SPECTRASITE INC
Form 424B3
February 06, 2004

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Registration No. 333-112154
and 333- 112540

9,000,000 Shares
SpectraSite, Inc.
Common Stock

This is a public offering of shares of common stock of SpectraSite, Inc. All of the 9,000,000 shares of common stock are being sold by the selling stockholders. We will not receive any of the proceeds from the shares being sold by these selling stockholders.

On February 5, 2004, the last reported sale price of our common stock, which is quoted on the New York Stock Exchange under the ticker symbol SSI, was $35.50 per share. See Price Range of Common Stock.

See Risk Factors on page 10 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$35.00	$315,000,000
Underwriting discount	$ 1.40	$ 12,600,000
Proceeds to the selling stockholders	$33.60	$302,400,000

To the extent that the underwriters sell more than 9,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,350,000 shares from the selling stockholders at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on February 11, 2004.

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.
Citigroup
Lehman Brothers
Raymond James

Prospectus dated February 5, 2004.

PROSPECTUS SUMMARY

You should read this entire prospectus carefully, especially the Risk Factors section and the consolidated financial statements.

SpectraSite

Overview

We are one of the largest, in terms of number of towers, and fastest growing, in terms of revenue growth, wireless tower operators in the United States. Our business is owning, leasing and licensing antenna sites on wireless and broadcast towers, owning and licensing in-building shared infrastructure systems and managing access to rooftop telecommunications on commercial real estate. For the nine months ended September 30, 2003, 100% of our revenues came from our leasing and licensing operations.

We have a portfolio of over 7,500 towers, primarily located in the top 100 basic trading area, or BTA, markets in the United States. We believe that the growing use of wireless communications services together with capacity constraints in the top 100 BTA markets will continue to increase the demand for tower assets located in these markets and drive the growth of our business.

We emerged from bankruptcy on February 10, 2003. Under our Plan of Reorganization, we extinguished $1.76 billion of indebtedness. Our reorganization is discussed in greater detail in other sections of this prospectus.

Our business is characterized by stable and recurring revenues, predictable operating costs and a low level of capital expenditures. We expect to continue to increase our revenues by adding new customers to our towers and by providing additional space to our existing customers. Revenues from our existing customers are expected to grow because of contractual provisions that increase our customers payments to us on an annual basis. We also experience minimal customer turnover due to long-term customer contracts, the quality of our assets and the significant relocation costs for our existing customers. Approximately 83% of our revenues from our site leasing and licensing operations are derived from the six largest wireless service providers and their affiliates. For the nine months ended September 30, 2003, two of these wireless service providers and their affiliates were responsible for 51% of our revenues from our site leasing and licensing operations. In addition, we currently operate with the lowest levels of debt and leverage among publicly traded tower companies.

We incurred a net loss of approximately $6.1 million in the eight months ended September 30, 2003 and generated net income of $345.0 million in the one month ended January 31, 2003. Our net income for the one month ended January 31, 2003 includes non-recurring amounts related to our reorganization, including a gain on debt discharge of approximately $1.03 billion and reorganization expense items of $668.6 million. We incurred net losses of approximately $775.0 million in 2002, $654.8 million in 2001 and $157.6 million in 2000. As of December 31, 2002, prior to our emergence from bankruptcy, we had an accumulated deficit of $1.7 billion and a stockholders deficit of $75.1 million.

Our Business

Our business consists of site leasing and licensing operations. As of September 30, 2003, we owned or operated 7,437 wireless towers and in-building systems and 72 broadcast towers. We have major metropolitan market clusters in Los Angeles, Chicago, San Francisco, Philadelphia, Detroit and Dallas. Our principal business is the leasing of space on our antenna sites to wireless carriers, which represents more than 93% of our monthly revenues. Additionally, we have the exclusive rights to provide in-building systems to wireless carriers in over 300 retail shopping malls, casino/hotel resorts and office buildings. We are also the exclusive site manager for over 10,000 rooftop real estate properties in the United States. Because the costs of operating a tower are largely fixed, we believe that our highest returns will be achieved by leasing and licensing additional space on our existing sites.

Recent Developments

Unaudited Fourth Quarter 2003 Results. On February 2, 2004, we reported unaudited results for the fourth quarter ended December 31, 2003. As a result of the implementation of fresh start accounting as of January 31, 2003, our financial statements after that date are not comparable to our financial statements for prior periods because of the differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company.

Total revenues for the fourth quarter of 2003 were $81.6 million, compared to $74.9 million for the fourth quarter of 2002, representing an increase of 8.9%. Net of the revenues contributed by the 545 SBC towers that we sold in February, 2003, revenues increased 16.6% from the fourth quarter of 2002 to the fourth quarter of 2003. Operating income for the fourth quarter of 2003 was $16.6 million, an increase from an operating loss of $11.8 million for the same period in 2002.

Other expense during the fourth quarter of 2003 was $0.8 million as compared to $1.7 million during the fourth quarter of 2002. Other expense items during the fourth quarter of 2003 primarily related to losses incurred on disposal of property, plant and equipment.

Our net loss was $13.6 million for the fourth quarter of 2003 versus a net loss of $60.3 million during the fourth quarter of 2002. Basic net loss per share was $0.29 during the fourth quarter of 2003 as compared to a basic net loss of $0.39 per share during the fourth quarter of 2002.

Adjusted EBITDA increased 29.6% to $41.5 million during the fourth quarter of 2003 from $32.0 million during the same period in the prior year. Net of the contribution from 545 SBC towers sold by us in February 2003, Adjusted EBITDA increased 45.2% from the fourth quarter of 2002 to the fourth quarter of 2003. Other expense items in the amount of $0.8 million during the fourth quarter of 2003 and $1.7 million during the fourth quarter of 2002 are included in the Adjusted EBITDA calculations.

Net cash provided by operating activities decreased to $29.5 million during the fourth quarter of 2003 as compared to net cash provided by operating activities of $34.8 million during the fourth quarter of 2002, primarily due to normal fluctuations in working capital. Purchases of property and equipment during the fourth quarter of 2003 were $11.6 million, an increase from $8.8 million for the same period in 2002. Free cash flow, defined as net cash provided by operating activities less purchases of property and equipment, during the fourth quarter of 2003 was $18.0 million as compared to free cash flow of $26.0 during the prior year s period. At December 31, 2003, we had $60.4 million of cash on hand and $639.6 million of long term debt. During the fourth quarter of 2003, we leased or subleased 56 SBC towers, for which we paid approximately $15.6 million in cash.

Adjusted EBITDA for periods after January 31, 2003 consists of net income (loss) before depreciation, amortization and accretion, interest, income tax expense (benefit) and, if applicable, before discontinued operations and cumulative effect of change in accounting principle. For periods prior to January 31, 2003, Adjusted EBITDA also excludes gain on debt discharge, reorganization items, and write-offs of investments in and loans to affiliates. We use a different definition of Adjusted EBITDA for the fiscal periods prior to our reorganization to enable investors to view our operating performance on a consistent basis before the impact of the items discussed above on the predecessor company. Each of these historical items was incurred prior to, or in connection with, our reorganization and is excluded from Adjusted EBITDA to reflect the results of our core operations. Adjusted EBITDA may not be comparable to a similarly titled measure employed by other companies and is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States. For a discussion of non-GAAP financial measures, including their usefulness to investors and material limitations, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures.

