

CROWN CASTLE INTERNATIONAL CORP  
Form 10-Q/A  
May 06, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q/A**

(Amendment No. 1)

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

For the quarterly period ended June 30, 2004

OR

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

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-16441

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**CROWN CASTLE INTERNATIONAL CORP.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

incorporation or organization)

**510 Bering Drive**

**Suite 500**

**Houston, Texas**  
(Address of principal executive offices)

**76-0470458**  
(I.R.S. Employer

Identification No.)

**77057-1457**  
(Zip Code)

**(713) 570-3000**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of common stock outstanding at July 30, 2004: 225,375,924

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**CROWN CASTLE INTERNATIONAL CORP.**

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### **EXPLANATORY NOTE REGARDING RESTATEMENT**

The Company has restated its consolidated balance sheet as of December 31, 2003, and consolidated statements of operations and comprehensive income (loss) and stockholders' equity for the years ended December 31, 2002 and 2003. The restatement affected periods prior to 2002. The impact of the restatement on such prior periods was reflected as an adjustment to opening accumulated deficit as of January 1, 2002. The restatement was reported in our Annual Report on Form 10-K for the year ended December 31, 2004 and is now being reported in this amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 2004. The restatement has also been reported in an amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2004, and will also be reported in an amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2004.

The consolidated financial statements have been restated to reflect the correction of errors for certain non-cash items relating to the Company's lease accounting practices. On February 7, 2005, the Securities and Exchange Commission issued a public letter to the American Institute of Certified Public Accountants to clarify the interpretation of existing accounting literature applicable to certain leases and leasehold improvements. As a result, the Company has adjusted its method of accounting for tenant leases, ground leases and depreciation.

The corrections to the Company's consolidated financial statements consist of non-cash adjustments primarily attributable to increases in site rental revenues, ground lease expense (included in site rental costs of operations) and depreciation expense. Since the adjustments affected results of operations at the Company's majority owned Australian subsidiary (CCAL) and the Company's two joint ventures with Verizon Communications, they also resulted in changes to minority interests and the purchase price allocation for the acquisition of a minority interest in 2003. The adjustments for depreciation expense also affected the discontinued operations of its UK subsidiary (CCUK), resulting in a change to the net gain on disposal. These adjustments have no effect on the Company's credit (provision) for income taxes since the net impact on deferred tax assets and liabilities is offset by changes in valuation allowances. The adjustments do not affect historical net cash flows from operating, investing or financing activities, future cash flows or the timing of payments under related leases. Moreover, the corrections do not have any impact on cash balances, compliance with any financial covenants or debt instruments, or the current economic value of the Company's leaseholds and its tower assets. The net impact of the accounting correction will generally be to accelerate ground lease expense (as such expenses are straight-lined over a period that equals or exceeds the remaining depreciable life of the tower, along with periods covered by tenant renewal options) and depreciation expense and, to a lesser extent, site rental revenues (as such revenues are only straight-lined over the current lease term, without regard to renewal options that may be exercised by a tenant).

The restatement adjustments increased the Company's net loss and net loss per share for the three and six months ended June 30, 2003 by approximately \$13.8 million or \$0.07 per share and \$23.8 million or \$0.12 per share, respectively, and increased the net loss and net loss per share for the three and six months ended June 30, 2004 by approximately \$11.2 million or \$0.05 per share and \$22.9 million or \$0.10 per share, respectively.

For a discussion of the individual restatement adjustments, see Note 1 of the Company's condensed notes to consolidated financial statements in Item 1. Financial Statements. Additionally, see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. For more information on the impact of the restatement on other periods, see our Annual Report on Form 10-K for the year ended December 31, 2004.

The Company did not amend its Annual Report on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement that ended prior to March 31, 2004. The financial statements and related financial information contained in the Company's previously filed reports should no longer be relied upon.

