 47 precludes us from considering non contractual lease renewal periods in determining our settlement date assumptions. Fair value estimates of liabilities for asset retirement obligations generally involve discounted future cash flows, and periodic accretion of such liabilities due to the passage of time is recorded as an operating expense. The significant assumptions used in estimating the Company s aggregate asset retirement obligation are: timing of tower removals; cost of tower removals; timing and number of land lease renewals; expected inflation rates; and credit-adjusted risk-free interest rates that approximate our incremental borrowing rate. While we feel the assumptions are appropriate, there can be no assurances that actual costs and the probability of incurring obligations will not differ from these estimates. We will continue to review these assumptions periodically and we may need to adjust them as necessary.

Stock-Based Compensation. We measure compensation expense for our stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). Under the intrinsic value method, compensation expense associated with fixed awards is the excess, if any, of the quoted market price of the stock at the accounting measurement date over the amount an employee must pay to acquire the stock. Under APB No. 25, compensation expense is measured as of the date an award has received approval by relevant authority, the number of shares and exercise price are fixed and allocation to specific individuals has occurred. Generally, this occurs on the date the grant is approved by the compensation committee of our Board of Directors, or, if grant authority has been delegated to management, when the shares are allocated to specific individuals. The stock-based compensation expense for an award is recognized over the vesting period using the ratable method, whereby an equal amount of expense is recognized for each year of vesting. The actual accounting measurement dates determined in the course of our recent investigation of our stock option granting practices are based on a review of supporting approval documentation and other extrinsic evidence of awards.

While our financial statements have used the above measure, Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123) also historically required that we present in the footnotes to our financial statements pro forma financial results as if a fair value method of accounting for an employee stock option or similar equity instrument were applied. Under SFAS No. 123, the fair value of the stock option is determined using an option-pricing model that takes into account the stock price at the accounting measurement date, the exercise price, the expected life of the option, the volatility of the underlying stock and its expected dividends, and the risk-free interest rate over the expected life of the option. These assumptions are highly subjective and changes in them could significantly impact the value of the option and hence the pro forma compensation expense.

During the year ended December 31, 2005, we re-evaluated the assumptions used to estimate the fair value of stock options issued to employees and related disclosure of pro forma expense. As a result, we lowered our expected volatility assumption for options granted after July 1, 2005 to approximately 30% and increased the expected life of option grants to 6.25 years using the simplified method permitted by SEC Staff Accounting Bulletin (SAB) No. 107, Share-Based Payment (SAB No. 107). We made this change based on a number of factors, including our execution of our strategic plans to sell non-core businesses, reduce leverage and refinance our debt and our merger with SpectraSite. We had previously based our volatility assumptions on historical volatility since inception, which included periods when our capital structure was more highly leveraged than current levels and expected levels for the foreseeable future. Our estimate of future volatility is based on our consideration of all available information, including historical volatility, implied volatility of publicly traded options, our current capital structure and our publicly announced future business plans.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payments (SFAS No. 123R) which supersedes APB No. 25 and amends SFAS No. 95, Statement of Cash Flows. We adopted SFAS No. 123R as of January 1, 2006 under the modified prospective method, in which compensation cost for all share-based payments granted or modified after the effective date is recognized based upon the requirements of SFAS No. 123R. SFAS No. 123R primarily resulted in a change in our method of measuring and recognizing the fair value of option awards and estimating forfeitures for all unvested awards. Under SFAS No. 123R, the fair value of the stock option is determined in the same manner as the pro forma compensation cost under SFAS No. 123 and adjusted for estimated forfeitures. These fair value and forfeiture assumptions are highly subjective and changes in them could significantly impact the value of the option and hence the compensation expense. For more information on SFAS No. 123R, see Recent Accounting Pronouncements below.

Impairment of Assets.

Assets Subject to Depreciation and Amortization and Non-Core Long-Lived Assets Held for Sale: We review long-lived assets, including intangibles, for impairment whenever events, changes in circumstances or our review of our tower portfolio indicate that the carrying amount of an asset may not be recoverable. Our tower portfolio review includes sites for which we have no current tenant leases. We assess recoverability by determining whether the net book value of the related assets will be recovered through projected undiscounted cash flows, as well as through other analytical methods. 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: We perform our annual goodwill impairment test on December 1 of each year and when events or circumstances indicate that the asset might be impaired. In December 2005, 2004 and 2003, we completed our annual impairment testing related to the goodwill of our rental and management segment and 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 2005 annual impairment testing included $1.5 billion of goodwill acquired in our merger with SpectraSite, Inc.

Revenue Recognition. Rental and management revenues are recognized on a monthly basis under lease or management agreements when earned, regardless of whether the payments from the customer are received in equal monthly amounts. Fixed escalation clauses present in non-cancelable lease agreements, excluding those tied to the Consumer Price Index (CPI) or other inflation-based indices, and other incentives present in lease agreements with our customers are recognized on a straight-line basis over the terms of the applicable leases. Straight-line revenues for the years ended December 31, 2005, 2004 and 2003 approximated $30.3 million, $24.8 million and $22.9 million respectively. Amounts billed up-front for certain services provided in connection with the execution of lease agreements are initially deferred and recognized as revenue over the terms of the applicable leases. Amounts billed or received prior to being earned are deferred and reflected in unearned revenue in the consolidated balance sheets until such time as the earnings process is complete.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R). SFAS No. 123R revises SFAS No. 123 Accounting for Stock-Based Compensation (SFAS No. 123), supersedes Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, (APB No. 25) and amends SFAS No. 95, Statement of Cash Flows. This statement addressed the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB No. 25. Instead, companies will be required to account for such transactions using a fair-value method and recognize the related expense associated with share-based payments in the statement of operations. SFAS No. 123R is effective for us as of January 1, 2006. We have historically accounted for share-based payments to employees under APB No. 25 s intrinsic value method. We will adopt the provisions of SFAS No. 123R under the modified prospective method, in which compensation cost for all share-based payments granted or modified after the effective date is recognized based upon the requirements of SFAS No. 123R and compensation cost for all awards granted to employees prior to the effective date that are unvested as of the effective date of SFAS No. 123R is recognized based on SFAS No. 123. Tax benefits will be recognized related to the cost for share-based payments to the extent the equity instrument would ordinarily result in a future tax deduction under existing law. Tax expense will be recognized to write off excess deferred tax assets when the tax deduction upon settlement of a vested option is less than the expense recorded in the statement of operations. We estimate that we will recognize stock-based compensation expense of approximately $38 million to $40 million for the year ending December 31, 2006 under the provisions of SFAS No. 123R. This amount is subject to revisions as we finalize certain assumptions related to 2006, including the size and nature of awards and forfeiture rates. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow rather than as operating cash flow as was previously required. We cannot estimate what the future tax benefits will be as the amounts depend on, among other factors, future employee stock option exercises. Due to the our tax loss position, there was no operating cash inflow realized for December 31, 2005 and 2004 for such excess tax deductions.

In March 2005, the SEC issued SAB No. 107 regarding the Staff s interpretation of SFAS No. 123R. This interpretation provides the Staff s views regarding interactions between SFAS No. 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. The interpretive guidance is intended to assist companies in applying the provisions of SFAS No. 123R and investors and users of the financial statements in analyzing the information provided. We will follow the guidance prescribed in SAB No. 107 in connection with our adoption of SFAS No. 123R.

