CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
May 10, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period to

Commission File Number 001-16441

CROWN CASTLE INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

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

1220 Augusta Drive, Suite 500, Houston, Texas 77057-2261

(Address of principal executives office) (Zip Code)

(713) 570-3000

(Registrant s telephone number, including area code)

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

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

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

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

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

Number of shares of common stock outstanding at April 30, 2010: 290,439,491

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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Cautionary Language Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management s expectations as of the filing date of this report with the SEC. Statements that are not historical facts are identified as forward-looking statements. Such statements include plans, projections and estimates contained in *Part I Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations* and *Part I Item 3. Quantitative and Qualitative Disclosures About Market Risk* herein. Words such as estimate, anticipate, project, plan, intend, believe, expect, likely and similar expressions are intended to identify forward-looking statements.

Such forward-looking statements are subject to certain risks, uncertainties and assumptions, including prevailing market conditions, risk factors described under *Part II Item 1A. Risk Factors* herein and in *Item 1A. Risk Factors* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (2009 Form 10-K) and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(In thousands of dollars, except share amounts)

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 397,496	$ 766,146
Restricted cash	174,722	213,514
Receivables, net of allowance of $5,517 and $5,497, respectively	41,265	44,431
Prepaid expenses	65,788	68,551
Deferred income tax assets	110,529	76,089
Other current assets	24,269	27,302
Total current assets	814,069	1,196,033
Restricted cash	5,000	5,000
Property and equipment, net of accumulated depreciation of $3,141,869 and $3,040,572, respectively	4,842,394	4,895,983
Goodwill	1,984,823	1,984,804
Other intangible assets, net of accumulated amortization of $514,743 and $476,895, respectively	2,385,930	2,405,422
Other assets, net	528,293	469,364
Total assets	$ 10,560,509	$ 10,956,606
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 24,771	$ 33,053
Accrued interest	54,989	69,476
Deferred revenues	171,710	179,649
Interest rate swaps	279,102	160,121
Other accrued liabilities	77,251	94,610
Short-term debt, current maturities of debt and other obligations	19,553	217,196
Total current liabilities	627,376	754,105
Debt and other long-term obligations	6,368,763	6,361,954
Deferred ground lease payables	244,806	236,444
Deferred income tax liabilities	107,139	74,117
Interest rate swaps	73,165	140,481
Other liabilities	136,265	137,766
Total liabilities	7,557,514	7,704,867
Commitments and contingencies (note 8)		
Redeemable preferred stock, $0.1 par value; 20,000,000 shares authorized; shares issued and outstanding: March 31, 2010 and December 31, 2009 6,361,000; stated net of unamortized issue costs; mandatory	315,886	315,654

redemption and aggregate liquidation value of $318,050		
CCIC stockholders equity:		
Common stock, $.01 par value; 600,000,000 shares authorized; shares issued and outstanding: March 31, 2010 291,230,613 and December 31, 2009 292,729,684	2,912	2,927
Additional paid-in capital	5,592,251	5,685,874
Accumulated other comprehensive income (loss)	(155,112)	(124,224)
Accumulated deficit	(2,752,812)	(2,628,336)
Total CCIC stockholders equity	2,687,239	2,936,241
Noncontrolling interest	(130)	(156)
Total equity	2,687,109	2,936,085
Total liabilities and equity	$ 10,560,509	$ 10,956,606

See condensed notes to consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND

COMPREHENSIVE INCOME (LOSS) (Unaudited)

(In thousands of dollars, except per share amounts)

	Three Months Ended March 31,	
	2010	2009
Net revenues:		
Site rental	$ 406,872	$ 367,667
Network services and other	37,455	35,243
Net revenues	444,327	402,910
Operating expenses:		
Costs of operations(a):		
Site rental	113,755	109,698
Network services and other	26,296	22,061
General and administrative	39,473	36,637
Asset write-down charges	1,562	4,091
Depreciation, amortization and accretion	132,868	133,176
Total operating expenses	313,954	305,663
Operating income (loss)	130,373	97,247
Interest expense and amortization of deferred financing costs	(120,781)	(105,587)
Gains (losses) on purchases and redemptions of debt	(66,434)	13,350
Net gain (loss) on interest rate swaps	(73,276)	3,795
Interest and other income (expense)	379	(246)
Income (loss) before income taxes	(129,739)	8,559
Benefit (provision) for income taxes	10,339	1,491
Net income (loss)	(119,400)	10,050
Less: Net income (loss) attributable to the noncontrolling interest	(125)	(527)
Net income (loss) attributable to CCIC stockholders	(119,275)	10,577
Dividends on preferred stock	(5,201)	(5,201)
Net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock	$ (124,476)	$ 5,376
Net income (loss)	$ (119,400)	$ 10,050
Other comprehensive income (loss):		
Available-for-sale securities, net of tax of $0 and $0, respectively:		
Unrealized gains (losses) on available-for-sale securities, net of taxes	1,239	922
Derivative instruments net of taxes of $(12,349) and $(5,107), respectively:		
Net change in fair value of cash flow hedging instruments, net of taxes	(48,933)	48,234
Amounts reclassified into results of operations, net of taxes	11,196	893
Foreign currency translation adjustments	5,761	(5,012)