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All referenced amounts in this Quarterly Report for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

For the convenience of the reader, this Form 10-Q/A sets forth the original filing in its entirety. However, this Form 10-Q/A only (1) amends and restates Items 1, 2, and 4 of Part I of the original filing, in each case solely as a result of, and to reflect, the restatement and certain balance sheet reclassifications (as discussed in Note 1 of the condensed notes to consolidated financial statements), and (2) adds Item 2 of Part II to the original filing. No other information in the original filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the original filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the Securities and Exchange Commission, Item 6 of Part II of the original filing has been amended to contain the currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1.

Except for the foregoing amended information, this Form 10-Q/A retains the information as of the date of the original filing, and the Company has not updated the information contained herein to reflect events that occurred at a later date. Other events occurring after the date of the original filing or other disclosures necessary to reflect subsequent events have been addressed in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, or will be addressed in the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, and reports filed with the Securities and Exchange Commission subsequent to the date of this filing.

**Table of Contents****CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

(In thousands of dollars, except share amounts)

	December 31, 2003	June 30, 2004
	(As restated)	(As restated) (Unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 409,584	\$ 192,657
Short-term investments	26,600	
Receivables:		
Trade, net of allowance for doubtful accounts of \$7,603 and \$6,866 at December 31, 2003 and June 30, 2004, respectively	37,289	34,116
Other	930	1,536
Inventories	9,615	9,308
Deferred site rental receivable	2,332	2,475
Prepaid expenses and other current assets	27,940	27,208
Assets of discontinued operations (Notes 1 and 3)	2,052,510	2,060,474
	<u>2,566,800</u>	<u>2,327,774</u>
Total current assets	2,566,800	2,327,774
Property and equipment, net of accumulated depreciation of \$1,081,891 and \$1,209,282 at December 31, 2003 and June 30, 2004, respectively	3,593,570	3,446,238
Goodwill	270,438	270,438
Deferred site rental receivable	76,333	80,604
Deferred financing costs and other assets, net of accumulated amortization of \$39,692 and \$42,247 at December 31, 2003 and June 30, 2004, respectively	105,092	106,296
	<u>\$ 6,612,233</u>	<u>\$ 6,231,350</u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 9,785	\$ 9,060
Accrued interest	49,063	43,705
Accrued compensation and related benefits	13,397	10,392
Deferred rental revenues and other accrued liabilities	106,384	97,043
Liabilities of discontinued operations (Notes 1 and 3)	353,544	355,072
Long-term debt, current maturities	267,142	1,275,385
	<u>799,315</u>	<u>1,790,657</u>
Total current liabilities	799,315	1,790,657
Long-term debt, less current maturities	3,182,850	1,898,752
Deferred ground lease payable	98,524	106,602
Other liabilities	53,844	49,992
	<u>4,134,533</u>	<u>3,846,003</u>
Total liabilities	4,134,533	3,846,003
Commitments and contingencies		
Minority interests	176,645	174,587

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Redeemable preferred stock	506,702	507,371
Stockholders' equity:		
Common stock, \$.01 par value; 690,000,000 shares authorized; shares issued:		
December 31, 2003 220,758,321 and June 30, 2004 225,296,483	2,208	2,253
Additional paid-in capital	3,349,459	3,396,236
Accumulated other comprehensive income (loss)	247,249	264,469
Unearned stock compensation	(8,122)	(16,683)
Accumulated deficit	(1,796,441)	(1,942,886)
	<u>1,794,353</u>	<u>1,703,389</u>
Total stockholders' equity	<u>\$ 6,612,233</u>	<u>\$ 6,231,350</u>

See condensed notes to consolidated financial statements.