Information Presented Pursuant to the Indentures of our 7.50% Notes, 7.125% 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 7.50% Notes, 7.125% Notes and ATI 7.25% Notes (collectively, the Notes). The information contained in note 21 to our consolidated financial statements is also presented to address certain reporting requirements contained in the indenture for our ATI 7.25% Notes.

The indentures governing the Notes contain restrictive covenants with which we and certain subsidiaries under these indentures must comply. These include restrictions on our ability to incur additional debt, guarantee debt, pay dividends and make other distributions and make certain investments. Any failure to comply with these covenants would constitute a default, which could result in the acceleration of the principal amount and accrued and unpaid interest on all the outstanding Notes. In order for the holders of the Notes to assess our compliance with certain of these covenants, the indentures require us to disclose in the periodic reports we file with the SEC our Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow (each as defined in the indentures). Under the indentures, our ability to make certain types of restricted payments is limited by the amount of Adjusted Consolidated Cash Flow that we generate, which is determined based on our Tower Cash Flow and Non-Tower Cash Flow. In addition, the indentures for the Notes restrict us from incurring additional debt or issuing certain types of preferred stock if on a pro forma basis the issuance of such debt and preferred stock would cause our consolidated debt to be greater than 7.5 times our Adjusted Consolidated Cash Flow. As of December 31, 2005, the ratio of our consolidated debt to Adjusted Consolidated Cash Flow was approximately 5.5. For more information about the restrictions under our notes indentures, see note 8 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 Liquidity and Capital Resources Factors Affecting Sources of Liquidity.

Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow are considered non-GAAP financial measures. We are required to provide these financial metrics by the indentures for the Notes, and we have included them below because we consider the indentures for the Notes to be material agreements, the covenants related to Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow to be material terms of the indentures, and information about compliance with such covenants to be material to an investor s understanding of our financial results and the impact of those results on our liquidity.

The following table presents 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 the applicable notes (in thousands):

Tower Cash Flow, for the three months ended December 31, 2005	$ 139,590
Consolidated Cash Flow, for the twelve months ended December 31, 2005	$ 496,783
Less: Tower Cash Flow, for the twelve months ended December 31, 2005	(524,804)
Plus: four times Tower Cash Flow, for the three months ended December 31, 2005	558,360
Adjusted Consolidated Cash Flow, for the twelve months ended December 31, 2005	$ 530,339
Non-Tower Cash Flow, for the twelve months ended December 31, 2005	$ (32,067)

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

1. *Financial Statements.* See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.

2. *Financial Statement Schedules.* 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.

3. *Exhibits.* See Index to Exhibits. The exhibits listed in the Index to Exhibits immediately preceding the exhibits are filed herewith in response to this Item.

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 23rd day of February, 2007.

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)	February 23, 2007
/s/ BRADLEY E. SINGER **Bradley E. Singer**	Chief Financial Officer and Treasurer (Principal Financial Officer)	February 23, 2007
/s/ JEAN A. BUA **Jean A. Bua**	Senior Vice President, Finance and Corporate Controller (Principal Accounting Officer)	February 23, 2007
/s/ RAYMOND P. DOLAN **Raymond P. Dolan**	Director	February 23, 2007
/s/ CAROLYN F. KATZ **Carolyn F. Katz**	Director	February 23, 2007
/s/ GUSTAVO LARA CANTU **Gustavo Lara Cantu**	Director	February 23, 2007
/s/ FRED R. LUMMIS **Fred R. Lummis**	Director	February 23, 2007
/s/ PAMELA D. A. REEVE **Pamela D. A. Reeve**	Director	February 23, 2007

/s/ DAVID E. SHARBUTT	Director	February 23, 2007
David E. Sharbutt		
/s/ SAMME L. THOMPSON	Director	February 23, 2007
Samme L. Thompson		

AMERICAN TOWER CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

(RESTATED)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

American Tower Corporation

Boston, Massachusetts

We have audited the accompanying consolidated balance sheets of American Tower Corporation and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the 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, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to consolidated financial statements, in 2005 the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations-an interpretation of FASB Statement No. 143, effective December 31, 2005.

As discussed in Note 2, the consolidated financial statements have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2006 (November 28, 2006 as to the effect of the material weaknesses described in Management s Annual Report on Internal Control over Financial Reporting (as revised)) expressed an unqualified opinion on management s assessment of the effectiveness of the Company s internal control over financial reporting and an adverse opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

March 14, 2006 (November 28, 2006 as to Note 20 and February 23, 2007 as to the effects of the matters discussed in Note 2)

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31,	
	2005	2004
	(as restated, see note 2)	(as restated, see note 2)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 112,701	$ 215,557
Accounts receivable, net of allowances	36,995	38,634
Prepaid and other current assets	44,823	45,367
Deferred income taxes	31,359	6,090
Assets held for sale		3,389
Total current assets	225,878	309,037
PROPERTY AND EQUIPMENT, net	3,460,526	2,273,356
GOODWILL	2,142,551	592,683
OTHER INTANGIBLE ASSETS, net	2,077,312	985,303
DEFERRED INCOME TAXES	523,293	655,538
NOTES RECEIVABLE AND OTHER LONG-TERM ASSETS	357,294	291,779
TOTAL	$ 8,786,854	$ 5,107,696
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 178,951	$ 123,582
Accrued interest	37,850	39,466
Current portion of long-term obligations	162,153	138,386
Unearned revenue	77,655	32,681
Total current liabilities	456,609	334,115
LONG-TERM OBLIGATIONS	3,451,276	3,155,228
OTHER LONG-TERM LIABILITIES	327,354	121,505
Total liabilities	4,235,239	3,610,848
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARIES	9,794	6,081
STOCKHOLDERS EQUITY:		
Preferred Stock: $.01 par value; 20,000,000 shares authorized; no shares issued or outstanding		
Class A Common Stock: $.01 par value; 1,000,000,000 and 500,000,000 shares authorized, 415,636,595 and 229,745,116 shares issued, and 412,654,855 and 229,599,895 shares outstanding, respectively	4,156	2,297
Class C Common Stock: $.01 par value; 0 and 10,000,000 shares authorized, respectively; no shares issued or outstanding		

Additional paid-in capital	7,383,320	4,072,881
Accumulated deficit	(2,761,404)	(2,580,045)
Unearned compensation	(2,497)	
Accumulated other comprehensive loss	(803)	
Treasury stock (2,981,740 and 145,221 shares at cost)	(80,951)	(4,366)
Total stockholders equity	4,541,821	1,490,767
TOTAL	$ 8,786,854	$ 5,107,696