Adjusted EBITDA for the three months ended December 31, 2002 and 2003, was calculated as follows:

	Predecessor Company Three Months Ended December 31, 2002	Reorganized Company Three Months Ended December 31, 2003
	(in thousands)	
Net loss	$(60,293)	$(13,634)
Depreciation, amortization and accretion expense	45,580	25,794
Interest income	(330)	(177)
Interest expense	39,026	10,435
Reorganization expense	2,475	
Income tax expense	637	1,486
Loss from operations of discontinued segment, net of income tax expense	3,578	643
Loss on disposal of discontinued segment	1,357	16,977
Adjusted EBITDA	$ 32,030	$ 41,524

Free cash flow for the three months ended December 31, 2002 and 2003, was calculated as follows:

	Predecessor Company Three Months Ended December 31, 2002	Reorganized Company Three Months Ended December 31, 2003
	(in thousands)	
Net cash provided by operating activities	$34,753	$ 29,540
Less: Purchases of property and equipment	(8,750)	(11,569)
Free cash flow	$26,003	$ 17,971

Amendments to Credit Facility. Effective October 24, 2003, we completed an amendment to our credit facility to replace the existing term loan with a new term loan that is substantially the same as the existing term loan, except that the interest rate was reduced from, at our option, Canadian Imperial Bank of Commerce s base rate plus 2.75% per annum or the Eurodollar rate plus 4.00% per annum to Canadian Imperial Bank of Commerce s base rate plus 1.75% per annum or the Eurodollar rate plus 3.00% per annum.

We have asked our lenders to approve an amendment to our credit facility which, if completed, would replace the term loan portion of our credit facility with a new term loan that is substantially the same as the existing term loan, except that the interest rate will be reduced from, at our option, Canadian Imperial Bank of Commerce s base rate plus 1.75% per annum or the Eurodollar rate plus 3.00% per annum to Canadian Imperial Bank of Commerce s base rate

plus 1% per annum or the Eurodollar rate plus 2.25% per annum. The proposed amendment would also provide that the interest rate margins would automatically be further reduced if our credit ratings improve. There can be no assurance that the lenders will agree to complete the amendment.

Secondary Offering and NYSE Listing. On October 8, 2003, we completed an underwritten public offering of our common stock, whereby 10.35 million shares of common stock were sold by four of our existing stockholders, including an over-allotment option exercised by the underwriters. The selling stockholders received net proceeds of $292.0 million from the offering. In connection with this offering, we incurred costs of approximately $1.2 million in the three months ended September 30, 2003, which are included in Other income (expense). In connection with the offering, on October 3, 2003, our common stock began trading on the New York Stock Exchange under the symbol SSI .

Discontinuation of Broadcast Services Division. On December 16, 2003, we decided to discontinue our broadcast services division, after evaluating the broadcast services sector and the continuing trend of declining sales and profitability. The assets and liabilities associated with this division have been classified as held for sale. The results of broadcast services operations have been reported separately as discontinued operations in the balance sheets and statements of operations. Prior period financial statements have been restated to present the operations of the division as a discontinued operation.

Reorganization. The financial difficulties experienced by the telecommunications and broadcast industries in recent years have severely impacted capital availability within the wireless telecommunications and broadcast sectors. Many of our customers were forced to reduce scheduled capital expenditures, which in turn impeded our revenue and earnings growth and, therefore, our ability to service our long-term debt. In November 2002, after a review of our business and our prospects, we concluded that recoveries to creditors and equity holders would be maximized by a consensual restructuring implemented under chapter 11 of the Bankruptcy Code. In connection with this restructuring, we extinguished $1.76 billion of indebtedness in return for issuing approximately 47.5 million shares of our common stock. Also, in connection with this restructuring, all of our common stock outstanding prior to our bankruptcy was cancelled in exchange for warrants to purchase an aggregate of approximately 2.5 million shares of our common stock.

Our operating subsidiaries, including SpectraSite Communications, Inc., or Communications, were not part of the bankruptcy reorganization. Our senior management team remained with us through the reorganization. After our emergence from bankruptcy, our largest stockholders are affiliates of Apollo Management V, L.P. and certain funds managed by Oaktree Capital Management, LLC.

The Offering

Common stock offered by the selling stockholders	9,000,000 shares
Common stock outstanding before and after this offering	47,750,453 shares
Dividend policy	We have not paid any cash dividends on our common stock in the past and currently do not expect to pay dividends or make any other distributions on our common stock in the immediate future.
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholders.
New York Stock Exchange symbol	SSI

All of the shares of common stock in this offering are being sold by the selling stockholders.

The number of shares of common stock outstanding before and after this offering excludes 5,222,799 shares of common stock issuable upon exercise of outstanding stock options, an additional 393,978 shares of common stock available for future awards under our equity incentive plan, 2,496,854 shares of common stock issuable upon exercise of outstanding warrants and 135,866 shares of common stock issuable in connection with further distributions pursuant to our Plan of Reorganization.

Except as otherwise indicated, information regarding the number of shares of our common stock reflects amounts outstanding as of December 31, 2003 and gives effect to our two-for-one stock split that was effected on August 21, 2003.

As of December 31, 2003, the selling stockholders held approximately 47.0% of our outstanding common stock. After giving effect to this offering and assuming the full exercise of the underwriters option to purchase 1,350,000 additional shares, the selling stockholders will own approximately 25.2% of our outstanding common stock as of February 5, 2004.

Unless otherwise indicated, the information in this prospectus assumes that the underwriters will not exercise the over-allotment option granted to them by the selling stockholders.

Risk Factors

See Risk Factors following this summary for a discussion of some of the risks relating to investing in our common stock.

Information About SpectraSite

We were incorporated in Delaware in 1997. Our principal executive offices are located at 400 Regency Forest Drive, Cary, North Carolina 27511, and our telephone number at that address is (919) 468-0112. Our World Wide Web site address is www.spectrasite.com. The information in our website is not part of this prospectus.

Summary Consolidated Financial and Other Data

The following table sets forth summary historical consolidated financial and other data. We refer to the periods prior to our emergence from chapter 11 as predecessor company and to the periods subsequent to that date as reorganized company. The balance sheet data as of December 31, 2000, 2001 and 2002 and the statement of operations data for the years ended December 31, 2000, 2001 and 2002 are derived from our audited consolidated financial statements. The balance sheet data as of September 30, 2002, January 31, 2003 and September 30, 2003 and the statement of operations data for the nine months ended September 30, 2002 and for the one month ended January 31, 2003 for the predecessor company and for the eight months ended September 30, 2003 for the reorganized company are derived from our unaudited financial statements. In our opinion, the unaudited financial data include all adjustments (consisting only of normal recurring adjustments for the predecessor company for the nine months ended September 30, 2002 and normal recurring adjustments and fresh start accounting adjustments for the predecessor company for the one month period ended January 31, 2003 and for the reorganized company for the eight months ended September 30, 2003) necessary to present fairly the information set forth therein.

On December 31, 2002, we sold our network services division. On December 16, 2003, we decided to discontinue our broadcast services division. The results of the network and broadcast services divisions operations have been reported separately as discontinued operations in the balance sheets and statements of operations. Prior period information has been restated to present the operations of the network and broadcast services divisions as discontinued operations.