**Table of Contents****CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)**

(In thousands of dollars, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2004	2003	2004
	(As restated)	(As restated)	(As restated)	(As restated)
Net revenues:				
Site rental	\$ 118,276	\$ 132,507	\$ 233,666	\$ 262,687
Network services and other	19,629	18,513	36,548	33,216
	<u>137,905</u>	<u>151,020</u>	<u>270,214</u>	<u>295,903</u>
Operating expenses:				
Costs of operations (exclusive of depreciation, amortization and accretion):				
Site rental	44,070	45,403	88,728	89,928
Network services and other	12,819	12,272	24,430	23,268
General and administrative	22,220	22,685	42,738	44,295
Corporate development	918	371	2,538	810
Restructuring charges (credits)	2,349		2,349	(33)
Asset write-down charges	1,380	1,868	1,380	3,816
Non-cash general and administrative compensation charges	5,834	6,203	7,728	8,418
Depreciation, amortization and accretion	70,099	70,575	140,666	141,419
	<u>159,689</u>	<u>159,377</u>	<u>310,557</u>	<u>311,921</u>
Operating income (loss)	(21,784)	(8,357)	(40,343)	(16,018)
Other income (expense):				
Interest and other income (expense)	(11,397)	(1,349)	(13,960)	(26,763)
Interest expense and amortization of deferred financing costs	(63,809)	(56,568)	(127,520)	(113,890)
Loss from continuing operations before income taxes, minority interests and cumulative effect of change in accounting principle	(96,990)	(66,274)	(181,823)	(156,671)
Provision for income taxes	(627)	(684)	(1,243)	(1,337)
Minority interests	869	(277)	2,412	(408)
Loss from continuing operations before cumulative effect of change in accounting principle	(96,748)	(67,235)	(180,654)	(158,416)
Income from discontinued operations, net of tax (Notes 1 and 3)	2,099	16,455	7,541	30,999
Loss before cumulative effect of change in accounting principle	(94,649)	(50,780)	(173,113)	(127,417)
Cumulative effect of change in accounting principle for asset retirement obligations			(551)	
Net loss	(94,649)	(50,780)	(173,664)	(127,417)

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Dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(21,446)	(9,332)	(36,404)	(19,028)
Net loss after deduction of dividends on preferred stock, net of gains (losses) on purchases of preferred stock	\$ (116,095)	\$ (60,112)	\$ (210,068)	\$ (146,445)
Net loss	\$ (94,649)	\$ (50,780)	\$ (173,664)	\$ (127,417)
Other comprehensive income (loss):				
Foreign currency translation adjustments	78,420	(34,119)	64,947	15,176
Derivative instruments:				
Net change in fair value of cash flow hedging instruments	(764)	604	(1,475)	170
Amounts reclassified into results of operations	1,719	894	3,378	1,874
Comprehensive income (loss)	\$ (15,274)	\$ (83,401)	\$ (106,814)	\$ (110,197)
Per common share basic and diluted:				
Loss from continuing operations before cumulative effect of change in accounting principle	\$ (0.55)	\$ (0.34)	\$ (1.00)	\$ (0.80)
Income from discontinued operations	0.01	0.07	0.03	0.14
Cumulative effect of change in accounting principle				
Net loss	\$ (0.54)	\$ (0.27)	\$ (0.97)	\$ (0.66)
Common shares outstanding basic and diluted (in thousands)	215,969	221,853	216,464	220,574

See condensed notes to consolidated financial statements.