See notes to consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year Ended December 31,		
	2005	2004	2003
	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)
REVENUES:			
Rental and management	$ 929,762	$ 684,422	$ 619,697
Network development services	15,024	22,238	12,796
Total operating revenues	944,786	706,660	632,493
OPERATING EXPENSES:			
Costs of operations (exclusive of items shown separately below)			
Rental and management	247,781	195,242	192,380
Network development services	8,346	16,220	7,419
Depreciation, amortization and accretion	411,254	329,449	330,414
Selling, general, administrative and development expense (including stock-based compensation expense of $6,597, $9,874 and $10,082, respectively)	108,059	83,094	83,492
Impairments, net loss on sale of long-lived assets, restructuring and merger related expense (including stock-based compensation expense of $9,333, $876 and $1,106, respectively)	34,232	23,876	31,656
Total operating expenses	809,672	647,881	645,361
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	135,114	58,779	(12,868)
OTHER INCOME (EXPENSE):			
Interest income, TV Azteca, net of interest expense of $1,492, $1,497, and $1,496, respectively	14,232	14,316	14,222
Interest income	4,402	4,844	5,255
Interest expense	(222,419)	(262,237)	(279,783)
Loss on retirement of long-term obligations	(67,110)	(138,016)	(46,197)
Other income (expense)	227	(2,798)	(8,598)
Total other expense	(270,668)	(383,891)	(315,101)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND LOSS ON EQUITY METHOD INVESTMENTS	(135,554)	(325,112)	(327,969)
Income tax (provision) benefit	(5,714)	83,338	85,567
Minority interest in net earnings of subsidiaries	(575)	(2,366)	(3,703)
Loss on equity method investments	(2,078)	(2,915)	(21,221)
LOSS FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(143,921)	(247,055)	(267,326)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT OF $1,030, $4,447 AND $11,776, RESPECTIVELY	(1,913)	(8,409)	(61,633)

LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(145,834)	(255,464)	(328,959)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF INCOME TAX BENEFIT OF $11,697	(35,525)		
NET LOSS	$ (181,359)	$ (255,464)	$ (328,959)
BASIC AND DILUTED LOSS PER COMMON SHARE AMOUNTS:			
Loss from continuing operations	$ (0.47)	$ (1.10)	$ (1.28)
Loss from discontinued operations	(0.01)	(0.04)	(0.30)
Cumulative effect of change in accounting principle, net	(0.12)		
NET LOSS PER COMMON SHARE	$ (0.60)	$ (1.14)	$ (1.58)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	302,510	224,336	208,098

See notes to consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Years Ended December 31, 2005, 2004, and 2003 (as restated, see note 2)

(In thousands, except share data)

	Common Stock Class A Issued Shares	Amount	Common Stock Class B Issued Shares	Amount	Common Stock Class C Issued Shares	Amount	Treasury Stock Shares	Amount	Note Receivable	Additional Paid-in Capital (as restated, see note 2)	Unearned Compen-sation	Accumu-lated Other Compre-hensive Loss	Accumu-lated Deficit (as restated, see note 2)	Total Stockholders Equity (as restated, see note 2)	T… Compr… L… (… rest… see…
NCE, JANUARY , as previously d	185,643,625	$ 1,856	7,917,070	$ 79	2,267,813	$ 23	(144,597)	$ (4,340)	$ (6,720)	$ 3,642,019		$ (5,564)	$ (1,966,495)	$ 1,660,858	
ment adjustments, e 2										43,861			(29,127)	14,734	
NCE, JANUARY , as restated	185,643,625	$ 1,856	7,917,070	$ 79	2,267,813	$ 23	(144,597)	$ (4,340)	$ (6,720)	$ 3,685,880		$ (5,564)	$ (1,995,622)	$ 1,675,592	
e of common August offering	14,260,000	143								120,200				120,343	
convertible notes ged for common	8,415,984	84								86,045				86,129	
Senior inated Warrants										52,525				52,525	
e of common Employee Stock se Plan	200,287	2								959				961	
Class Exchanges	1,990,440	20	(947,541)	(9)	(1,042,899)	(11)									
ption activity, as l	1,345,322	14								19,128				19,142	
y stock activity							(624)	(26)						(26)	
nge in fair value flow hedges, net												(329)		(329)	$
ification ent for realized on derivative ents, net of tax												5,893		5,893	
ovision from ion of stock , as restated										(1,650)				(1,650)	
s, as restated													(328,959)	(328,959)	(32
omprehensive loss, ted															$ (32

NCE, MBER 31, 2003, ted	211,855,658	$ 2,119	6,969,529	$ 70	1,224,914	$ 12	(145,221)	$ (4,366)	$ (6,720)	$ 3,963,087			$ (2,324,581)	$ 1,629,621	
Class Exchanges	8,194,443	82	(6,969,529)	(70)	(1,224,914)	(12)									
ption activity, as	6,249,324	62								52,951				53,013	
e of common Stock Purchase	86,045									854				854	
exico activity	3,359,646	34							6,720	41,421				48,175	
outh America										67				67	
nefit from tion of stock , as restated										14,501				14,501	
s, as restated													(255,464)	(255,464)	(25
omprehensive loss, ted															$ (25
NCE, MBER 31, 2004, ted	229,745,116	$ 2,297					(145,221)	$ (4,366)		$ 4,072,881			$ (2,580,045)	$ 1,490,767	
e of common nd assumption of and s SpectraSite Plan	169,506,083	1,695								3,104,377				3,106,072	
ption activity, as	11,106,693	111								76,810				76,921	
e of common pon exercise of s	398,412	4								1,778				1,782	
e of common Stock Purchase	50,119	1								767				768	
y stock activity							(2,836,519)	(76,585)						(76,585)	
ed sation SpectraSite											$ (4,861)			(4,861)	
ed compensation ation SpectraSite											2,364			2,364	
nge in fair value flow hedges, net												(803)		(803)	
convertible notes ged for common	4,670,336	46								55,659				55,705	
exico activity	159,836	2								2,829				2,831	
outh America										2,026				2,026	
nefit from tion of stock , as restated										66,193				66,193	
s, as restated													(181,359)	(181,359)	(18
omprehensive loss, ted															$ (18

NCE, MBER 31, 2005, ted	415,636,595	$ 4,156			(2,981,740)	$ (80,951)		$ 7,383,320	$ (2,497)	$	(803)	$ (2,761,404)	$ 4,541,821

See notes to consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2005	2004	2003
	(as restated, see note 2)	(as restated, see note 2)	(as restated, see note 2)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:			
Net loss	$ (181,359)	$ (255,464)	$ (328,959)
Cumulative effect of change in accounting principle, net	35,525		
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation, amortization and accretion	411,254	329,449	330,414
Non-cash items reported in discontinued operations (primarily depreciation, asset impairments and net losses on dispositions)	(2,145)	3,798	54,230
Non-cash stock-based compensation expense	15,930	10,750	11,188
Minority interest in net earnings of subsidiaries	575	2,366	3,703
Loss on investments and other non-cash expense	2,078	4,295	20,525
Impairments, net loss on sale of long-lived assets, non-cash restructuring and merger related expense	19,096	22,254	28,294
Loss on retirement of long-term obligations	67,110	138,016	46,197
Amortization of deferred financing costs, debt discounts and other non-cash interest	45,214	72,857	75,595
Provision for losses on accounts receivable	8,492	17,440	21,940
Deferred income taxes	(11,029)	(95,614)	(85,596)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	7,570	1,335	(3,649)
Prepaid and other assets	(10,331)	(18,665)	(11,908)
Accounts payable and accrued expenses	(35,120)	(2,146)	481
Accrued interest	(5,641)	(20,268)	(4,363)
Unearned revenue	5,179	(10,990)	(3,139)
Other long-term liabilities	24,806	17,287	1,433
Cash provided by operating activities	397,204	216,700	156,386
CASH FLOWS (USED FOR) PROVIDED BY INVESTING ACTIVITIES:			
Payments for purchase of property and equipment and construction activities	(88,637)	(42,181)	(61,608)
Payments for acquisitions, net of cash acquired	(7,479)	(33,403)	(95,077)
Payments for acquisition of Mexico minority interest	(7,270)	(3,947)	
Proceeds from notes receivable, net			6,946
Cash acquired from SpectraSite merger, net of transaction costs paid	16,696		
Proceeds from sales of businesses and other long-term assets	6,881	31,987	110,753
Restricted cash and investments		170,036	(170,036)
Deposits and investments and other	(725)	2,328	(17,024)
Cash (used for) provided by investing activities	(80,534)	124,820	(226,046)
CASH FLOWS (USED FOR) PROVIDED BY FINANCING ACTIVITIES:			
Proceeds from issuance of debt securities and notes payable		1,072,500	1,032,384
Net proceeds from equity offerings, stock options, warrants and stock purchase plans	65,357	40,556	126,847
Borrowings under credit facilities	1,543,000	700,000	