As a result of the implementation of fresh start accounting as of January 31, 2003, our financial statements after that date are not comparable to our financial statements for prior periods because of the differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company. Operating results for the one month ended January 31, 2003 for the predecessor company and for the eight months ended September 30, 2003 for the reorganized company are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

The information set forth below should be read in conjunction with Use of Proceeds, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Predecessor Company(1)					Reorganized Company(1)
	Year Ended December 31,			Nine Months Ended September 30, 2002(2)	One Month Ended January 31, 2003(2)	Eight Months Ended September 30, 2003(2)
	2000	2001	2002			
	(dollars in thousands)					
Statement of Operations Data:						
Revenues	$ 117,970	$ 221,735	$ 282,525	$ 207,615	$ 25,626	$ 208,173
Operating expenses:						
Costs of operations (excluding depreciation, amortization and accretion expense)	$ 46,667	$ 91,694	$ 108,540	$ 79,675	$ 8,901	$ 68,859
Selling, general and administrative expenses	42,977	65,540	54,812	42,543	4,003	33,027
Depreciation, amortization and accretion expense(3)	76,986	163,628	188,176	142,596	15,930	67,404
Restructuring and non-recurring charges		140,871	27,394	27,394		
Total operating expenses	166,630	461,733	378,922	292,208	28,834	169,290
Operating income (loss)	$ (48,660)	$ (239,998)	$ (96,397)	$ (84,593)	$ (3,208)	$ 38,883
Gain on debt discharge					1,034,764	
Income (loss) from continuing operations	$ (163,812)	$ (658,935)	$ (338,558)	$ (283,200)	$ 1,026,474	$ (4,112)
Statement of Cash Flows Data:						
Net cash provided by (used in) operating activities	$ 11,365	$ (12,133)	$ 36,286	$ 1,533	$ 5,892	$ 67,422
Net cash provided by (used in) investing activities	(1,108,690)	(984,724)	(69,966)	(54,465)	(2,737)	63,543
Net cash provided by (used in) financing activities	1,612,200	475,751	83,094	85,631	(10,884)	(148,347)
Purchases of property and equipment	658,283	958,945	71,248	52,431	2,737	10,143
Balance Sheet Data (at end of period):						
Cash and cash equivalents	$ 552,653	$ 31,547	$ 80,961	$ 64,246	$ 73,442	$ 55,850
Total assets	3,054,105	3,203,425	2,578,456	2,622,633	2,577,575	1,527,471
Total long-term obligations	1,708,273	2,326,012	791,992	796,110	849,240	677,516
Liabilities subject to compromise			1,763,286		1,763,286	
Total stockholders equity (deficit)	1,224,800	719,345	(75,127)	(16,450)	(96,678)	682,092
Selected Operating Data:						
Adjusted EBITDA(4)	$ 19,752	$ (143,227)	$ 80,959	$ 48,929	$ 12,229	$ 104,351
Number of owned or operated towers (at end of period)	5,030	7,925	8,036	7,999	8,036	7,509

(1) On February 10, 2003, we emerged from chapter 11. In accordance with AICPA Statement of Position 90-7 *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7), we adopted fresh start accounting as of January 31, 2003 and our emergence from chapter 11 resulted in a new reporting entity. Under fresh start accounting, the reorganization value of the entity is allocated to the entity s assets based on fair values, and liabilities are stated at the present value of amounts to be paid determined at appropriate current interest rates. The net effect of all fresh start accounting adjustments resulted in a charge of $644.7 million, which is reflected in the statement of operations for the one month ended January 31, 2003. The effective date is considered to be the close of business on January 31, 2003 for financial reporting purposes. The periods presented prior to January 31, 2003 have been designated predecessor company and the periods subsequent to January 31, 2003 have been designated reorganized company. As a result

of the implementation of fresh start accounting as of January 31, 2003, our financial statements after the effective date are not comparable to our financial statements for prior periods because of differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company.

(2) On February 10, 2003, we sold 545 SBC towers to Cingular. See Management s Discussion and Analysis of Financial Condition and Results of Operations Tower Acquisitions and Dispositions for a discussion of the impact of the sale of these towers on our results of operations and financial position.

(3) Depreciation, amortization and accretion expense for the one-month and eight-month periods are not proportional because the predecessor company and the reorganized company used different bases of accounting.

(4) Adjusted EBITDA consists of net income (loss) before depreciation, amortization and accretion, interest, income tax expense (benefit) and, if applicable, before discontinued operations and cumulative effect of change in accounting principle. For the periods prior to January 31, 2003, Adjusted EBITDA also excludes gain on debt discharge, reorganization items and writeoffs of investments in and loans to affiliates. We use a different definition of Adjusted EBITDA for the fiscal periods prior to our reorganization to enable investors to view our operating performance on a consistent basis before the impact of the items discussed above on the predecessor company. Each of these historical items was incurred prior to, or in connection with, our bankruptcy and is excluded from Adjusted EBITDA to reflect, as accurately as possible, the results of our core operations. Management does not expect any of our pre-reorganization items to have a material financial impact on our operations on a going-forward basis because none of these pre-reorganization items is expected to occur in the foreseeable future. Investors may use both of these definitions of Adjusted EBITDA to evaluate and compare the results of our operations from period to period before the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation and amortization) on our operating results. We more fully discuss Adjusted EBITDA and the limitations of this financial measure under Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures Adjusted EBITDA.

Adjusted EBITDA was calculated as follows for the periods indicated:

	Predecessor Company					Reorganized Company
	Year Ended December 31,			Nine Months Ended September 30,	One Month Ended January 31,	Eight Months Ended September 30,
	2000	2001	2002	2002	2003	2003
	(in thousands)					
Net income (loss)	$(157,616)	$(654,769)	$(774,984)	$(714,691)	$ 344,970	$ (6,052)
Depreciation, amortization and accretion expense	76,986	163,628	188,176	142,596	15,930	67,404
Interest income	(28,391)	(17,037)	(855)	(525)	(137)	(639)
Interest expense	134,664	212,174	226,536	187,510	4,721	40,428
Gain on debt discharge					(1,034,764)	
Reorganization expense			4,329	1,854		
Writeoff of investments in affiliates		129,404				
Writeoff of loans to affiliates		26,980				
Income tax expense	305	559	1,331	694	5	1,270
Reorganization items:						
Adjust accounts to fair value					644,688	
Professional and other fees					23,894	
Loss (income) from operations of discontinued divisions, net of income taxes	(6,196)	(4,166)	12,689	9,111	686	1,344
Loss on disposal of discontinued divisions			46,984	45,627		596
Cumulative effect of change in accounting principle			376,753	376,753	12,236	
Adjusted EBITDA	$ 19,752	$(143,227)	$ 80,959	$ 48,929	$ 12,229	$104,351

RISK FACTORS

Investing in our common stock involves substantial risks. In addition to the other information in this prospectus, you should carefully consider the following factors before investing in our common stock.

We recently emerged from a chapter 11 bankruptcy reorganization, have a history of losses and may not achieve and maintain profitability.

Because we recently emerged from bankruptcy and have a history of losses, we cannot assure you that we will achieve and maintain profitability in the future. We emerged from our chapter 11 bankruptcy reorganization as a new reporting entity on February 10, 2003, approximately three months after filing a voluntary petition for bankruptcy reorganization. Prior to our reorganization, we incurred net losses of approximately $157.6 million in 2000, $654.8 million in 2001 and $775.0 million in 2002. In connection with our reorganization, we adopted fresh start accounting as of January 31, 2003. The net effect of all fresh start accounting adjustments resulted in a charge of $644.7 million, which is reflected in the statement of operations for the one month ended January 31, 2003. If we cannot achieve and maintain profitability, the value of your investment in our company may decline.