**Table of Contents****CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)****(In thousands of dollars)**

	Six Months Ended	
	June 30,	
	2003	2004
	(As restated)	(As restated)
Cash flows from operating activities:		
Net loss	\$ (173,664)	\$ (127,417)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and accretion	140,666	141,419
Losses on purchases of long-term debt		24,367
Non-cash general and administrative compensation charges	7,728	8,418
Amortization of deferred financing costs and discounts on long-term debt	34,509	5,773
Asset write-down charges	1,380	3,816
Minority interests and loss on issuance of interest in joint venture	8,828	408
Equity in losses and write-downs of unconsolidated affiliates	3,833	2,578
Income from discontinued operations	(7,541)	(30,999)
Cumulative effect of change in accounting principle	551	
Changes in assets and liabilities:		
Decrease in receivables	18,425	1,943
Increase (decrease) in deferred rental revenues and other liabilities	(1,404)	319
Decrease in accrued interest		(5,358)
Decrease in accounts payable	(7,900)	(686)
Decrease (increase) in inventories, prepaid expenses and other assets	6,224	(2,600)
<b>Net cash provided by operating activities</b>	<b>31,635</b>	<b>21,981</b>
Cash flows from investing activities:		
Proceeds from disposition of property and equipment	7,472	1,480
Capital expenditures	(14,610)	(19,457)
Investments in affiliates and other	(13,223)	(14,333)
Maturities of investments	475,104	62,650
Purchases of investments	(424,463)	(36,050)
Acquisition of minority interest in joint venture	(5,873)	
<b>Net cash provided by (used for) investing activities</b>	<b>24,407</b>	<b>(5,710)</b>
Cash flows from financing activities:		
Proceeds from issuance of capital stock	1,951	26,273
Purchases of long-term debt		(267,359)
Purchases of capital stock	(52,246)	(17,009)
Net borrowings (payments) under revolving credit agreements	(25,000)	(15,000)
Principal payments on long-term debt	(4,750)	(14,365)
Incurrence of financing costs		(412)
<b>Net cash used for financing activities</b>	<b>(80,045)</b>	<b>(287,872)</b>

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Effect of exchange rate changes on cash	3,180	(921)
Discontinued operations (Notes 1 and 3)	1,020	55,595
Net decrease in cash and cash equivalents	(19,803)	(216,927)
Cash and cash equivalents at beginning of period	339,837	409,584
Cash and cash equivalents at end of period	\$ 320,034	\$ 192,657
Supplementary schedule of non-cash investing and financing activities:		
Amounts recorded in connection with acquisition of minority interest:		
Fair value of net assets recorded, including goodwill and other intangible assets	\$ 26,360	\$
Minority interest acquired	46,265	
Minority interest issued	(66,752)	
Supplemental disclosure of cash flow information:		
Interest paid	\$ 92,944	\$ 111,925
Income taxes paid	243	337

See condensed notes to consolidated financial statements.

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**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. General**

The information contained in the following notes to the consolidated financial statements is condensed from that which would appear in the annual consolidated financial statements; accordingly, the consolidated financial statements included herein should be reviewed in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2004, and related notes thereto, included in the Annual Report on Form 10-K (the Form 10-K) filed by Crown Castle International Corp. with the Securities and Exchange Commission. All references to the Company include Crown Castle International Corp. and its subsidiary companies unless otherwise indicated or the context indicates otherwise.

The consolidated financial statements included herein are unaudited; however, they include all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at June 30, 2004, the consolidated results of operations for the three and six months ended June 30, 2003 and 2004, and the consolidated cash flows for the six months ended June 30, 2003 and 2004. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the entire year. Certain reclassifications have been made to the prior period's financial statements to be consistent with the presentation in the current period (see *Investments* ).

On June 28, 2004, the Company signed a definitive agreement to sell its UK subsidiary ( CCUK ) to an affiliate of National Grid Transco Plc ( National Grid ). As a result, the Company has restated its financial statements to present CCUK's assets, liabilities, results of operations and cash flows as amounts from discontinued operations. Such restatements have been made for all periods presented. See Note 3.

*Effects of Restatement*

The consolidated financial statements as presented for the three and six months ended June 30, 2003 and 2004 have been restated to reflect the correction of errors for certain non-cash items relating to the Company's lease accounting practices. On February 7, 2005, the Securities and Exchange Commission issued a public letter to the American Institute of Certified Public Accountants to clarify the interpretation of existing accounting literature applicable to certain leases and leasehold improvements. As a result, the Company has adjusted its method of accounting for tenant leases, ground leases and depreciation.