Comprehensive income (loss)	(150,137)	55,087
Less: Comprehensive income (loss) attributable to the noncontrolling interest	26	(539)
Comprehensive income (loss) attributable to CCIC stockholders	$ (150,163)	$ 55,626
Net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share:		
Basic	$ (0.43)	$ 0.02
Diluted	$ (0.43)	$ 0.02
Weighted-average common shares outstanding (in thousands):		
Basic	288,451	285,913
Diluted	288,451	287,608

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

See condensed notes to consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In thousands of dollars)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash flows from operating activities:		
Net income (loss)	$ (119,400)	$ 10,050
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation, amortization and accretion	132,868	133,176
Gains (losses) on purchases and redemptions of long-term debt	66,434	(13,350)
Amortization of deferred financing costs and other non-cash interest	18,871	10,404
Stock-based compensation expense	8,263	6,976
Asset write-down charges	1,562	4,091
Deferred income tax benefit (provision)	(13,767)	(3,234)
Income (expense) from forward-starting interest rate swaps	73,276	(3,795)
Other adjustments	839	821
Changes in assets and liabilities, excluding the effects of acquisitions:		
Increase (decrease) in accrued interest	(14,487)	14,575
Increase (decrease) in accounts payable	(8,379)	(8,056)
Increase (decrease) in deferred revenues, deferred ground lease payables, other accrued liabilities and other liabilities	(24,263)	(29,331)
Decrease (increase) in receivables	3,482	4,078
Decrease (increase) in prepaid expenses, deferred site rental receivables, restricted cash and other assets	(41,042)	(8,347)
Net cash provided by (used for) operating activities	84,257	118,058
Cash flows from investing activities:		
Proceeds from disposition of property and equipment	1,742	2,431
Capital expenditures	(36,863)	(39,284)
Payments for investments	(21,800)	
Net cash provided by (used for) investing activities	(56,921)	(36,853)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,900,000	813,744
Proceeds from issuance of capital stock	6,825	4,074
Principal payments on long-term debt and other long-term obligations	(4,231)	(1,625)
Purchases and redemptions of long-term debt	(2,149,653)	(226,707)
Purchases of capital stock	(108,726)	(1,052)
Payments under revolving credit agreements		(169,400)
Payments for financing costs	(31,358)	(28,550)
Payments for forward-starting interest rate swap settlements	(55,900)	
Net (increase) decrease in restricted cash	51,976	(11,167)
Dividends on preferred stock	(4,969)	(4,969)
Net cash provided by (used for) financing activities	(396,036)	374,348
Effect of exchange rate changes on cash	50	(1,435)
Net increase (decrease) in cash and cash equivalents	(368,650)	454,118

Cash and cash equivalents at beginning of period	766,146	155,219
Cash and cash equivalents at end of period	$ 397,496	$ 609,337

See condensed notes to consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited

(Tabular dollars in thousands, except per share amounts)

1. General

The information contained in the following notes to the consolidated financial statements is condensed from that which would appear in the annual consolidated financial statements; accordingly, the consolidated financial statements included herein should be reviewed in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2009, and related notes thereto, included in the 2009 Form 10-K filed by Crown Castle International Corp. (CCIC) with the Securities and Exchange Commission (SEC). All references to the Company include CCIC and its subsidiary companies unless otherwise indicated or the context indicates otherwise.

The Company owns, operates and leases towers and other communications structures (collectively, towers). The Company s primary business is the renting of antenna space to wireless communication companies under long-term contracts. To a lesser extent, the Company performs network services primarily consisting of antenna installations and subsequent augmentations, as well as site acquisition services, engineering services, permitting, other construction services, and other services related to network development. The Company conducts its operations in the U.S. and Canada (collectively referred to as CCUSA) and Australia (referred to as CCAL).

Basis of Presentation

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 March 31, 2010, and the consolidated results of operations and the consolidated cash flows for the three months ended March 31, 2010 and 2009. 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 financial statements for prior periods in order to conform to the presentation for the three months ended March 31, 2010.

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

Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the Company s consolidated financial statements are disclosed in the Company s 2009 Form 10-K.