Repayment of notes payable, credit facilities and capital leases	(1,949,444)	(2,003,401)	(1,071,956)
Purchases of Class A common stock	(68,927)		
Deferred financing costs and other financing activities	(9,512)	(41,083)	(39,442)
Cash (used for) provided by financing activities	(419,526)	(231,428)	47,833
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(102,856)	110,092	(21,827)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	215,557	105,465	127,292
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 112,701	$ 215,557	$ 105,465

See notes to consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business American Tower Corporation and subsidiaries (collectively, ATC or the Company), is an independent owner, operator and developer of wireless and broadcast communications sites in the United States, Mexico and Brazil. The Company s primary business, as discussed in note 17, is the leasing of antenna space on multi-tenant communications towers to wireless service providers and radio and television broadcast companies. The Company also operates distributed antenna systems within buildings and provides limited network development services that support its rental and management operations and the addition of new tenants and equipment on its sites. During 2004 and 2003, the Company sold or committed to sell certain non-core businesses, which have been reported as discontinued operations. (See note 4.)

The Company completed its merger with SpectraSite, Inc. in August 2005, as more fully described in note 3. The merger was approved by the stockholders of the Company and SpectraSite, Inc. on August 3, 2005, and the results of operations of SpectraSite have been included in the Company s accompanying consolidated financial statements for the year ended December 31, 2005, commencing on August 3, 2005.

ATC is a holding company that conducts its operations in the United States, Mexico and Brazil through operating subsidiaries. ATC s principal United States operating subsidiaries are American Towers, Inc. (ATI) and SpectraSite Communications, Inc. (SpectraSite). ATC s principal international operating subsidiary is American Tower International, Inc., which conducts operations in Mexico through its subsidiary ATC Mexico Holding Corp. (ATC Mexico) and in Brazil through its subsidiary ATC South America Holding Corp. (ATC South America).

Principles of Consolidation and Basis of Presentation The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company consolidates those entities in which it owns greater than fifty percent of the entity s voting stock, with the exception of Verestar, Inc. (Verestar), as discussed in note 4.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, and such differences could be material to the accompanying consolidated financial statements. The significant estimates in the accompanying consolidated financial statements include revenue recognition, impairment of long-lived assets (including goodwill), purchase price allocation, asset retirement obligations and valuation allowances related to deferred tax assets.

Revenue Recognition Rental and management revenues are recognized on a monthly basis under lease or management agreements when earned. Fixed escalation clauses present in non-cancelable lease agreements, excluding those tied to the Consumer Price Index (CPI) or other inflation-based indices, and other incentives present in lease agreements with the Company s customers are recognized on a straight-line basis over the terms of the applicable leases. Straight-line revenues for the years ended December 31, 2005, 2004 and 2003 approximated $30,304,000, $24,762,000 and $22,944,000, respectively. Amounts billed up-front for certain services provided in connection with the execution of lease agreements are initially deferred and recognized as revenue over the initial terms of the applicable leases. Amounts billed or received prior to being earned are deferred and reflected in unearned revenue in the accompanying consolidated balance sheets until such time as the earnings process is complete.

Network development services revenues are derived under contracts or arrangements with customers that provide for billings on a fixed price basis. Revenues are recognized as services are performed, excluding certain fees for

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

services provided in connection with the execution of lease agreements which are initially deferred and recognized as revenue over the initial terms of the applicable leases.

Rent Expense Many of the leases underlying the Company s tower sites have fixed rent escalators, which provide for periodic increases in the amount of ground rent payable by the Company over time. The Company calculates straight-line ground rent expense for these leases based on the fixed non-cancellable term of the underlying ground lease plus all periods, if any, for which failure to renew the lease imposes an economic penalty to the Company such that renewal appears, at the inception of the lease, to be reasonably assured. Certain of the Company s tenant leases require the Company to exercise available renewal options pursuant to the underlying ground lease, if the tenant exercises its renewal option. For towers with these types of tenant leases at the inception of the ground lease, the Company calculates its straight-line ground rent over the term of the ground lease, including all renewal options required to fulfill the tenant lease obligation.

Straight-line ground rent expense approximated $15,946,000, $12,101,000 and $14,687,000, for the years ended December 31, 2005, 2004 and 2003, respectively. The Company s straight-line rent liability of approximately $97.1 million and $81.2 million is included in other long-term liabilities in the accompanying consolidated balance sheets as of December 31, 2005 and 2004, respectively.

Selling, General, Administrative and Development Expense Selling, general and administrative expense consists of overhead expenses related to the Company s rental and management and services segment and corporate overhead costs not specifically allocable to any of the Company s individual business segments. Development expense consists of uncapitalized acquisition costs, costs to integrate acquisitions, costs associated with new business initiatives and abandoned acquisition costs. (See Reclassifications in note 2.)

Loss on Retirement of Long-Term Obligations Loss on retirement of long-term obligations primarily includes cash paid to retire debt in excess of its carrying value and non-cash charges related to the write-off of deferred financing fees. In addition, it also includes non-cash charges related to the fair value of incremental stock issued to induce convertible noteholders to convert their holdings prior to the scheduled redemption date. Such amounts are expensed as incurred in accordance with Statement of Financial Accounting Standard (SFAS) No. 84 Induced Conversions of Convertible Debt. Loss on retirement of long-term obligations also includes gains from repurchasing or refinancing certain of the Company s debt obligations. (See note 8.)

Discount and Premium on Notes The Company amortizes the discount on its convertible, senior and senior subordinated discount notes (including the allocated fair value of the related warrants) and the premium on its senior notes, using the effective interest method over the term of the obligation. Such amortization is recorded as interest expense in the accompanying consolidated statements of operations. (See note 8.)

Concentrations of Credit Risk Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, notes receivable, trade receivables and derivative instruments. The Company mitigates its risk with respect to cash and cash equivalents and derivative instruments by maintaining its deposits and contracts at high quality financial institutions and monitoring the credit ratings of those institutions. The Company derives the largest portion of its revenues, corresponding trade receivables and the related deferred rent asset from a small number of customers in the telecommunications industry, and over 50% of its revenues are derived from five customers in the industry. In addition, the Company has concentrations of credit risk in certain geographic areas. (See notes 7, 9 and 17.)