The corrections to the Company's consolidated financial statements consist of non-cash adjustments primarily attributable to increases in site rental revenues, ground lease expense (included in site rental costs of operations) and depreciation expense. Since the adjustments affected results of operations at CCAL and the Company's two joint ventures with Verizon Communications, they also resulted in changes to minority interests and the purchase price allocation for the acquisition of a minority interest in 2003. The cumulative effects of these adjustments on the Company's consolidated statements of operations from inception through June 30, 2004 are as follows: an increase in site rental revenues of \$33,119,000; an increase in site rental costs of operations of \$95,264,000; an increase in depreciation expense of \$171,272,000; an increase in operating losses of \$233,417,000; an increase in other expense (attributable to the loss on the issuance of an interest in the Crown Atlantic joint venture) of \$3,126,000; an increase in minority interests of \$41,886,000; and an increase in net losses of \$194,657,000. These adjustments have no effect on the Company's credit (provision) for income taxes since the net impact on deferred tax assets and liabilities is offset by changes in valuation allowances. The adjustments do not affect historical net cash flows from operating, investing or financing activities, future cash flows

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or the timing of payments under related leases. Moreover, the corrections do not have any impact on cash balances, compliance with any financial covenants or debt instruments, or the current economic value of the Company's leaseholds and its tower assets. The net impact of the accounting correction will generally be to accelerate ground lease expense (as such expenses are straight-lined over a period that equals or exceeds the remaining depreciable life of the tower, along with periods covered by tenant renewal options) and depreciation expense and, to a lesser extent, site rental revenues (as such revenues are only straight-lined over the current lease term, without regard to renewal options that may be exercised by a tenant).

Historically, the Company has calculated straight-line ground lease expense (for leases with fixed escalation provisions) using the current lease term (typically five to ten years) without regard to renewal options. Further, the Company depreciated all tower assets over a 20-year useful life, without regard to the term of the underlying ground lease, because of its historical experience in successfully renewing ground leases prior to expiration. As a result of this accounting adjustment, the Company now calculates its straight-line ground lease expense using a time period that equals or exceeds the remaining depreciable life of the tower asset. Further, when a tenant has exercisable renewal options that would compel the Company to exercise existing ground lease renewal options, the Company has straight-lined the ground lease expense over a sufficient portion of such ground lease renewals to coincide with the final termination of the tenant's renewal options. The Company has also shortened the depreciable lives of certain tower assets that have ground lease expirations prior to the end of their useful life. When calculating its straight-line site rental revenues, the Company now considers all fixed elements of a tenant lease's escalation provisions, even if such escalation provisions also include a variable element.

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In addition, certain issuance costs from prior financing transactions that were previously included in deferred financing costs (\$387,000) or additional paid-in capital (\$16,057,000) have been charged to interest and other income (expense) (\$10,877,000) or included with dividends on preferred stock (\$5,567,000). Such corrections were made in accordance with EITF Issue No. 98-14, *Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements* ( EITF 98-14 ), and EITF Topic No. D-42, *The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock* ( EITF D-42 ). EITF 98-14 requires that a proportionate amount of unamortized deferred financing costs be written off when the borrowing availability under a credit facility is reduced. EITF D-42 requires that financing costs related to preferred stock that were classified as additional paid-in capital upon issuance be charged to results of operations upon the subsequent purchase or redemption of such preferred stock.

In addition, certain foreign currency translation adjustments (\$686,000) included in accumulated other comprehensive income (loss) have been charged to results of operations for 2001 in accordance with EITF Issue No. 01-5, *Application of FASB Statement No. 52 to an Investment Being Evaluated for Impairment That Will Be Disposed Of* ( EITF 01-5 ). In 2001, the Company wrote off an investment in Brazil, but did not write off the related translation adjustments. EITF 01-5 requires that accumulated foreign currency translation adjustments be included as part of the carrying amount of a foreign investment being evaluated for impairment under a committed plan of disposal.