New Accounting Pronouncements

No accounting pronouncements adopted during the three months ended March 31, 2010 had a material impact on the Company s consolidated financial statements. No new accounting pronouncements issued during the three months ended March 31, 2010 but not yet adopted are expected to have a material impact on the Company s consolidated financial statements. See the Company s consolidated financial statements in the 2009 Form 10-K for a discussion of other new accounting pronouncements issued but not yet adopted.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

2. Debt and Other Obligations

The Company s indebtedness consists of the following:

	Original Issue Date	Contractual Maturity Date		Outstanding Balance as of March 31, 2010	Outstanding Balance as of December 31, 2009	Stated Interest Rate as of March 31, 2010(a)
Bank debt variable rate:						
Revolver	Jan. 2007	Sept. 2013		$ (b)	$	N/A(c)
2007 Term Loans	Jan./March 2007	March 2014		630,500	632,125	1.8%(c)
Total bank debt				630,500	632,125	
Securitized debt fixed rate:						
2005 Tower Revenue Notes	June 2005	June 2035			1,638,616	
2006 Tower Revenue Notes	Nov. 2006	Nov. 2036	(d)	1,325,993	1,550,000	5.7%(d)
2010 Tower Revenue Notes	Jan. 2010	2035 2040	(d)	1,900,000		5.8%(d)
2009 Securitized Notes	July 2009	2019/2029	(i)	242,394	250,000	7.0%
Total securitized debt				3,468,387	3,438,616	
High yield bonds fixed rate:						
9% Senior Notes	Jan. 2009	Jan. 2015		796,247	823,809	9.0%(e)
7.75% Secured Notes	April 2009	May 2017		973,769	1,167,225	7.8%(f)
7.125% Senior Notes	Oct. 2009	Nov. 2019		497,576	497,533	7.1%(g)
7.5% Senior Notes	Dec. 2003	Dec. 2013		51	51	7.5%
Total high yield bonds				2,267,643	2,488,618	
Other:						
Capital leases and other obligations	Various	Various	(h)	21,786	19,791	Various(h)
Total debt and other obligations				6,388,316	6,579,150	
Less: current maturities and short-term debt and other current obligations				19,553(j)	217,196(j)	
Non-current portion of long-term debt and other long-term obligations				$ 6,368,763	$ 6,361,954	

(a) Represents the weighted-average stated interest rate.
(b) The availability is $400.0 million.
(c) The Revolver currently bears interest at a rate per annum, at the election of CCOC, equal to the prime rate of The Royal Bank of Scotland plc plus a credit spread ranging from 1.0% to 1.4% or LIBOR plus a credit spread ranging from 2.0% to 2.4%, in each case based on the Company s consolidated leverage ratio. The 2007 Term Loans bear interest at a rate per annum, at CCOC s election, equal to the prime rate of The Royal Bank of Scotland plc plus 0.50% or LIBOR plus 1.50%. See note 3.
(d) If the 2006 Tower Revenue Notes are not paid in full on or prior to November 2011 or the 2010 Tower Revenue Notes are not paid in full on or prior to 2015, 2017 and 2020, as applicable, then Excess Cash Flow (as defined in the indenture) of the Issuers (as defined in the indenture) will be used to repay principal of the Tower Revenue Notes, and additional interest (by an additional approximately 5% per annum) will accrue on the respective Tower Revenue Notes.
(e) The effective yield is approximately 11.3%, inclusive of the discount.
(f) The effective yield is approximately 8.2%, inclusive of the discount.
(g) The effective yield is approximately 7.2%, inclusive of the discount.
(h) The Company s capital leases and other obligations bear interest rates up to 8% and mature in periods ranging from less than one year to approximately 20 years.
(i) The 2009 Securitized Notes consist of $172.4 million of principal as of March 31, 2010 that amortizes through 2019, and $70.0 million of principal that amortizes during the period beginning in 2019 and ending in 2029.
(j) The decrease in the current maturities reflects the refinancing of the 2005 Tower Revenue Notes.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

2010 Tower Revenue Notes

On January 15, 2010, indirect subsidiaries of the Company issued $1.9 billion principal amount of senior secured notes (2010 Tower Revenue Notes) pursuant to the indenture governing the existing Tower Revenue Notes. The 2010 Tower Revenue Notes are secured on a first priority basis by a pledge of the equity interests of the subsidiaries holding such towers and by certain other assets of such subsidiaries. The 2010 Tower Revenue Notes are not guaranteed by and are not obligations of CCIC or any of its subsidiaries other than the subsidiaries issuing the tower revenue notes and the indirect subsidiary of the Company that is the direct parent of those issuers. The 2010 Tower Revenue Notes will be paid solely from the cash flows generated from operations of the towers held by the issuers of both the 2006 Tower Revenue Notes and the 2010 Tower Revenue Notes. The net proceeds of the 2010 Tower Revenue Notes were primarily used to repay the portion of the 2005 Tower Revenue Notes not previously purchased. The 2010 Tower Revenue Notes consist of three series of notes with principal amounts of $300.0 million, $350.0 million and $1.3 billion and have anticipated repayment dates in 2015, 2017 and 2020, respectively.

The Company may repay the 2010 Tower Revenue Notes in whole or in part at any time after the second anniversary of the closing date, provided such repayment is accompanied by any applicable prepayment consideration.

The indenture governing the Tower Revenue Notes contains covenants and restrictions customary for rated securitizations, including provisions prohibiting the issuers from incurring additional indebtedness or further encumbering their assets. The 2010 Tower Revenue Notes contain the same financial covenants as the 2005 and 2006 Tower Revenue Notes which are discussed in the consolidated financial statements in the 2009 Form 10-K.