You may not be able to compare our historical financial information to our current financial information, which will make it more difficult to evaluate an investment in our company.

As a result of our emergence from bankruptcy, we are operating our business with a new capital structure, and are subject to the fresh start accounting prescribed by generally accepted accounting principles. Accordingly, unlike other companies that have not previously filed for bankruptcy protection, our financial condition and results of operations are not comparable to the financial condition and results of operations reflected in our historical financial statements contained in this prospectus. Without historical financial statements to compare to our current performance, it may be more difficult for you to assess our future prospects when evaluating an investment in our common stock.

Consolidation in the wireless industry could decrease the demand for our sites and may lead to reductions in our revenues.

Various wireless service providers, which are our primary existing and potential customers, could enter into mergers, acquisitions or joint ventures with each other over time. These consolidations could reduce the size of our customer base and have a negative impact on the demand for our services. Recent regulatory developments have made consolidation in the wireless industry easier and more likely. For example, the Federal Communications Commission, or FCC, has recently eliminated the spectrum aggregation cap in a geographic area in favor of a case-by-case review of spectrum transactions, enabled the ownership by a single entity of interests in both cellular carriers in an overlapping cellular service area and authorized spectrum leasing for a variety of wireless radio services. See Business Regulatory and Environmental Matters. It is possible that at least some wireless service providers may take advantage of this relaxation of spectrum and ownership limitations and consolidate their businesses. Any industry consolidation could decrease the demand for our sites, which may lead to reductions in our revenues.

A decrease in the demand for our wireless communications sites and our ability to secure additional customers could negatively impact our ability to achieve and maintain profitability.

Our business depends on demand for communications sites from wireless service providers, which in turn, depends on consumer demand for wireless services. A reduction in demand for our communications sites or increased competition for additional customers could have an adverse effect on our business. Our wireless service provider customers lease and license communications sites on our towers based on a number of factors, including the level of demand by consumers for wireless services, the financial condition and access to capital of those providers, the strategy of providers with respect to owning, leasing or sharing communications sites, available spectrum and related infrastructure, competitive pricing, consolidation among our customers and potential customers, government regulation of communications licenses, changes in telecommunications regulations, the characteristics of each company s technology and geographic terrain. Any decrease in the demand for our communications sites from current levels or in our ability to secure additional customers could decrease our ability to become and remain profitable and could decrease the value of your investment.

The financial and operating difficulties in the wireless telecommunications sector, which have negatively affected some of our customers, could adversely impact our revenues and profitability.

The slowdown and intense competition in the wireless and telecommunications industries over the past several years have impaired the financial condition of some of our customers. The financial uncertainties facing our customers could reduce demand for our communications sites, increase our bad debt expense and reduce prices on new customer contracts. In addition, we may be negatively impacted by our customers limited access to debt and equity capital, which may constrain their ability to conduct business with us. As a result, our growth strategy, revenues and profitability may be adversely affected.

An increase in the spectrum available for wireless services may impact the demand for our communication towers, which may negatively impact our operating results.

It is expected that additional spectrum for the provision of wireless services will be made available over the next few years. For example, the FCC is required to make available for commercial use a portion of the frequency spectrum currently reserved for government use. Some portion of this spectrum may be used to create new land mobile services or to expand existing offerings. Further, the FCC has auctioned or announced plans to auction large blocks of spectrum that will in the future be used to expand existing wireless networks and to create new or advanced wireless services. This additional spectrum could be used to replace existing spectrum and could be deployed in a manner that reduces the need for communications towers to transmit signals over existing spectrum. Any increased spectrum could have an adverse impact on our business and may impair our operating results.

Because a significant portion of our revenues depends on a small number of customers, the loss of any of these customers could decrease our revenues.

A significant portion of our revenues is derived from a small number of customers. For example, Nextel (including its affiliates) and Cingular represented approximately 31% and 22%, respectively, of our revenues for the year ended December 31, 2002 and 30% and 20%, respectively, of our revenues for the eight months ended September 30, 2003. If Nextel, Cingular or any of our other customers were to suffer financial difficulties or were unwilling or unable to perform their obligations under their agreements with us, our revenues could be adversely affected.

In addition, from time to time in the ordinary course of our business, we have experienced conflicts or disputes with some of our customers and lessors. Most of these disputes relate to the interpretation of terms in our contracts. While we seek to resolve conflicts amicably and have generally resolved customer disputes on commercially reasonable terms, these disputes could lead to increased tensions and damaged relationships with these entities. In some cases, a dispute could result in a termination of our contracts with customers or lessors, some of whom are key to our business. In addition, if we are unable to resolve these differences amicably, we may be forced to litigate these disputes in order to enforce or defend our rights. Damaged or terminated relationships with our key customers, or any related litigation, could hurt our business and lead to decreased revenues (including as a result of losing a customer or lessor) or increased costs, any of which may have a negative impact on our operating results.

If we are unable to successfully compete, our business will suffer.

We believe that tower location and capacity, price, quality of service and density within a geographic market historically have been, and will continue to be, the most significant competitive factors affecting our site operations business. We compete for customers with:

- wireless service providers that own and operate their own towers and lease, or may in the future decide to lease, antenna space to other providers;

- other independent tower operators; and

- owners of non-tower antenna sites, including rooftops, water towers and other alternate structures.

Some of our competitors have significantly more financial resources than we do. The intense competition in our industry may make it more difficult for us to attract new customers, increase our gross margins or maintain or increase our market share.

Competing technologies and other service options offer alternatives to ground-based antenna systems and allow our customers to increase wireless capacity without increased use of ground-based facilities, both of which could reduce the demand for our sites.

Most types of wireless and broadcast services currently require ground-based network facilities, including communications sites for transmission and reception. The development and growth of communications and other new technologies that do not require ground-based sites could reduce the demand for space on our towers. For example, the growth in delivery of video, voice and data services by satellites, which allow communication directly to users terminals without the use of ground-based facilities, could lessen demand for our sites. Moreover, the FCC has issued licenses for several additional satellite systems (including low earth orbit systems) that are intended to provide more advanced, high-speed data services directly to consumers. These satellite systems compete with land-based wireless communications systems, thereby reducing the demand for the services that we provide. Technological developments are also making it possible for carriers to expand their use of existing facilities to provide service without additional tower facilities. The increased use by carriers of signal combining and related technologies, which allow two or more carriers to provide services on different transmission frequencies using the communications antenna and other facilities normally used by only one carrier, could reduce the demand for tower-based broadcast transmissions and antenna space. In addition to sharing transmitters, carriers are sharing (or considering the sharing of) telecommunications infrastructure in ways that might adversely impact the growth of our business. Furthermore, wireless service providers frequently enter into agreements with competitors allowing them to utilize one another s wireless communications facilities to accommodate customers who are out of range of their home providers services, so that the home providers do not need to lease space for their own antennas on communications sites we own. Any of the conditions and developments described above could reduce demand for our ground-based antenna sites, and may have an adverse effect on our business and revenues.

We may be unable to modify towers and add new customers, which could negatively impact our growth strategy and our business.