Finally, the Company has recorded deferred income tax provisions resulting from the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, pursuant to which goodwill balances were no longer amortized. The deferred income tax provisions amounted to \$4,000,000, \$2,000,000 and \$1,000,000 for the years ended December 31, 2002 and 2003 and the six months ended June 30, 2004, respectively. Such amounts had previously been inappropriately offset by deferred tax assets.

The adjustments to amounts previously presented in the consolidated statement of operations for the three and six months ended June 30, 2003 and 2004 are summarized as follows.

	<u>As Previously Stated</u>	<u>Restatement Adjustments</u>	<u>As Restated</u>
(In thousands of dollars, except per share amounts)			
<b>Three Months Ended June 30, 2003:</b>			
Site rental revenues	\$ 116,646	\$ 1,630	\$ 118,276
Site rental costs of operations	39,985	4,085	44,070
Depreciation expense	60,763	9,336	70,099
Operating income (loss)	(9,993)	(11,791)	(21,784)
Interest and other income (expense)	(8,271)	(3,126)	(11,397)
Provision for income taxes	(127)	(500)	(627)
Minority interests	(730)	1,599	869
Net loss	(80,831)	(13,818)	(94,649)
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(20,081)	(1,365)	(21,446)
Net loss per common share - basic and diluted	(0.47)	(0.07)	(0.54)
<b>Three Months Ended June 30, 2004:</b>			
Site rental revenues	\$ 131,363	\$ 1,144	\$ 132,507
Site rental costs of operations	41,843	3,560	45,403

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Depreciation expense	61,119	9,456	70,575
Operating income (loss)	3,515	(11,872)	(8,357)
Provision for income taxes	(184)	(500)	(684)
Minority interests	(1,463)	1,186	(277)
Net loss	(39,594)	(11,186)	(50,780)
Net loss per common share - basic and diluted	(0.22)	(0.05)	(0.27)
Six Months Ended June 30, 2003:			
Site rental revenues	\$ 230,481	\$ 3,185	\$ 233,666
Site rental costs of operations	80,593	8,135	88,728
Depreciation expense	122,226	18,440	140,666
Operating income (loss)	(16,953)	(23,390)	(40,343)
Interest and other income (expense)	(10,834)	(3,126)	(13,960)
Provision for income taxes	(243)	(1,000)	(1,243)
Minority interests	(1,287)	3,699	2,412
Net loss	(149,847)	(23,817)	(173,664)
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(34,452)	(1,952)	(36,404)
Net loss per common share - basic and diluted	(0.85)	(0.12)	(0.97)
Six Months Ended June 30, 2004:			
Site rental revenues	\$ 260,332	\$ 2,355	\$ 262,687
Site rental costs of operations	82,778	7,150	89,928
Depreciation expense	122,344	19,075	141,419
Operating income (loss)	7,852	(23,870)	(16,018)
Interest and other income (expense)	(26,376)	(387)	(26,763)
Provision for income taxes	(337)	(1,000)	(1,337)
Minority interests	(2,809)	2,401	(408)
Net loss	(104,561)	(22,856)	(127,417)
Net loss per common share - basic and diluted	(0.56)	(0.10)	(0.66)