Debt Purchases and Repayments

The following is a summary of the purchases and repayments of debt during the three months ended March 31, 2010.

	Principal Amount	Cash Paid(a)	Gains (losses)
2005 Tower Revenue Notes	$ 1,638,616	$ 1,651,255	$ (15,718)
2006 Tower Revenue Notes (b)	224,007	238,261	(15,822)
2009 Securitized Notes (b)	5,000	5,250	(393)
9% Senior Notes	33,115	36,116	(6,425)
7.75% Secured Notes (b)	199,593	218,771	(28,076)
Total	$ 2,100,331	$ 2,149,653	$ (66,434)(c)

(a) Exclusive of accrued interest.
(b) These debt purchases were made by CCIC, rather than by the subsidiaries issuing the debt, because of restrictions upon the subsidiaries issuing the debt; as a result, the debt remains outstanding at the Company s subsidiaries.
(c) Inclusive of $17.1 million related to the write-off of deferred financing costs and discounts.

Interest Expense and Amortization of Deferred Financing Costs

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

	Three Months Ended March 31,	
	2010	2009
Interest expense on debt obligations	$ 101,910	$ 95,183
Amortization of deferred financing costs	3,894	6,296
Amortization of discounts on long-term debt	3,479	1,965
Amortization of interest rate swaps	10,989	755
Other	509	1,388
Total	$ 120,781	$ 105,587

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

3. Interest Rate Swaps

The Company only enters into interest rate swaps to manage and reduce its interest rate risk, including the use of (1) forward starting interest rate swaps to hedge its exposure to variability in future cash flows attributable to changes in LIBOR on anticipated financing, including refinancings and potential future borrowings and (2) interest rate swaps to hedge the interest rate variability on a portion of the Company s floating rate debt. The Company does not enter into interest rate swaps for speculative or trading purposes. The forward starting interest rate swaps call for the Company to pay interest at a fixed rate in exchange for receiving interest at a variable rate equal to LIBOR. The forward starting interest rate swaps are exclusive of any credit spread that would be incremental to the fixed rate in determining the all-in interest rate of the anticipated financing.

The Company is exposed to non-performance risk from the counterparties to its interest rate swaps; however, the Company generally uses master netting arrangements to mitigate such non-performance risk. The Company does not require collateral as security for its interest rate swaps. The Company s interest rate swaps are with Morgan Stanley, the Royal Bank of Scotland plc and Credit Agricole each of which have credit ratings of A2 or better from Moody s.

The following is a summary of the outstanding interest rate swaps as of March 31, 2010:

Hedged Item(a)	Combined Notional	Start Date(b)	End Date	Pay Fixed Rate(c)	Receive Variable Rate
Variable to fixed forward starting:					
Non-economic hedge(d)	1,400,523	June 2010	June 2015	5.2%	LIBOR
Non-economic hedge(e)	1,550,000	Feb. 2011	Feb. 2016	5.3%	LIBOR
2006 Tower Revenue Notes anticipated refinancing	1,550,000	Nov. 2011	Nov. 2016	5.1%	LIBOR
Variable to fixed:					
2007 Term Loans(f)	600,000	Jan. 2010	Dec. 2011	1.3%	LIBOR
Total	$ 5,100,523				

(a) Inclusive of interest rate swaps not designated as hedging instruments.
(b) On the respective effective dates (start dates), the Company is contractually obligated to terminate and settle in cash the forward-starting interest rate swaps.
(c) Exclusive of any applicable credit spreads.
(d) This interest rate swap previously hedged the anticipated refinancing of the 2005 Tower Revenue Notes. See the discussion below regarding discontinuation of the hedge accounting.
(e) This interest rate swap previously hedged the anticipated refinancing of the 2006 Mortgage Loan. See the discussion below regarding discontinuation of hedge accounting.
(f) The Company has effectively fixed LIBOR for two years on $600.0 million of the 2007 Term Loans at a combined rate of approximately 1.3% (exclusive of the applicable credit spread).

The Company refinanced the 2005 Tower Revenue Notes via the issuance of the 2010 Tower Revenue Notes in January 2010, which qualified as the hedged forecasted transaction and resulted in no ineffectiveness. The interest rate swaps hedging the refinancing of the 2006 Mortgage Loan and 2005 Tower Revenue Notes are no longer economic hedges of the Company s exposure to LIBOR on the anticipated refinancing of its existing debt as a result of the Company s election not to settle these interest rate swaps following the refinancing of the respective debt. As a result, changes in the fair value of these swaps are prospectively recorded in earnings until settlement in net gain (loss) on interest rate swaps on the consolidated statement of operations and comprehensive income (loss). After giving effect to partial cash settlement of the interest rate swaps hedging the 2005 Tower Revenue Notes during the first quarter of 2010 totaling $55.9 million, the Company s non-economic hedges have a notional value of $3.0 billion, and the combined settlement value is a liability of approximately $292.1 million as of March 31, 2010.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

The following shows the effect of interest rate swaps on the consolidated balance sheet and consolidated statement of operations and comprehensive income (loss). The estimated net amount, pre-tax, that is expected to be reclassified into earnings from accumulated other comprehensive income (loss) is approximately $43.7 million for the next twelve months. See also note 6.