The Company mitigates its concentrations of credit risk with respect to notes and trade receivables by actively monitoring the credit worthiness of its borrowers and customers. Accounts receivable are reported net of allowances of $15,071,000, $13,968,000 and $17,445,000 as of December 31, 2005, 2004 and 2003, respectively. Amounts charged against allowances, net of recoveries, for the years ended December 31, 2005, 2004 and 2003

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

approximated $13,083,000, $20,917,000, and $20,536,000, respectively. The fair value of accounts receivable acquired in the merger with SpectraSite, Inc. increased the allowances by approximately $5,694,000 as of the date of acquisition in August 2005.

Derivative Financial Instruments The Company accounts for derivative financial instruments in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. All derivatives are recorded on the consolidated balance sheet at fair value. If a derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in accumulated other comprehensive income (loss) and are recognized in the results of operations when the hedged item affects earnings (loss). Ineffective portions of changes in the fair value of cash flow hedges are recognized in the results of operations. For derivative instruments not designated as hedging instruments, changes in fair value are recognized in the results of operations in the period that the change occurs.

The Company is exposed to interest rate risk relating to variable interest rates on its new credit facilities described in note 8. During the years ended December 31, 2005, 2004 and 2003, as part of its overall strategy to manage the level of exposure to the risk of interest rate fluctuations under its variable rate credit facilities, the Company used interest rate swaps and caps. As of December 31, 2005, the Company had derivative financial instruments in the form of interest rate swaps that were designated as cash flow hedges of floating interest rate payments on the Company s credit facilities. The interest rate swap agreements effectively convert the interest payments for a portion of the debt from floating rate to fixed rate debt.

The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The Company does not hold derivatives for trading purposes. (See note 9.)

Other Comprehensive Income (Loss) Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under accounting principles generally accepted in the United States of America are included in other comprehensive income (loss), but are excluded from net income (loss), as these amounts are recorded directly as an adjustment to stockholders equity, net of tax. The Company s other comprehensive income (loss) is comprised of unrealized gains/losses on derivative cash flow hedges.

Foreign Currency Translation The functional currency of the Company s foreign subsidiaries in Mexico and Brazil is the U.S. dollar. Monetary assets and liabilities related to the Company s Mexican and Brazilian operations are remeasured from the local currency into U.S. dollars at the rate of currency exchange at the end of the applicable fiscal reporting period. Non-monetary assets and liabilities are remeasured at historical exchange rates. Revenues and expenses are remeasured at average monthly exchange rates. All remeasurement gains and losses are included in the Company s consolidated statement of operations, within the caption other income (expense). The net remeasurement gain (loss) for the years ended December 31, 2005, 2004 and 2003 approximated $396,000, $(146,000), and $(1,142,000), respectively.

Cash and Cash Equivalents Cash and cash equivalents include cash on hand, demand deposits and short-term investments with remaining maturities (when purchased) of three months or less.

Property and Equipment Property and equipment are recorded at cost or at estimated fair value (in the case of acquired properties). Cost for self-constructed towers includes direct materials and labor, indirect costs associated with construction and capitalized interest. Approximately $473,000, $226,000, and $672,000 of interest was capitalized for the years ended December 31, 2005, 2004 and 2003, respectively.

Depreciation is recorded using the straight-line method over the assets estimated useful lives. Property and equipment acquired through capital leases are amortized using the straight-line method over the shorter of the

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

lease term or the estimated useful life of the asset. Towers on leased land are depreciated over the shorter of the term of the ground lease (including renewal options) or the estimated useful life of the tower (15 years). Asset useful lives are as follows:

Equipment	3-15 years
Buildings	32 years
Building and land improvements	15-32 years
Towers	up to 15 years

For towers acquired through capital lease, the Company records the entire purchase price as a capital lease, and reflects that value in property and equipment. Property and equipment, network/location intangibles and assets held under capital lease related to tower acquisitions are amortized over their useful lives for a period up to fifteen years. Expenditures for repairs and maintenance are expensed as incurred. Betterments and improvements that extend an asset s useful life or enhance capacity are capitalized.

Goodwill and Other Intangible Assets The Company complies with the provisions of SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142) which requires that goodwill and intangible assets with indefinite lives no longer be amortized, but reviewed for impairment at least annually or whenever events or circumstances indicate the carrying value of an asset may not be recoverable, in accordance with SFAS No. 142. Intangible assets that are deemed to have a definite life continue to be amortized over their useful lives. (See note 6.)

Income Taxes The consolidated financial statements reflect provisions for federal, state, local and foreign income taxes. The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company provides valuation allowances if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. (See notes 2 and 14.)

Sales of Subsidiary Stock The Company complies with the provisions of SEC Staff Accounting Bulletin (SAB) No. 51, Accounting for Sales of Stock by a Subsidiary and records the difference between the Company s carrying value of the interest in the subsidiary s equity that was sold and the proceeds received for that interest to additional paid-in-capital. The Company records any gains or losses resulting from the sale of stock by a subsidiary as a component of stockholders equity. (See note 12.)

Treasury Stock The Company records treasury stock purchases under the cost method, whereby the purchase price, including legal costs and commissions, is recorded in a contra equity account (treasury stock). The equity accounts from which the shares were originally issued are not adjusted for any treasury stock purchases. (See notes 15 and 19.)

Loss per Common Share Basic and diluted net loss per common share has been computed by dividing the Company s net loss by the weighted average number of common shares outstanding during the period. For the years ended December 31, 2005, 2004 and 2003, potential common shares, including shares issuable upon exercise of options and warrants and upon conversion of the Company s convertible notes, have been excluded from the computation of diluted loss per common share, as their effect is anti-dilutive. Potential common shares excluded from the calculation of net loss per share were approximately 72.9 million, 68.8 million, and 65.6 million for the years ended December 31, 2005, 2004 and 2003, respectively.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairments, Net Loss on Sale of Long-Lived Asset and Discontinued Operations The Company reviews long-lived assets, including intangibles with definite lives, for impairment whenever events, changes in circumstances or the Company s review of its tower portfolio indicate that the carrying amount of an asset may not be recoverable. The Company s tower portfolio review includes sites for which the Company has no current tenant leases. The Company assesses recoverability by determining whether the net book value of the related assets will be recovered, either through projected undiscounted future cash flows (with respect to operating assets), or anticipated proceeds from sales (with respect to non-core assets that are designated for sale or towers that have no current tenant leases). If the Company determines that the carrying value of an asset may not be recoverable, it measures any impairment based on the projected future discounted cash flows to be provided from the asset or the estimated sale proceeds, as compared to the asset s carrying value. The Company also complies with the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS No. 144) regarding impairment assessments and decisions concerning discontinued operations. The Company records impairment losses in the period in which it identifies such impairments. (See notes 4 and 13.)

Notes Receivable and Other Long-Term Assets Other long-term assets primarily represent the Company s notes receivable described in note 7, the straight-line asset associated with non-cancelable tenant leases that contain fixed escalation clauses over the terms of the applicable leases, as well as investments, prepaid ground lease assets, long-term deposits, favorable leasehold interests and other long-term assets acquired in connection with the merger with SpectraSite, Inc. The Company s straight-line asset was approximately $152.1 million and $121.9 million in the accompanying consolidated balance sheets at December 31, 2005 and 2004, respectively.