Our business depends on our ability to modify towers and add new customers as they expand their tower network infrastructure. Regulatory and other barriers could adversely affect our ability to modify towers in accordance with the requirements of our customers, and, as a result, we may not be able to meet our customers requirements. Our ability to modify towers and add new customers to towers may be affected by a number of factors beyond our control, including zoning and local permitting requirements, Federal Aviation Administration, or FAA, considerations, FCC tower registration procedures, availability of tower components and construction equipment, availability of skilled construction personnel, weather conditions and environmental compliance issues. In addition, because public concern over tower proliferation has grown in recent years, many communities now restrict tower modifications or delay granting permits required for adding new customers. In addition, we may not be able to overcome the barriers to modifying towers or adding new customers. Our failure to complete the necessary modifications could have an adverse effect on our growth strategy and our business.

We may encounter difficulties in integrating acquisitions with our operations, which could limit our revenue growth and our ability to achieve or sustain profitability.

We have agreed to complete the lease or sublease of up to 485 towers from affiliates of SBC Communications (SBC) through August 2004. The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties, divert managerial attention or require significant financial resources. These leases or subleases and other future acquisitions may require us to incur additional indebtedness and contingent liabilities, which may limit our revenue growth and our ability to achieve or sustain profitability. Alternatively, these acquisitions may be financed through the issuance of additional equity, which would dilute your interest as a stockholder. Moreover, any future acquisitions may not generate any additional income for us or provide any benefit to our business.

Your ability to influence corporate matters may be limited because a small number of stockholders beneficially own a substantial amount of our common stock.

After giving effect to the offering, affiliates of Apollo Management V, L.P. will own approximately 4.7 million shares, or 9.8%, of our common stock and certain funds managed by Oaktree Capital Management, LLC will own approximately 4.0 million shares, or 8.5%, of our common stock. Two of our directors are associated with these stockholders. As a result, Apollo and Oaktree could exert significant influence over our management and policies and may have interests that are different from yours.

We may be unable to attract and retain key personnel, which would adversely affect our ability to effectively manage our business.

Our future performance depends largely on the continued services of senior executive officers, including, but not limited to, our Chief Executive Officer, Stephen H. Clark, our Chief Operating Officer, Timothy G. Biltz, and our Chief Financial Officer, David P. Tomick. This dependence is particular to our business because the skills, knowledge, technical experience and customer relationships of our senior executive officers are essential to obtaining and maintaining these relationships and executing our business plan. Although Messrs. Clark, Biltz and Tomick each has an employment agreement with SpectraSite, the loss of any of these key employees would likely have a detrimental effect on our ability to effectively manage our business.

Our failure to comply with federal, state and local laws and regulations could result in our being fined, liable for damages and, in some cases, losing our right to conduct some of our business.

We are subject to a variety of regulations, including those at the federal, state and local levels. Both the FCC and the FAA regulate towers and other sites used for wireless communications transmitters and receivers. See Business Regulatory and Environmental Matters. In addition, under the FCC s rules, we are fully liable for the acts or omissions of our contractors. We generally indemnify our customers against any failure by us to comply with applicable standards. Our failure to comply with any applicable laws and regulations (including as a result of acts or omissions of our contractors, which may be beyond our control) may lead to monetary forfeitures or other enforcement actions, as well as civil penalties, contractual liability and tort liability and, in some cases, losing our right to conduct some of our business, any of which could have an adverse impact on our business.

We also are subject to local regulations and restrictions that typically require tower owners to obtain a permit or other approval from local officials or community standards organizations prior to tower construction or modification. Local regulations could delay or prevent new tower construction or modifications, as well as increase our costs, any of which could adversely impact our ability to implement or achieve our business objectives.

Because we generally lease, sublease, or license the land under our towers, our business may be adversely affected if we fail to protect our rights under our contracts.

Our real property interests relating to towers primarily consist of leasehold and sub-leasehold interests, private easements and licenses, and easements and rights-of-way granted by governmental entities. A loss of these interests for any reason, including losses arising from the bankruptcy of a significant number of our lessors, from the default by a significant number of our lessors under their mortgage financing or from a challenge to our interest in the real property, would interfere with our ability to conduct our business and generate revenues. Our ability to protect our rights against persons claiming superior rights in towers or real property depends on our ability to:

- recover under title insurance policies, the policy limits of which may be less than the purchase price of a particular tower;

- in the absence of title insurance coverage, recover under title warranties given by tower sellers, which warranties often terminate after the expiration of a specific period, typically one to three years;

- recover from landlords under title covenants contained in lease agreements; and

- obtain so-called non-disturbance agreements from mortgagees and superior lienholders of the land under our towers.

Our inability to protect our rights to the land under our towers could have a material adverse affect on our business and operating results.

Our failure to comply with environmental laws could result in liability and claims for damages.

We are subject to environmental laws and regulations that impose liability without regard to fault. These laws and regulations place responsibility on us to investigate potential environmental and other effects of operations and to disclose any significant effects in an environmental assessment prior to constructing a tower or adding a new customer on a tower. In the event the FCC determines that one of our towers would have a significant environmental impact, the FCC would be required to prepare an environmental impact statement. This regulatory process could be costly to us and could significantly delay our registration of a particular tower. In addition, we are subject to environmental laws that may require investigation and clean up of any contamination at facilities we own or operate or at third-party waste disposal sites. These laws could impose liability even if we did not know of, or were not responsible for, the contamination. Although we believe that we currently have no material liability under applicable environmental laws, the costs of complying with existing or future environmental laws, responding to petitions filed by environmental protection groups, investigating and remediating any contaminated real property and resolving any related liability could have a material adverse effect on our business.

Our towers may be damaged by disaster and other unforeseen damage for which our self-insurance may not provide adequate coverage.

Our towers are subject to risks associated with natural disasters, such as ice and wind storms, tornadoes, floods, hurricanes and earthquakes, as well as other unforeseen damage. We self-insure almost all of our towers against these risks. Since our inception, two of our towers have been destroyed by high wind, one has collapsed due to unknown causes, resulting in fatalities, and approximately 25 tower sites have suffered minor damage due to flooding. In addition, we own, lease and license a large number of towers in geographic areas, including Texas, California, Illinois and Ohio, that have historically been subject to natural disasters, such as high winds, floods, earthquakes and severe weather. A tower accident for which we do not have adequate insurance reserves or have no insurance, or a large amount of damage to a group of towers, could decrease the value of our assets and have an adverse effect on our operating results.

If radio frequency emissions from our towers are demonstrated, or perceived, to cause negative health effects, our business and revenues may be adversely affected.

The safety guidelines for radio frequency emissions from our sites require us to undertake safety measures to protect workers whose activities bring them into proximity with the emitters and to restrict access to our sites by others. If radio frequency emissions are found, or perceived, to be harmful, our customers and possibly our company could face lawsuits claiming damages from these emissions, and demand for wireless services and new towers, and thus our business and revenues could be adversely affected. Although we have not been subject to any claims relating to radio frequency emissions, we cannot assure you that these claims will not arise in the future or that they will not negatively impact our business.

Our substantial indebtedness could impair our financial condition and make it more difficult for us to fund our operations.

Even after our recent restructuring, we are, and may continue to be, highly leveraged. As of September 30, 2003, we had $640.2 million of consolidated indebtedness. Our high level of indebtedness could have important negative consequences for us. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing;
- require the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, reducing available cash flow to fund other projects;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry; and
- place us at a competitive disadvantage relative to less leveraged competitors.