		Fair Value of Interest Rate Swaps Liability Derivatives	
Interest Rate Swaps	**Classification**	**March 31, 2010**	**December 31, 2009**
Designated as hedging instruments:			
Current	Interest rate swaps, current	$ 3,249	$ 136,961
Non-current	Interest rate swaps, non-current	63,613	41,702
Not designated as hedging instruments:			
Current	Interest rate swaps, current	275,853	23,160
Non-current	Interest rate swaps, non-current	9,552	98,779
Total		$ 352,267	$ 300,602

	Three Months Ended March 31,		
Interest Rate Swaps Designated as Hedging Instruments (a)	**2010**	**2009**	**Classification**
Gain (loss) recognized in OCI (effective portion)	$ (36,949)	$ 42,863	OCI
Gain (loss) reclassified from accumulated OCI into income (effective portion)	(10,989)	(1,157)	Interest expense and amortization of deferred financing costs

	Three Months Ended March 31,		
Interest Rate Swaps Not Designated as Hedging Instruments (a)	**2010**	**2009**	**Classification**
Gain (loss) recognized in income	$ (73,276)	$ 3,795	Net gain (loss) on interest rate swaps

(a) Exclusive of benefit (provision) for income taxes.

See also note 12.

4. Equity

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to the CCIC stockholders and equity attributable to the noncontrolling interest.

	CCIC Stockholders					
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interest	Total
Balance, January 1, 2010	$ 2,927	$ 5,685,874	$ (124,224)	$ (2,628,336)	$ (156)	$ 2,936,085
Issuances of capital stock, net of forfeitures	13	6,812				6,825
Purchases and retirement of capital stock	(28)	(108,698)				(108,726)
Stock-based compensation		8,263				8,263
Other comprehensive income(a)			(30,888)		151	(30,737)
Dividends on preferred stock				(5,201)		(5,201)
Net income (loss)				(119,275)	(125)	(119,400)
Balance, March 31, 2010	$ 2,912	$ 5,592,251	$ (155,112)	$ (2,752,812)	$ (130)	$ 2,687,109

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

	CCIC Stockholders					
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interest	Total
Balance January 1, 2009	$ 2,885	$ 5,614,507	$ (408,329)	$ (2,493,198)	$	$ 2,715,865
Issuances of capital stock, net of forfeitures	21	4,053				4,074
Purchases and retirement of capital stock	(1)	(1,051)				(1,052)
Stock-based compensation		6,976				6,976
Other comprehensive income(a)			45,049		(12)	45,037
Dividends on preferred stock				(5,201)		(5,201)
Net income (loss)				10,577	(527)	10,050
Balance, March 31, 2009	$ 2,905	$ 5,624,485	$ (363,280)	$ (2,487,822)	$ (539)	$ 2,775,749

(a) See the statement of operations and other comprehensive income (loss) for the allocation of the components of other comprehensive income (loss).

See note 10 for information regarding stock-based compensation.

5. Income Tax

As a result of the Company s tax benefits recorded on losses during the first quarter of 2010, its net tax position as of March 31, 2010 prevents it from recognizing additional federal deferred tax benefits because any such benefits are expected to have a full valuation allowance. These benefits have a full valuation allowance because the Company s history of tax operating losses prevent it from determining that it is more likely than not that it will realize such benefits. For the three months ended March 31, 2010, the effective tax rate differed from the federal statutory rate predominately due to the Company s deferred tax valuation allowances.

6. Fair Value Disclosures

The following is the estimated fair values of the Company s financial instruments, along with the carrying amounts of the related assets (liabilities).

	March 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 397,496	$ 397,496	$ 766,146	$ 766,146
Restricted cash	179,722	179,722	218,514	218,514
Liabilities:				
Long-term debt and other obligations	6,388,316	6,807,717	6,579,150	6,870,979
Interest rate swaps(a)	352,267	352,267	300,602	300,602

(a) See note 3.

The fair value of cash and cash equivalents and restricted cash approximate the carrying value. The estimated fair value of the Company s debt securities is based on indicative quotes (that is non-binding quotes) from brokers that require judgment to interpret market information including implied credit spreads for similar borrowings on recent trades or bid/ask prices or quotes from active markets if available. The fair value of interest rate swaps is determined using the income approach and is predominately based on observable interest rates and yield curves and, to a lesser extent, the Company s

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

and the contract counterparty s credit risk. The credit risk (the Company s non-performance risk) assumption for interest rate swap fair values is primarily based on implied spreads from indicative quotes on the Company s outstanding debt and management s knowledge of current credit spreads in the debt market. There were no changes since December 31, 2009 in the Company s valuation techniques used to measure fair values.