Investments in those entities where the Company owns less than twenty percent of the voting stock of the individual entity and does not exercise significant influence over operating and financial policies of the entity are accounted for using the cost method. Investments in entities where the Company owns less than twenty percent but has the ability to exercise significant influence over operating and financial policies of the entity, or where the Company owns 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. As of December 31, 2005 and 2004, the Company s investments were in companies that are not publicly traded, and, therefore, no established market for their securities exists. The Company has a policy in place to review the fair value of its investments on a regular basis to evaluate the carrying value of the investments in these companies. If the Company believes that the carrying value of an investment is in excess of fair market value, the Company records an impairment charge to adjust the carrying value to fair market value. The Company s only investment, with a carrying value of $10.1 million and $10.2 million as of December 31, 2005 and 2004, respectively, was accounted for as a cost investment as of December 31, 2005 and as an equity investment as of December 31, 2004.

During the years ended December 31, 2005, 2004 and 2003, the Company recorded losses on equity method investments of approximately $2.1 million, $2.9 million, and $1.9 million, respectively. During the year ended December 31, 2003, the Company recorded impairment charges on its cost and equity investments of approximately $19.3 million. Losses on equity method investments are recorded in accordance with Emerging Issues Task Force No. 99-10 Percentage Used to Determine the Amount of Equity Method Losses.

Asset Retirement Obligations The Company complies with the provisions of SFAS No. 143, Accounting for Asset Retirement Obligations (SFAS No. 143) and the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 47 Accounting for Conditional Asset Retirement Obligations (FIN No. 47). Both pronouncements address the financial accounting and reporting requirements for conditional obligations associated with the Company s legal obligation to retire tangible long-lived assets and the related asset retirement costs.

The fair value of a liability for asset retirement obligations is recognized in the period in which it is incurred and can be reasonably estimated. Such asset retirement costs are capitalized as part of the carrying amount of the

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

related long-lived asset and depreciated over the asset s estimated useful life. Fair value estimates of liabilities for asset retirement obligations generally involve discounting of estimated future cash flows. Periodic accretion of such liabilities due to the passage of time is recorded as an operating expense. The Company has certain legal obligations related to tower assets which fall within the scope of SFAS No. 143 and FIN No. 47, principally obligations to remediate leased land on which certain of the Company s tower assets are located. The significant assumptions used in estimating the Company s aggregate asset retirement obligation are: timing of tower removals; cost of tower removals; timing and number of land lease renewals; expected inflation rates; and credit-adjusted risk-free interest rates that approximate the Company s incremental borrowing rate. The adoption of FIN No. 47 primarily resulted in the acceleration of settlement date assumptions, as FIN No. 47 precludes the Company from considering non contractual lease renewal periods in determining its settlement date assumptions.

The Company adopted the provisions of SFAS No. 143 as of January 1, 2003 and the provisions of FIN No. 47 as of December 31, 2005. Upon adoption of the provisions of FIN No. 47, the Company recognized a $35.5 million charge (net of an $11.7 million tax benefit) as a cumulative effect of a change in accounting principle in the consolidated statement of operations for the year ended December 31, 2005. In addition, the adoption of FIN No. 47 resulted in an increase to the tower assets included in property and equipment, net of $66.9 million. Had the Company adopted the provisions of FIN No. 47 as of January 1, 2003, the aggregate asset retirement obligation as of January 1, 2003, December 31, 2003 and December 31, 2004 would have approximated $86.7 million, $92.9 million and $99.5 million, respectively. Had the Company adopted the provisions of FIN No. 47 in prior periods, net loss for the years ended December 31, 2003 and 2004 would have been approximately $(336,036) and $(261,504), respectively and basic and diluted net loss per share for the years ended December 31, 2003 and December 31, 2004 would have been approximately $(1.61) and $(1.17), respectively.

The Company s asset retirement obligation is included in other long-term liabilities in the accompanying consolidated balance sheets. The changes in the carrying value of the Company s asset retirement obligations for years ended December 31, 2005, 2004 and 2003 are as follows:

	2005	2004	2003
Beginning balance as of January 1,	$ 23,464	$ 4,635	$ 1,250
Additions and revisions in estimated cash flows, net of settlements	2,587	17,016	3,223
Accretion expense	3,069	1,813	162
Liability assumed in merger with SpectraSite, Inc.	21,126		
Increase due to change in accounting principle	113,976		
Balance as of December 31,	$ 164,222	$ 23,464	$ 4,635

Stock-Based Compensation The Company complies with the provisions of SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure an amendment of SFAS No. 123, which provides optional transition guidance for those companies electing to voluntarily adopt the accounting provisions of SFAS No. 123 Accounting for Stock-Based Compensation (SFAS No. 123). The Company continues to use Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees, to account for equity grants and awards to employees, officers and directors and has adopted the disclosure-only provisions of SFAS No. 148. In accordance with APB No. 25, the Company recognizes compensation expense based on the excess, if any, of the quoted market price of the stock at the accounting measurement date over the amount an employee must pay to acquire the stock. The Company s stock option plans are more fully described in note 15. In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R), as further described below.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under APB No. 25, compensation expense is measured as of the date an award has received approval by relevant authority, the number of shares and exercise price are fixed and allocation to specific individuals has occurred. Generally, this occurs on the date the grant is approved by the compensation committee of the Company s Board of Directors, or, if grant authority has been delegated to management, when the shares are allocated to specific individuals. The stock-based compensation expense is recognized over the vesting period using the ratable method, whereby an equal amount of expense is recognized for each year of vesting.

The Company accounts for modifications to stock options under FIN 44 Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB No. 25 (FIN 44). Modifications include, but are not limited to, acceleration of vesting and continued vesting while not providing substantive services. Compensation expense is recorded in the period of modification for the intrinsic value of the vested portion of the award, including vesting that occurs while not providing substantive services, on the date of modification. The intrinsic value of the award is the difference between the fair market value of the Company s stock on the date of modification and the optionee s exercise price.

The Company values stock options assumed in conjunction with business combinations accounted for using the purchase method at fair value on the date of acquisition using the Black-Scholes option-pricing model, in accordance with FIN 44. The fair value of assumed options is included as a component of the purchase price. The intrinsic value of unvested stock options is recorded as unearned stock-based compensation and amortized to expense over the remaining vesting period of the stock options using the straight-line method.

During the year ended December 31, 2005, the Company reevaluated the assumptions used to estimate the fair value of stock options issued to employees. As a result, the Company lowered its expected volatility assumption for options granted after July 1, 2005 to approximately 30% and increased the expected life of option grants to 6.25 years using the simplified method permitted by SEC SAB No. 107, Share-Based Payment (SAB No. 107). The Company made this change based on a number of factors, including the Company s execution of its strategic plans to sell non-core businesses, reduce leverage and refinance its debt, and its recent merger with SpectraSite, Inc. (See note 3.) Management had previously based its volatility assumptions on historical volatility since inception, which included periods when the Company s capital structure was more highly leveraged than current levels and expected levels for the foreseeable future. Management s estimate of future volatility is based on its consideration of all available information, including historical volatility, implied volatility of publicly traded options, the Company s current capital structure and its publicly announced future business plans. For comparative purposes, a 10% change in the volatility assumption would change pro forma stock compensation expense and pro forma net loss by approximately $0.1 million for the year ended December 31, 2005. (See note 15.)