Our ability to generate sufficient cash flow from operations to pay the principal of, and interest on, our indebtedness is uncertain. In particular, we may not meet our anticipated revenue growth and operating expense targets, and, as a result, our future debt service obligations, including our obligations on our senior notes, could exceed cash available to us. Further, we may not be able to refinance any of our indebtedness on commercially reasonable terms or at all.

In addition, we may be able to incur significant additional indebtedness in the future. To the extent new debt is added to our current debt levels, the risks described above would increase, which could make a material adverse effect on our operations and our ability to run our business more likely.

Repayment of the principal of our outstanding indebtedness, including our senior notes, may require additional financing that we cannot assure you will be available to us.

We have historically financed our operations primarily with indebtedness. Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations, including our senior notes, will continue to depend on our future financial performance. In addition, we currently anticipate that, in order to pay the principal of our outstanding indebtedness, including our senior notes, or to repay such indebtedness upon a change of control as defined in the instruments governing our indebtedness, we may be required to adopt one or more alternatives, such as refinancing our indebtedness or selling our equity securities or the equity securities or assets of our subsidiaries. We cannot assure you that we could affect any of the foregoing alternatives on terms satisfactory to us, that any of the foregoing alternatives would enable us to pay the interest or principal of our indebtedness or that any of such alternatives would be permitted by the terms of our credit facility and other indebtedness then in effect.

The terms of our credit facility and the indenture relating to our senior notes may restrict our current and future operations, which would adversely affect our ability to respond to changes in our business and to manage our operations.

Our credit facility and the indenture relating to our senior notes contain, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur additional debt;
- pay dividends and make other restricted payments;
- create liens;
- make investments;
- engage in sales of assets and subsidiary stock;
- enter into sale-leaseback transactions;
- enter into transactions with affiliates;
- transfer all or substantially all of our assets or enter into merger or consolidation transactions; and
- make capital expenditures.

The credit facility also requires us to maintain certain financial ratios. A failure by us to comply with the covenants or financial ratios contained in the credit facility could result in an event of default under the facility which could adversely affect our ability to respond to changes in our business and manage our operations. In the event of any default under our credit facility, the lenders under our credit facility will not be required to lend any additional amounts to us. Our lenders also could elect to declare all amounts outstanding, to be due and payable, require us to apply all of our available cash to repay these amounts or prevent us from making debt service payments on our senior notes, any of which could result in an event of default under our senior notes. If the indebtedness under our credit facility or our senior notes were to be accelerated, there can be no assurance that our assets would be sufficient to repay this indebtedness in full.

If Communications is unable to distribute cash to us, we may be unable to pay dividends or satisfy our outstanding debt obligations.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock in the immediate future. In addition, our credit facility and the indenture governing our senior notes restrict our ability to pay dividends. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that our Board of Directors considers relevant. Furthermore, Communications credit facility imposes restrictions on our subsidiaries ability to distribute cash to us. As a holding company, we are dependent on our subsidiaries, including primarily Communications, for our cash flow. If Communications is unable to distribute cash to us for any reason, including due to restrictions in the credit facility, we would be unable to pay dividends or possibly to satisfy our obligations under our debt instruments.

Sales of our common stock could adversely affect our stock price and could impair our future ability to raise capital.

Sales of a substantial number of shares of our common stock into the public market, or the perception that these sales could occur, could adversely affect our stock price and could impair our future ability to raise capital through an offering of our equity securities. As of December 31, 2003, we had 47,750,453 shares of common stock outstanding. We have reserved an additional 135,866 shares of common stock for further distribution in connection with our Plan of Reorganization. We have also reserved an additional 5,616,777 shares of common stock for issuance under our stock option plan and 2,496,854 shares of common stock for issuance upon the exercise of warrants. All of our outstanding shares of common stock, as well as the shares of common stock issuable in connection with our emergence from bankruptcy and upon exercise of outstanding stock options and warrants, are or will be freely tradable without restriction or further registration under the federal securities laws, except to the extent they are held by one of our affiliates, as that term is defined in Rule 144 under the Securities Act. Upon the completion of this offering, the selling stockholders will together hold approximately 28.1% of the outstanding shares of our common stock, or approximately 25.2% if the underwriters over-allotment option is exercised in full.

We, the selling stockholders and our current directors and executive officers have agreed with the underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 90 days after the date of this prospectus, except sales to us by the selling stockholders and sales pursuant to certain pre-arranged trading plans adopted by certain of our executive officers under Rule 10b5-1 promulgated by the Securities and Exchange Commission, or with the prior written consent of Goldman, Sachs & Co.

After the expiration of the 90 day lock-up period set forth in the agreement pursuant to which all of the selling stockholders and our directors and executive officers are parties, and subject to certain exceptions set forth therein, these individuals and entities will be entitled to dispose of their remaining shares, although the shares of common stock held by our affiliates will continue to be subject to the volume and other restrictions of Rule 144 under the Securities Act. In addition, Goldman, Sachs & Co. may, in its sole discretion and at any time without notice, release all or a portion of the shares subject to the lock-up. The shares that are released from the lock-up will be freely tradable without restriction or further registration under the federal securities laws, except to the extent they are held by one of our affiliates.

After giving effect to the sale of common stock in this offering (and assuming that the underwriters do not exercise the over-allotment option granted to them by the selling stockholders), three stockholders holding an aggregate of approximately 11.5 million shares of our common stock (including shares issuable upon the exercise of outstanding options) have the right (subject to limited conditions) to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Sales by these stockholders in a registered public offering would not be subject to the limitations of Rule 144 under the Securities Act. In addition, in October 2003, certain of our executive officers entered into Rule 10b5-1 trading plans with respect to their anticipated sales of our common stock upon the exercise of stock options held by such officers. These sales are expected to begin in February 2004. Assuming that sales are made at $35.50, the closing price of our common stock on February 5, 2004, these officers will sell not more than 190,000 shares in the aggregate pursuant to such plans during the 90 day lock-up period.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as may, believe, expect, anticipate, intend, plan, estimate or similar expressions. These stat based on assumptions that we have made in light of our industry experience as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this prospectus, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include but are not limited to:

- substantial leverage and capital requirements, even after our emergence from chapter 11;
- market conditions;
- dependence on demand for wireless communications and related infrastructure;
- our ability to add customers on our towers;
- consolidation in the wireless industry;
- material adverse changes in economic conditions in the markets we serve;
- future regulatory actions and conditions in our operating areas;
- competition from others in the communications tower industry, including the impact of technological developments;
- technological innovation;
- the integration of our operations with those of towers or businesses we have acquired or may acquire in the future and the realization of the expected benefits;
- dependence upon a small number of significant customers;
- disputes with our current and prospective customers and lessors;
- the need for additional financing to provide operating and growth capital; and
- other risks and uncertainties as may be detailed from time to time in our public announcements and SEC filings.

You should keep in mind that any forward-looking statement made by us in this prospectus, or elsewhere, speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this prospectus after the date of this prospectus. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this prospectus or elsewhere might not occur.

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares by the selling stockholders.

PRICE RANGE OF COMMON STOCK

On October 3, 2003, our common stock began trading on the New York Stock Exchange under the symbol SSI. Our common stock previously traded on the Pink Sheets and on the OTC Bulletin Board.

The following table sets forth on a per share basis the high and low sales for consolidated trading in our common stock as reported on the New York Stock Exchange, OTC Bulletin Board or Pink Sheets, as applicable, through February 5, 2004. Historical prices are adjusted to give effect to our two-for-one stock split effected August 21, 2003.