The following table presents information about the Company s assets and liabilities measured at fair value on a recurring basis as of March 31, 2010 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

	Assets at Fair Value as of March 31, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 397,496			$ 397,496
Restricted cash	179,722			179,722
	$ 577,218			$ 577,218

	Liabilities at Fair Value as of March 31, 2010			
	Level 1	Level 2	Level 3	Total
Interest rate swaps	$	$	$ 352,267(a)	$ 352,267

(a) As of March 31, 2010, the liability on a cash settlement basis of $364.2 million has been reduced by $12.0 million, related to credit risk to reflect the interest rate swaps at fair value.

The following is a summary of the activity for liabilities classified as level 3 fair value measurements during the three months ended March 31, 2010:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps, Net
	Three Months Ended March 31, 2010
Beginning balance	$ 300,040
Settlements	(57,426)
Less: Total gains (losses):	
Included in earnings(a)	72,704
Included in other comprehensive income (loss)	36,949
Ending balance	$ 352,267

(a) Includes $61.1 million of losses that are attributable to the change in unrealized gains or losses relating to liabilities still held at the reporting date.

7. Per Share Information

Basic net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share excludes dilution and is computed by dividing net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock by the weighted-average number of common shares outstanding in the period. Diluted income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share is computed by dividing net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock by the weighted-average number of common shares outstanding during the period plus any potential dilutive common share equivalents, including shares issuable (1) upon exercise of stock options and warrants and the vesting of restricted stock awards as determined under the treasury stock method and (2) upon conversion of the Company s convertible notes and preferred stock, as determined under the if-converted method. The Company s restricted stock awards are considered participating securities and may be included in the computation pursuant to the two-class method. However, the Company does not present the two-class method when there is no difference in the per share amount from the if-converted method.

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(Tabular dollars in thousands, except per share amounts)

The following is a reconciliation of the numerators and denominators of the basic and diluted per share computations. See note 12.

	Three Months Ended March 31,	
	2010	2009
Net income (loss) attributable to CCIC stockholders	$ (119,275)	$ 10,577
Dividends on preferred stock	(5,201)	(5,201)
Net income (loss) attributable to CCIC common stockholders after deduction of dividends on preferred stock for basic and diluted computations	$ (124,476)	$ 5,376
Weighted average number of common shares outstanding (in thousands):		
Basic weighted-average number of common shares outstanding	288,451	285,913
Effect of assumed dilution from potential common shares:		
Options to purchase shares of common stock		1,193
Shares of restricted stock awards		502
Diluted weighted-average number of common shares outstanding	288,451	287,608
Net income (loss) attributable to CCIC common stockholders per common share:		
Basic net income (loss) attributable to CCIC common stockholders per common share	(0.43)	0.02
Diluted net income (loss) attributable to CCIC common stockholders per common share	(0.43)	0.02

For the three months ended March 31, 2010, all CCIC stock options and unvested restricted stock awards are excluded from dilutive common shares because the net impact is anti-dilutive. For the three months ended March 31, 2009, 1.4 million options and 2.4 million restricted stock awards were excluded from the dilutive common shares because the net impact under the treasury stock method is anti-dilutive. 8.6 million shares related to the 6.25% convertible preferred stock are excluded from dilutive common shares for the three months ended March 31, 2010 and March 31, 2009 because the impact is anti-dilutive as determined under the if-converted method. See note 10.

8. Commitments and Contingencies

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

9. Operating Segments

The Company s reportable operating segments for the three months ended March 31, 2010 are (1) CCUSA, primarily consisting of the Company s U.S. (including Puerto Rico) tower operations and (2) CCAL, the Company s Australian tower operations. Financial results for the Company are reported to management and the board of directors in this manner.

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

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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(Tabular dollars in thousands, except per share amounts)

The financial results for the Company s operating segments are as follows:

	Three Months Ended March 31, 2010				Three Months Ended March 31, 2009			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net revenues:								
Site rental	$ 384,041	$ 22,831	$	$ 406,872	$ 350,695	$ 16,972	$	$ 367,667
Network services and other	34,847	2,608		37,455	33,451	1,792		35,243
	418,888	25,439		444,327	384,146	18,764		402,910
Costs of operations:(a)								
Site rental	107,023	6,732		113,755	104,979	4,719		109,698
Network services and other	24,281	2,015		26,296	20,919	1,142		22,061
General and administrative	34,965	4,508		39,473	33,309	3,328		36,637
Asset write-down charges	1,562			1,562	4,046	45		4,091
Depreciation, amortization and accretion	125,692	7,176		132,868	125,523	7,653		133,176
Operating income (loss)	125,365	5,008		130,373	95,370	1,877		97,247
Interest expense and amortization of deferred financing costs	(120,272)	(5,045)	4,536	(120,781)	(105,077)	(3,697)	3,187	(105,587)
Gains (losses) on purchases and redemptions of debt	(66,434)			(66,434)	13,350			13,350
Net gain (loss) on interest rate swaps	(73,276)			(73,276)	3,795			3,795
Interest and other income (expense)	4,885	30	(4,536)	379	3,087	(146)	(3,187)	(246)
Benefit (provision) for income taxes	10,784	(445)		10,339	1,804	(313)		1,491
Net income (loss)	(118,948)	(452)		(119,400)	12,329	(2,279)		10,050
Less: Net income (loss) attributable to the noncontrolling interest		(125)		(125)		(527)		(527)
Net income (loss) attributable to CCIC stockholders	$ (118,948)	$ (327)	$	$ (119,275)	$ 12,329	$ (1,752)	$	$ 10,577
Capital expenditures	$ 35,035	$ 1,828	$	$ 36,863	$ 37,351	$ 1,933	$	$ 39,284

Total assets (at period end)	$ 10,535,212	$ 300,018	$ (274,721)	$ 10,560,509

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

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

The following are reconciliations of net income (loss) to Adjusted EBITDA for the three months ended March 31, 2010 and 2009.