The following table illustrates the effect on net loss and net loss per common share if the Company had applied the fair value recognition provisions of SFAS No. 123 (as amended) to stock-based compensation. The estimated fair value of each option is calculated using the Black-Scholes option-pricing model (in thousands, except per share amounts):

	2005	2004	2003
Net loss as restated	$ (181,359)	$ (255,464)	$ (328,959)
Add: Stock-based employee compensation expense, net of related tax effect, included in net loss as reported	11,392	8,715	8,630
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect	(21,176)	(26,574)	(24,131)

Pro-forma net loss	$ (191,143)	$ (273,323)	$ (344,460)
Basic and diluted net loss per share as restated	$ (0.60)	$ (1.14)	$ (1.58)
Basic and diluted net loss per share pro-forma	$ (0.63)	$ (1.22)	$ (1.66)

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The table above includes stock-based compensation amounts where the Company modified certain option awards to revise vesting and exercise terms for certain terminated employees and recognized charges of $10.0 million, $6.6 million and $2.5 million for the years ended December 31, 2005, 2004 and 2003, respectively. In addition, the stock-based employee compensation amounts above for the year ended December 31, 2005, include approximately $2.4 million of unearned compensation amortization related to unvested stock options assumed in the merger with SpectraSite, Inc. Such charges are reflected in selling, general administrative and development expense, impairments, net loss on sale of long-lived assets, restructuring and merger related expense and loss from discontinued operations, net, with corresponding adjustments to additional paid-in capital and unearned compensation in the accompanying consolidated financial statements.

Recent Accounting Pronouncements In December 2004, the FASB issued SFAS No. 123R, which supersedes APB No. 25, and amends SFAS No. 95, Statement of Cash Flows. This statement addressed the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic value method in accordance with APB No. 25. Instead, companies will be required to account for such transactions using a fair-value method and recognize the related expense associated with share-based payments in the statement of operations. SFAS No. 123R is effective for the Company as of January 1, 2006. The Company historically accounted for share-based payments to employees under APB No. 25 s intrinsic value method. The Company will adopt the provisions of SFAS No. 123R under the modified prospective method, in which compensation cost for all share-based payments granted or modified after the effective date is recognized based upon the requirements of SFAS No. 123R, and compensation cost for all awards granted to employees prior to the effective date that are unvested as of the effective date of SFAS No. 123R is recognized based on SFAS No. 123. Tax benefits will be recognized related to the cost for share-based payments to the extent the equity instrument would ordinarily result in a future tax deduction under existing law. Tax expense will be recognized to write off excess deferred tax assets when the tax deduction upon settlement of a vested option is less than the expense recorded in the statement of operations (to the extent not offset by prior tax credits for settlements where the tax deduction was greater than the fair value cost). The Company estimates that it will recognize equity-based compensation expense of approximately $38 million to $40 million for the year ending December 31, 2006. This amount is subject to revisions as the Company finalizes certain assumptions related to 2006, including the size and nature of share-based awards and forfeiture rates. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow rather than as operating cash flow as was previously required. The Company cannot estimate what the future tax benefits will be as the amounts depend on, among other factors, future employee stock option exercises. Due to the Company s tax loss position, there was no operating cash inflow realized for December 31, 2005 and 2004 for such excess tax deductions.

In March 2005, the SEC issued SAB No. 107 regarding the Staff s interpretation of SFAS No. 123R. This interpretation provides the Staff s views regarding interactions between SFAS No. 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. The interpretive guidance is intended to assist companies in applying the provisions of SFAS No. 123R and investors and users of the financial statements in analyzing the information provided. The Company will follow the guidance prescribed in SAB No. 107 in connection with its adoption of SFAS No. 123R.

Fair Value of Financial Instruments The carrying values of the Company s financial instruments, with the exception of long-term obligations, including current portion, reasonably approximate the related fair values as of December 31, 2005 and 2004. As of December 31, 2005, the carrying amount and fair value of long-term obligations, including current portion, were $3.6 billion and $4.0 billion, respectively. As of December 31, 2004, the carrying amount and fair value of long-term obligations, including current portion, were $3.3 billion and

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$3.6 billion, respectively. Fair values are based primarily on quoted market prices for those or similar instruments.

Retirement Plan The Company has a 401(k) plan covering substantially all employees who meet certain age and employment requirements. Under the plan, the Company s matching contribution for periods prior to June 30, 2004 was 35% up to a maximum 5% of a participant s contributions. Effective July 1, 2004, the plan was amended to increase the Company match to 50% up to a maximum 6% of a participant s contributions. The Company contributed approximately $1,061,000, $533,000 and $825,000 to the plan for the years ended December 31, 2005, 2004 and 2003, respectively.

Reclassifications Certain reclassifications have been made to the accompanying 2004 and 2003 consolidated financial statements and related notes to conform to the 2005 presentation. The Company changed the classification of its changes in restricted cash and investment balances to present such changes as an investing activity in the accompanying consolidated statement of cash flows for the year ended December 31, 2004. The Company had previously presented such changes as a financing activity. The change in classification resulted in an increase of $170.0 million in investing cash flows and a corresponding decrease in financing cash flows from the amounts previously reported. In addition, as discussed in note 2 below, a reclassification has been made related to the Company s presentation of selling, general and administrative expenses.

2. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to the issuance of the Company s consolidated financial statements for the year ended December 31, 2005, the Company determined that certain of its previously issued financial statements should be restated to correct certain errors related to (i) stock-based compensation not previously recorded for certain stock option grants, including the related payroll and income tax effects, (ii) additional charges for stock-based compensation expense related to the modification and repricing of certain stock option grants, primarily associated with options awarded to two former executive officers of the Company, and (iii) changes to income taxes related to the tax effects of foreign currency fluctuations on an intercompany loan with a foreign subsidiary of the Company. Accordingly, the Company has restated its beginning accumulated deficit as of January 1, 2003 and its consolidated financial statements as of December 31, 2005 and 2004 and for each of the years ended December 31, 2005, 2004 and 2003.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table reconciles as previously reported to as restated net loss and accumulated deficit (in thousands):

	Net Loss for the Years Ended December 31, 2005	2004	2003	Accumulated Deficit as of January 1, 2003	Accumulated Deficit as of December 31, 2005
As Previously Reported	$ (171,590)	$ (247,587)	$ (325,321)	$ (1,966,495)	$ (2,710,993)
(Increase) Decrease to Net Loss and Accumulated Deficit:					
Stock-Based Compensation Adjustments Related to Revised Accounting Measurement Dates (including related Payroll Tax Effects)(1)	(4,983)	(6,510)	(11,252)	(55,055)	(77,800)
Tax effect of Stock-Based Compensation Adjustments Related to Revised Accounting Measurement Dates(1)	478	1,633	1,060	18,561	21,732
Stock-Based Compensation Adjustments Related to Modifications and Repricings(1)	(3,062)	(4,540)	(186)	(881)	(8,669)
Tax effect of Stock-Based Compensation Adjustments Related to Modifications and Repricings(1)	1,147	1,364	207		2,718
Income Taxes related to Foreign Currency Denominated Loan	(3,349)	176	6,533	8,248	11,608
Total (Increase) in Net Loss and Accumulated Deficit	(9,769)	(7,877)	(3,638)	(29,127)	(50,411)
As Restated	$ (181,359)	$ (255,464)	$ (328,959)	$ (1,995,622)	$ (2,761,404)

(1) Subsequent to the issuance of the consolidated financial statements included in the Company s Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2005, the Company determined that the stock-based compensation adjustments related to revised accounting measurement dates and adjustments related to modifications and repricings previously shown net of tax effects should have been presented gross of related tax effects. As a result, the Company has modified the table above to show the gross expense amounts and the related tax effects for the adjustments related to revised accounting measurement dates and adjustments related to modifications and repricings.