	Common Stock	
	High	**Low**
2003		
First quarter (beginning February 11, 2003)	$16.00	$12.25
Second quarter	$27.05	$14.00
Third quarter	$34.50	$24.88
Fourth quarter	$39.30	$30.00
2004		
First quarter (through February 5, 2004)	$39.80	$34.05

As of February 5, 2004, there were approximately 15 holders of record of our common stock, including record holders on behalf of an indeterminate number of beneficial owners. On February 5, 2004, the last reported sale price of our common stock price was $35.50.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings and we do not anticipate paying any cash dividends on our common stock. In addition, our credit facility and the indenture governing our senior notes restrict our ability to pay dividends. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that our Board of Directors considers relevant. Furthermore, as a holding company, we depend on the cash flow of our subsidiaries. Our credit facility imposes restrictions on our subsidiaries ability to distribute cash to us.

CAPITALIZATION

The following table sets forth our cash and capitalization as of September 30, 2003.

The information set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of September 30, 2003(1)
	(in thousands)
Cash and cash equivalents	$ 55,850
Long-term debt:	
Credit facility(2)	$ 439,955
8 1/4% senior notes due 2010	200,000
Other debt	191
Total long-term debt	640,146
Stockholders equity:	
Common Stock, $0.01 par value, 250,000,000 shares authorized, 47,548,475 issued and outstanding(3)	475
Additional paid-in-capital	687,669
Accumulated deficit	(6,052)
Total stockholders equity	$ 682,092
Total capitalization	$ 1,322,238

(1) Our capitalization as of September 30, 2003 does not give effect to the estimated expenses of $875,000 payable by us in connection with this offering.

(2) The credit facility includes a revolving credit facility, a multiple draw term loan and a term loan. As of September 30, 2003, the revolving credit facility was undrawn, and the term loans were fully drawn with outstanding balances of $187.8 million under the multiple draw term loan and $252.2 million under the term loan. The weighted average interest rate on outstanding borrowings under the credit facility was 4.55% as of September 30, 2003. After giving effect to the October 24, 2003 amendment to the credit facility, the weighted average interest rate on outstanding borrowings under the credit facility as of September 30, 2003 would have been 3.97%.

(3) As of September 30, 2003, we had 47,548,475 shares outstanding. An additional 135,866 shares are reserved for issuance pursuant to further distributions under our Plan of Reorganization. In addition, as of September 30, 2003, we had 2,498,476 million shares of common stock reserved for issuance upon exercise of warrants at an exercise price of $16.00 per share. As of September 30, 2003, options to purchase 5,423,155 shares of our common stock were outstanding and 393,978 shares were available for future awards under our equity incentive plan.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth selected historical consolidated financial and other data. We refer to the periods prior to our emergence from chapter 11 as predecessor company and to the periods subsequent to that date as reorganized company. The balance sheet data as of December 31, 1998, 1999, 2000, 2001 and 2002 and the statement of operations data for the years ended December 31, 1998, 1999, 2000, 2001 and 2002 are derived from our audited consolidated financial statements. The balance sheet data as of September 30, 2002, January 31, 2003 and September 30, 2003 and the statement of operations data for the nine months ended September 30, 2002 and for the one month ended January 31, 2003 for the predecessor company and for the eight months ended September 30, 2003 for the reorganized company are derived from our unaudited financial statements. In our opinion, the unaudited financial data include all adjustments (consisting only of normal recurring adjustments for the predecessor company for the nine months ended September 30, 2002 and normal recurring adjustments and fresh start accounting adjustments for the predecessor company for the one month period ended January 31, 2003 and for the reorganized company for the eight months ended September 30, 2003) necessary to present fairly the information set forth therein.

On December 31, 2002, we sold our network services division. On December 16, 2003, we decided to discontinue our broadcast services division. The results of the network and broadcast services divisions operations have been reported separately as discontinued operations in the balance sheets and statements of operations. Prior period information has been restated to present the operations of the network and broadcast services divisions as discontinued operations.

As a result of the implementation of fresh start accounting as of January 31, 2003, our financial statements after that date are not comparable to our financial statements for prior periods because of the differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company. Operating results for the one month ended January 31, 2003 for the predecessor company and for the eight months ended September 30, 2003 for the reorganized company are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

Net loss per share (basic and diluted) and weighted average common shares outstanding (basic and diluted) of the reorganized company for the eight months ended September 30, 2003, gives effect to our two-for-one stock split, effected August 21, 2003. Net loss per share (basic and diluted) and weighted average common shares outstanding (basic and diluted) of the predecessor company reflect share amounts of our Old Common Stock and do not reflect the stock split.

The information set forth below should be read in conjunction with Use of Proceeds, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Predecessor Company(1)							Reorganized Company(1)
	Year Ended December 31,					Nine Months Ended September 30, 2002(2)	One Month Ended January 31, 2003(2)	Eight Months Ended September 30, 2003(2)
	1998	1999	2000	2001	2002			
	(dollars in thousands)							
Statement of Operations Data:								
Revenues	8,798	59,139	$ 117,970	$ 221,735	$ 282,525	$ 207,615	$ 25,626	$ 208,173
Operating expenses:								
Costs of operations (excluding depreciation, amortization and accretion expense)	$ 2,791	$ 23,397	$ 46,667	$ 91,694	$ 108,540	$ 79,675	$ 8,901	$ 68,859
Selling, general and administrative expenses	9,690	31,243	42,977	65,540	54,812	42,543	4,003	33,027
Depreciation, amortization and accretion expense(3)	1,268	32,038	76,986	163,628	188,176	142,596	15,930	67,404
Restructuring and non-recurring charges		7,727		140,871	27,394	27,394		
Total operating expenses	13,749	94,405	166,630	461,733	378,922	292,208	28,834	169,290
Operating income (loss)	$ (4,951)	$ (35,266)	$ (48,660)	$ (239,998)	$ (96,397)	$ (84,593)	$ (3,208)	$ 38,883
Gain on debt discharge							1,034,764	
Income (loss) from continuing operations	$ (9,079)	$ (94,282)	$ (163,812)	$ (658,935)	$ (338,558)	$ (283,200)	$ 1,026,474	$ (4,112)
Reorganization items:								
Adjust accounts to fair value							(644,688)	
Professional and other fees							(23,894)	
Income (loss) from discontinued operations		(3,386)	6,196	4,166	(59,673)	(54,738)	(686)	(1,940)
Cumulative effect of change in accounting principle					(376,753)	(376,753)	(12,236)	
Net income (loss)	$ (9,079)	$ (97,668)	$ (157,616)	$ (654,769)	$ (774,984)	$ (714,691)	$ 344,970	$ (6,052)
Net income (loss) applicable to common stockholders	$ (11,235)	$ (98,428)	$ (157,616)	$ (654,769)	$ (774,984)	$ (714,691)	$ 344,970	$ (6,052)
Net income (loss) per share (basic and diluted)	$ (11.98)	$ (12.48)	$ (1.31)	$ (4.36)	$ (5.03)	$ (4.64)	$ 2.24	$ (0.13)
Weighted average common shares outstanding (basic and diluted)	938	7,886	120,731	150,223	153,924	153,894	154,014	47,325
Statement of Cash Flows Data:								
Net cash provided by (used in) operating activities	$ (2,347)	$ 17,555	$ 11,365	$ (12,133)	$ 36,286	$ 1,533	$ 5,892	$ 67,422
Net cash provided by (used in) investing	(45,002)	(813,225)	(1,108,690)	(984,724)	(69,966)	(54,465)	(2,737)	63,543