	Three Months Ended March 31, 2010				Three Months Ended March 31, 2009			
	CCUSA	CCAL	Eliminations	Consolidated Total	CCUSA	CCAL	Eliminations	Consolidated Total
Net income (loss)	$ (118,948)	$ (452)	$	$ (119,400)	$ 12,329	$ (2,279)	$	$ 10,050
Adjustments to increase (decrease) net income (loss):								
Asset write-down charges	1,562			1,562	4,046	45		4,091
Depreciation, amortization and accretion	125,692	7,176		132,868	125,523	7,653		133,176
Interest expense and amortization of deferred financing costs	120,272	5,045	(4,536)	120,781	105,077	3,697	(3,187)	105,587
Gains (losses) on purchases and redemptions of debt	66,434			66,434	(13,350)			(13,350)
Net gain (loss) on interest rate swaps	73,276			73,276	(3,795)			(3,795)
Interest and other income (expense)	(4,885)	(30)	4,536	(379)	(3,087)	146	3,187	246
(Benefit) provision for income taxes	(10,784)	445		(10,339)	(1,804)	313		(1,491)
Stock-based compensation expense	8,263	1,185		9,448	6,976	906		7,882
Adjusted EBITDA	$ 260,882	$ 13,369	$	$ 274,251	$ 231,915	$ 10,481	$	$ 242,396

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

10. Stock-Based Compensation

Restricted Stock Awards

A summary of restricted stock award activity for the three months ended March 31, 2010 is as follows:

	Number of Shares (In thousands of shares)
Shares outstanding at December 31, 2009	4,154
Shares granted(a)	969
Shares vested	(664)
Shares forfeited	(3)
Shares outstanding at March 31, 2010	4,456

(a) Weighted-average grant-date fair value of $30.18 per share and a weighted-average requisite service period of 2.5 years. The awards with market conditions included an expected volatility of 49% in the Monte Carlo simulation used to measure grant date fair value.

During the three months ended March 31, 2010, the Company granted 0.5 million shares of restricted stock awards that time vest over a three-year period. During the three months ended March 31, 2010, the Company granted 0.5 million shares of restricted stock awards (2010 Performance Awards) to the Company s executives and certain other employees which may vest on the third anniversary of the grant date subject to a market condition. The number of 2010 Performance Awards that may cliff vest on the third anniversary of the grant date is based upon achieving a price appreciation hurdle along a price range continuum using the highest average closing price per share of common stock for 20 consecutive trading days during the last 180 days of the performance period. To the extent that the requisite service period is rendered, compensation cost for accounting purposes is not reversed; rather, it is recognized regardless of whether or not the market performance target is achieved.

The Company recognized stock-based compensation expense related to restricted stock awards of $6.9 million and $6.0 million for the three months ended March 31, 2010 and 2009, respectively. The unrecognized compensation expense (net of estimated forfeitures) related to restricted stock awards as of March 31, 2010 is $45.1 million.

11. Supplemental Cash Flow Information

Supplemental disclosures of cash flow information and non-cash investing and financing activities are as follows:

	Three Months Ended March 31,	
	2010	2009
Supplemental disclosure of cash flow information:		
Interest paid	$ 116,397	$ 80,578
Income taxes paid	1,397	2,207

Supplemental disclosure of non-cash financing activities:		
Increase (decrease) in the fair value of forward-starting interest rate swaps (note 3)	(31,612)	(43,279)

12. Subsequent Events

Common Stock

During April 2010, the Company purchased 0.8 million shares of common stock in open market purchases utilizing $30.0 million in cash.

Interest Rate Swaps

During April 2010, the Company paid $67.0 million in cash to settle $610.5 million of notional value of the interest rate swaps that previously hedged the 2005 Tower Revenue Notes.

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

The following discussion should be read in conjunction with the response to Part I, Item 1 of this report and the consolidated financial statements of the Company including the related notes and *Management s Discussion and Analysis of Financial Condition and Results of Operations* (MD&A) included in our 2009 Form 10-K. Any capitalized terms used but not defined in this Item have the same meaning given to them in our 2009 Form 10-K. Unless this Form 10-Q indicates otherwise or the context requires, the terms we, our, our company, the company, or us as in this Form 10-Q refer to Crown Castle International Corp. and its subsidiaries.