The Company s decision to restate its consolidated financial statements was based, in part, on an independent review of the Company s historical stock option granting practices and related accounting. On May 19, 2006, the Company announced that its Board of Directors had established a special committee of independent directors to conduct a review of the Company s stock option granting practices and related accounting with the assistance of independent legal counsel and forensic auditors. The special committee determined that, for certain stock option grants, the legal grant dates when all necessary corporate action had been taken differ from the dates previously recorded by the Company for financial accounting and tax purposes.

Stock-Based Compensation Adjustments Related to Revised Accounting Measurement Dates In connection with the review by the special committee, the Company undertook a review of option grant dates recorded for financial accounting and tax purposes. Based on the Company s facts and circumstances, the Company

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

concluded that it should use the legal grant date, as determined by the special committee, as the accounting measurement date for such awards. Accordingly, based on this conclusion, the Company applied new measurement dates to the affected stock option grants and, as a result, determined that charges for stock-based compensation expense and related payroll and income tax effects were required in instances where the quoted market price of the underlying stock at the new measurement date exceeded the employee s exercise price, in accordance with APB No. 25, Accounting for Stock Issued to Employees. As a result of the changes in accounting measurement dates discussed above, the Company recorded additional stock-based compensation.

In instances where a new measurement date was applied to those stock options that were originally classified as incentive stock options, the new dates also had the effect of disqualifying incentive stock option tax treatment for certain options, causing such options to be recharacterized as non-qualified stock options. The disqualification of incentive stock option classification and the recharacterization to non-qualified stock option status resulted in the Company s recording additional expense in the period of exercise for penalties and interest for failure to withhold employee taxes.

In addition to the tax consequences described in the preceding paragraph, under Section 409A of the Internal Revenue Code (Section 409A), individuals who received options with exercise prices below the quoted market price of the underlying stock at the legal grant date likely will be subject to additional taxes and penalties with respect to options that vest after December 31, 2004. Holders of these options likely will be required to recognize income at vesting, rather than upon exercise, on the difference between the amount of the fair market value of the underlying stock on the date of vesting and the exercise price, plus an additional 20% penalty tax on this amount, plus interest on any tax to be paid. In order to remedy the unfavorable personal tax consequences under Section 409A, the Company intends to provide holders of these options the opportunity to amend their affected options through a tender offer as discussed in note 20.

Stock-Based Compensation Adjustments Related to Modifications and Repricings The Company also determined that it should have recorded stock-based compensation expense associated with the modification and repricing of certain stock option grants. The expense for the years ended December 31, 2005 and 2004 relates primarily to options awarded to two former executive officers of the Company, as discussed below. In February 2004, the Company granted its former chief financial officer options to purchase 363,333 shares of the Company s Class A common stock, which were granted prior to but in connection with the surrender of options to purchase an aggregate of 495,000 shares of the Company s Class A common stock in December 2004. The Company had originally recorded this as two independent transactions, and it has since determined to account for these transactions as an indirect repricing, resulting in additional stock-based compensation expense of $3.2 million and $2.8 million for the years ended December 31, 2005 and 2004, respectively. In May 2004, the Company signed a separation agreement with its former chief operating officer that provided for the reinstatement of previously terminated options to purchase 240,001 shares of the Company s Class A common stock. The Company has since determined that the agreement constituted an option award to a non-employee with no ongoing service requirements, and accordingly, the Company should have accounted for this transaction as a stock option modification based on the fair value of the award as of the agreement date, resulting in additional stock-based compensation expense of $2.1 million for the year ended December 31, 2004. As a result of these stock option modifications and repricings and other stock option modifications, primarily associated with employee terminations, the Company recorded additional stock-based compensation.

Income Taxes Related to Foreign Currency Denominated Loan In addition, the restatement of the Company s previously issued financial statements includes changes to income tax benefits (provisions) relating to the tax effects of foreign currency fluctuations on a foreign currency denominated intercompany loan between two wholly owned subsidiaries of the Company. The Company determined that the tax effects of foreign currency

F-17

gains and losses on the intercompany loan were not properly recorded, as the Company should have treated such gains and losses as taxable at the subsidiary level and the tax effect should not have been eliminated by the Company in consolidation. As a result, the Company recorded increases (decreases) to income tax benefits (provisions).

Reclassifications Segment selling, general and administrative expense previously was a component of the Company s rental and management and network development services segment operating expenses. The Company has changed its classification to aggregate all segment and corporate selling, general, administrative and development expenses previously included in rental and management expense, network development services expense, and corporate, general, administrative and development expense into one line item entitled selling, general, administrative and development expense. The Company made this change in classification to enable the evaluation of the Company s rental and management segment gross margin, which is calculated based on direct tower-level expenses and does not include selling, general, administrative and development expense related to the rental and management segment. (See note 17.)

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following schedules reconcile the amounts as previously reported in the Company s consolidated statements of operations for each year in the three year period ended December 31, 2005 and the consolidated balance sheets as of December 31, 2005 and 2004, to the corresponding restated amounts, which reflect the restatement and reclassification adjustments described above (in thousands, except per share amounts):

	Consolidated Statements of Operations			
	As previously reported	Restatement Adjustments	Reclassification Adjustments	As restated
Year Ended December 31, 2005				
Rental and management expenses	$ 306,148		$ (58,367)	$ 247,781
Network development services expense	11,981		(3,635)	8,346
Selling, general, administrative and development expense	37,977	$ 8,080	62,002	108,059
Total operating expenses	801,592	8,080		809,672
Operating income from continuing operations	143,194	(8,080)		135,114
Loss from continuing operations before income taxes, minority interest and loss on equity method investments	(127,474)	(8,080)		(135,554)
Income tax provision	(4,003)	(1,711)		(5,714)
Loss from continuing operations before cumulative effect of change in accounting principle	(134,130)	(9,791)		(143,921)
Loss from discontinued operations, net of tax	(1,935)	22		(1,913)
Net loss	(171,590)	(9,769)		(181,359)
Basic and diluted loss per common share amounts:				
Loss from continuing operations	(0.44)	(0.03)		(0.47)
Loss from discontinued operations	(0.01)			(0.01)
Cumulative effect of change in accounting principle, net	(0.12)			(0.12)
Net loss	(0.57)	(0.03)		(0.60)