**Table of Contents****CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables describe the effects of the restatement on net loss and the related per share amounts for the three and six months ended June 30, 2003 and 2004.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>
	<b>(In thousand of dollars, except per share amounts)</b>			
Net loss, as previously stated	\$ (80,831)	\$ (39,594)	\$ (149,847)	\$ (104,561)
Adjustments to site rental revenues	1,630	1,144	3,185	2,355
Adjustments to site rental costs of operations	(4,085)	(3,560)	(8,135)	(7,150)
Adjustments to depreciation expense	(9,336)	(9,456)	(18,440)	(19,075)
Adjustments to interest and other income (expense)	(3,126)		(3,126)	(387)
Adjustments to provision for income taxes	(500)	(500)	(1,000)	(1,000)
Adjustments to minority interests	1,599	1,186	3,699	2,401
Net loss, as restated	(94,649)	(50,780)	(173,664)	(127,417)
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock, as restated	(21,446)	(9,332)	(36,404)	(19,028)
Net loss after deduction of dividends on preferred stock, net of gains (losses) on purchases of preferred stock, as restated	\$ (116,095)	\$ (60,112)	\$ (210,068)	\$ (146,445)
Per common share basic and diluted:				
Net loss, as previously stated	\$ (0.47)	\$ (0.22)	\$ (0.85)	\$ (0.56)
Adjustments to site rental revenues	0.01	0.01	0.01	0.01
Adjustments to site rental costs of operations	(0.02)	(0.02)	(0.04)	(0.03)
Adjustments to depreciation expense	(0.04)	(0.05)	(0.09)	(0.09)
Adjustments to interest and other income (expense)	(0.02)		(0.01)	
Adjustments to provision for income taxes				
Adjustments to minority interests	0.01	0.01	0.02	0.01
Adjustments to dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(0.01)		(0.01)	
Net loss, as restated	\$ (0.54)	\$ (0.27)	\$ (0.97)	\$ (0.66)

The following table describes the effects of the restatement on comprehensive loss for the three and six months ended June 30, 2003 and 2004.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>

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	(In thousand of dollars)			
Comprehensive income (loss), as previously stated	\$ 1,910	\$ (76,154)	\$ (77,635)	\$ (90,723)
Adjustments to net loss	(13,818)	(11,186)	(23,817)	(22,856)
Adjustments to foreign currency translation adjustments	(3,366)	3,939	(5,362)	3,382
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Comprehensive income (loss), as restated	\$ (15,274)	\$ (83,401)	\$ (106,814)	\$ (110,197)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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The following tables describe the cumulative effects of the restatement on the consolidated balance sheets as of December 31, 2003 and June 30, 2004.

	<u>Property and Equipment</u>	<u>Goodwill</u>	<u>Deferred Site Rental Receivable (a)</u>	<u>Deferred Financing Costs and Other Assets</u>	<u>Deferred Ground Lease Payable</u>	<u>Other Liabilities</u>	<u>Minority Interests</u>	<u>Stockholders Equity</u>
(In thousand of dollars)								
Balances as of December 31, 2003, as previously stated	\$ 3,755,073	\$ 267,071	\$	\$ 146,786	\$	\$ 55,978	\$ 208,333	\$ 1,984,413
Reclassification of previously stated amounts			45,887	(41,694)	8,134	(8,134)		
Adjustments to site rental revenues			30,764					30,764
Adjustments to site rental costs of operations					88,114			(88,114)
Adjustments to depreciation expense	(152,197)							(152,197)
Adjustments to provision for income taxes						6,000		(6,000)
Adjustments to minority interests							(39,485)	39,485
Adjustments to purchase price allocation for acquisition	4,386	3,367					10,879	(3,126)
Foreign currency translation adjustments (b)	(13,692)		2,014		2,276		(3,082)	(10,872)
<b>Balances as of December 31, 2003, as restated</b>	<b>\$ 3,593,570</b>	<b>\$ 270,438</b>	<b>\$ 78,665</b>	<b>\$ 105,092</b>	<b>\$ 98,524</b>	<b>\$ 53,844</b>	<b>\$ 176,645</b>	<b>\$ 1,794,353</b>
Balances as of June 30, 2004, as previously stated	\$ 3,622,355	\$ 267,071	\$	\$ 151,975	\$	\$ 52,803	\$ 207,700	\$ 1,912,923
Reclassification of previously stated amounts			48,798	(45,292)	9,811	(9,811)		
Adjustments to site rental revenues			33,119					33,119
Adjustments to site rental costs of operations					95,264			(95,264)
Adjustments to depreciation expense	(171,272)							(171,272)
Adjustments to interest and other income (expense)				(387)				(387)
Adjustments to provision for income taxes						7,000		(7,000)
Adjustments to minority interests							(41,886)	41,886
Adjustments to purchase price allocation for acquisition	4,386	3,367					10,879	(3,126)
Foreign currency translation adjustments (b)	(9,231)		1,162		1,527		(2,106)	(7,490)
<b>Balances as of June 30, 2004, as restated</b>	<b>\$ 3,446,238</b>	<b>\$ 270,438</b>	<b>\$ 83,079</b>	<b>\$ 106,296</b>	<b>\$ 106,602</b>	<b>\$ 49,992</b>	<b>\$ 174,587</b>	<b>\$ 1,703,389</b>