General Overview

Overview

As of March 31, 2010, we owned, leased or managed approximately 24,000 towers for wireless communications. Revenues generated from our core site rental business represented 92% of our first quarter 2010 consolidated revenues, of which 94% was attributable to our CCUSA operating segment. The vast majority of our site rental revenues is of a recurring nature and has been contracted for in a prior year. Our site rental revenues typically result from long-term contracts with (1) initial terms of five to 15 years, (2) multiple renewal periods at the option of the tenant of five to ten years each, and (3) contractual escalators of the rental price. As of March 31, 2010, our customer contracts at CCUSA have a weighted-average current term of approximately ten years with a weighted-average of approximately seven years remaining on this ten year current term, exclusive of renewals at the customer s option. As of March 31, 2010, 67% of our site rental gross margin at CCUSA for the three months ended March 31, 2010 is derived from towers that we own or control for greater than 20 years. See our 2009 Form 10-K for a further discussion of our business and our tower portfolio.

The following are certain highlights of our business fundamentals:

- potential growth resulting from wireless network expansion;
- site rental revenues under long-term leases with contractual escalations;
- revenues predominately from large wireless carriers;
- majority of land under our towers under long-term control;
- relatively fixed tower operating costs;
- high incremental margins and cash flows on organic revenue growth;
- minimal sustaining capital expenditure requirements;
- vast majority of debt has contractual maturities after five years and has fixed rate coupons; and
- significant cash flows from operations.

Our long-term strategy is to increase stockholder value by translating anticipated future growth in our core site rental business into growth in our results of operations on a per share basis. The key elements of our strategy are:

- to organically grow revenues and cash flows from our towers as a result of new tenant additions or modifications of existing installations on our towers (collectively referred to as tenant additions); and

- to allocate capital efficiently (in no particular order: purchase our own common stock, acquire towers, acquire land under towers, selectively construct towers and distributed antenna systems, improve and structurally enhance our existing towers, and purchase, redeem or refinance our debt or preferred stock). See also *Item 2. MD&A Liquidity and Capital Resources.*

Our long-term strategy is based on our belief that opportunities will be created by the expected continued growth in the wireless communications industry, which is predominately driven by the demand for wireless telephony and data services by consumers. As a result of such expected growth in the wireless communications industry, we believe that the demand for our towers will continue and result in organic growth of our revenues due to the co-location of additional tenants on our existing towers. We expect that new tenant additions on our towers should result in significant incremental cash flow due to the relatively fixed costs to operate a tower (which tend to increase at approximately the rate of inflation).

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The following is a discussion of certain recent events and information which may impact our business and our strategy or the wireless communications industry:

Consumers increased their use of wireless voice and data services according to the CTIA U.S. wireless industry survey issued on March 23, 2010.

Wireless data service revenues for the second half of 2009 were more than $22 billion, which represents a 26% increase over the second half of 2008 and accounts for more than 28% of all wireless services revenues;

Wireless connections exceeded 285 million as of December 31, 2009, which represents a year-over-year increase of over 15 million subscribers, or 5%, which equates to approximately 93% of the U.S. population. In addition, three-fourths of young people between ages 12 and 17 now own cell phones, compared to 45% in 2004; and

Smartphone penetration has doubled over the last year and a half moving to 21% market penetration as of December 31, 2009 from 10% in early 2008.

The uncertainty in the economy, which is further discussed in our 2009 Form 10-K, continued during 2010. Despite the current economic weakness and uncertainty, there has been continued incremental demand for wireless services, which has historically been the predominate driver of demand for our towers over the long-term, and we expect that growth trend to continue for the foreseeable future. Consequently, we expect to grow our site rental revenues over the foreseeable future as seen in our expected site rental revenues growth rates of between 7% and 8% from 2009 to 2010. During the first quarter of 2010, we increased our discretionary investments, such as purchases of land and opportunistic purchases of our common stock, following our financing activities during 2009 and early 2010 that extended and laddered our debt maturities.

Consolidated Results of Operations

The following discussion of our results of operations should be read in conjunction with our condensed consolidated financial statements and our 2009 Form 10-K. The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with GAAP, which requires us to make estimates and judgments that affect the reported amounts (see *Item 2. MD&A Accounting and Reporting Matters Critical Accounting Policies and Estimates* and note 2 to our consolidated financial statements on our 2009 Form 10-K).

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Comparison of Consolidated Results

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

	Three Months Ended March 31, 2010		Three Months Ended March 31, 2009		
	Amount	Percent of Net Revenues	Amount	Percent of Net Revenues	Percent Change(b)
			(Dollars in thousands)		
Net revenues:					
Site rental	$ 406,872	92%	$ 367,667	91%	11%
Network services and other	37,455	8%	35,243	9%	6%
	444,327	100%	402,910	100%	10%
Operating expenses:					
Costs of operations(a):					
Site rental	113,755	28%	109,698	30%	4%
Network services and other	26,296	70%	22,061	63%	19%
Total costs of operations	140,051	32%	131,759	33%	6%
General and administrative	39,473	9			