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- (a) Balances as of December 31, 2003 and June 30, 2004, as restated, include current portion of \$2,332 and \$2,475, respectively.
- (b) Amounts represent the effect of foreign currency translation for the lease accounting adjustments to the Australian operations.

Table of Contents**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Cash and Cash Equivalents and Investments*

As of December 31, 2003, all investments (consisting of auction rate securities) were classified as held-to-maturity since the Company had the positive intent and ability to hold such investments until they matured. Held-to-maturity securities are stated at amortized cost. Although the Company's auction rate securities had contractual maturities which exceeded one year, the underlying interest rates on such securities reset at intervals of less than 90 days. Therefore, these auction rate securities were priced and subsequently traded as short-term investments because of the interest rate reset feature. As a result, the Company has classified its auction rate securities as short-term investments in the accompanying consolidated balance sheet. The 2003 balance of such securities was previously classified as cash equivalents due to the liquidity and pricing reset feature. In 2004, these securities were reclassified as short-term investments to conform with the current presentation. There was no impact on net earnings or cash flow from operations as a result of the reclassification.

On June 28, 2004, the Company signed a definitive agreement to sell CCUK to an affiliate of National Grid (see Note 3). After calculating the preliminary working capital type adjustments impacting the cash proceeds from the transaction, it was determined that CCUK's cash and cash equivalents should be reclassified to assets of discontinued operations in the Company's consolidated balance sheets. Such reclassified cash balances amounted to \$26,243,000 and \$39,846,000 as of December 31, 2003 and June 30, 2004, respectively.

*Stock-Based Compensation*

The Company used the intrinsic value based method of accounting for its stock-based employee compensation plans until December 31, 2002. This method does not result in the recognition of compensation expense when employee stock options are granted if the exercise price of the options equals or exceeds the fair market value of the stock at the date of grant. On January 1, 2003, the Company adopted the fair value method of accounting (using the prospective method of transition) for stock-based employee compensation awards granted on or after that date (see Note 2). The following table shows the pro forma effect on the Company's net loss and loss per share as if compensation cost had been recognized for all stock options based on their fair value at the date of grant. The pro forma effect of stock options on the Company's net loss for those periods may not be representative of the pro forma effect for future periods due to the impact of vesting and potential future awards.

	Three Months Ended June		Six Months Ended	
	30,		June 30,	
	2003	2004	2003	2004
	(As restated)	(As restated)	(As restated)	(As restated)
(In thousands of dollars, except per share amounts)				
Net loss, as reported	\$ (94,649)	\$ (50,780)	\$ (173,664)	\$ (127,417)
Add: Stock-based employee compensation expense included in reported net loss	7,695	8,025	10,126	10,721
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(14,563)	(10,668)	(23,921)	(16,429)

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Net loss, as adjusted	(101,517)	(53,423)	(187,459)	(133,125)
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(21,446)	(9,332)	(36,404)	(19,028)
Net loss applicable to common stock for basic and diluted computations, as adjusted	\$ (122,963)	\$ (62,755)		