activities								
Net cash provided by (used in) financing activities	144,663	733,900	1,612,200	475,751	83,094	85,631	(10,884)	(148,347)
Purchases of property and equipment	26,598	644,778	658,283	958,945	71,248	52,431	2,737	10,143
Balance Sheet Data (at end of period):								
Cash and cash equivalents	$114,962	$ 37,778	$ 552,653	$ 31,547	$ 80,961	$ 64,246	$ 73,442	$ 55,850
Total assets	161,946	1,219,953	3,054,105	3,203,425	2,578,456	2,622,633	2,577,575	1,527,471
Total long-term obligations	132,913	716,639	1,708,273	2,326,012	791,992	796,110	849,240	677,516
Liabilities subject to compromise					1,763,286		1,763,286	
Redeemable convertible preferred stock	40,656							
Total stockholders equity (deficit)	(14,067)	457,756	1,224,800	719,345	(75,127)	(16,450)	(96,678)	682,092
Selected Operating Data:								
Adjusted EBITDA(4)	$ (3,210)	$ (3,682)	$ 19,752	$ (143,227)	$ 80,959	$ 48,929	$ 12,229	$ 104,351
Number of owned or operated towers (at end of period)	106	2,765	5,030	7,925	8,036	7,999	8,036	7,509

(1) On February 10, 2003, we emerged from chapter 11. In accordance with AICPA Statement of Position 90-7 *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7), we adopted fresh start accounting as of January 31, 2003, and our emergence from chapter 11 resulted in a new reporting entity. Under fresh start accounting, the reorganization value of the entity is allocated to the entity s assets based on fair values, and liabilities are stated at the present value of amounts to be paid determined at appropriate current interest rates. The net effect of all fresh start accounting adjustments resulted in a charge of $644.7 million, which is reflected in the statement of operations for the one month ended January 31, 2003. The effective date is considered to be the close of business on January 31, 2003 for financial reporting purposes. The periods presented prior to January 31, 2003 have been designated predecessor company, and the periods subsequent to January 31, 2003 have been designated reorganized company. As a result of the implementation of fresh start accounting as of January 31, 2003, our financial statements after the effective date are not comparable to our financial statements for prior periods because of differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company.

(2) On February 10, 2003, we sold 545 SBC towers to Cingular. See Management s Discussion and Analysis of Financial Condition and Results of Operations Tower Acquisitions and Dispositions for a discussion of the impact of the sale of these towers on our results of operations and financial position.

(3) Depreciation, amortization and accretion expense for the one-month and eight-month periods are not proportional because the predecessor company and the reorganized company used different bases of accounting.

(4) Adjusted EBITDA consists of net income (loss) before depreciation, amortization and accretion, interest, income tax expense (benefit) and, if applicable, before discontinued operations and cumulative effect of change in accounting principle. For the periods prior to January 31, 2003, Adjusted EBITDA also excludes gain on debt discharge, reorganization items and writeoffs of investments in and loans to affiliates. We use a different definition of Adjusted EBITDA for the fiscal periods prior to our reorganization to enable investors to view our operating performance on a consistent basis before the impact of the items discussed above on the predecessor company. Each of these historical items was incurred prior to, or in connection with, our bankruptcy and is excluded from Adjusted EBITDA to reflect, as accurately as possible, the results of our core operations. Management does not expect any of our pre-reorganization items to have a material financial impact on our operations on a going-forward basis because none of these pre-reorganization items is expected to occur in the foreseeable future. Investors may use both of these definitions of Adjusted EBITDA to evaluate and compare the results of our operations from period to period before the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation and amortization) on our operating results. We more fully discuss Adjusted EBITDA and the limitations of this financial measure under Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures Adjusted EBITDA.

Adjusted EBITDA was calculated as follows for the periods indicated:

	Predecessor Company							Reorganized Company
	Year Ended December 31,					Nine Months Ended September 30,	One Month Ended January 31,	Eight Months Ended September 30,
	1998	1999	2000	2001	2002	2002	2003	2003
	(in thousands)							
Net income (loss)	$(9,079)	$(97,668)	$(157,616)	$(654,769)	$(774,984)	$(714,691)	$ 344,970	$ (6,052)
Depreciation, amortization and accretion expense	1,268	32,038	76,986	163,628	188,176	142,596	15,930	67,404
Interest income	(3,569)	(8,951)	(28,391)	(17,037)	(855)	(525)	(137)	(639)
Interest expense	8,170	67,513	134,664	212,174	226,536	187,510	4,721	40,428
Gain on debt discharge							(1,034,764)	
Reorganization Expense					4,329	1,854		
Writeoff of investments in affiliates				129,404				
Writeoff of loans to affiliates				26,980				
Income tax expense			305	559	1,331	694	5	1,270
Reorganization items:								
Adjust accounts to fair value							644,688	
Professional and other fees							23,894	
Loss (income) from operations of discontinued divisions, net of income taxes		3,386	(6,196)	(4,166)	12,689	9,111	686	1,344
Loss on disposal of discontinued divisions					46,984	45,627		596
Cumulative effect of change in accounting principle					376,753	376,753	12,236	
Adjusted EBITDA	$(3,210)	$ (3,682)	$ 19,752	$(143,227)	$ 80,959	$ 48,929	$ 12,229	$104,351

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with Selected Consolidated Financial and Other Data, Risk Factors and our consolidated financial statements included elsewhere in this prospectus. Some of the statements in the following discussion are forward-looking statements. See Forward-Looking Statements.

Executive Overview

We are one of the largest, in terms of number of towers, and fastest growing, in terms of revenue growth, wireless tower operators in the United States. Our business is owning, leasing and licensing antenna sites on wireless and broadcast towers, owning and licensing in-building shared infrastructure systems and managing rooftop telecommunications access on commercial real estate. We owned or operated 7,509 towers and in-building systems as of September 30, 2003, located primarily in the top 100 basic trading area markets in the United States.

The economic and industry-wide factors relevant to our business fall into two broad categories: growth of wireless communication services and growth of the physical network elements that support wireless communication. Historically, wireless networks primarily have supported voice communications. More recently, a variety of data applications have been introduced and are being supported on wireless networks. Some of the key performance indicators that we regularly monitor to evaluate growth trends affecting wireless network usage include gross wireless subscriber additions, wireless subscriber churn and minutes of use per wireless subscriber. Growth of the wireless network infrastructure is required to provide broader geographical wireless coverage and additional capacity for existing subscribers within coverage areas. To support this growth, the wireless service providers regularly deploy capital to improve and expand their networks. These wireless service providers largely comprise our customer base. In addition to tracking the capital expenditure activities and plans of our customers and other wireless providers, we monitor financial performance of each customer and the state of the financial markets on which our customers depend for access to new capital.

Our business consists of our wireless and broadcast segments. For the eight months ended September 30, 2003, all of our revenues came from our leasing and licensing operations within these segments. Factors affecting the growth in our site operations revenues include, among other things, the rate at which wireless carriers choose to deploy capital to improve and expand their wireless networks and variable contractual escalation clauses associated with existing site leasing and licensing agreements.

The material opportunities, challenges and risks of our business have changed significantly over the past two years. We have reshaped our business operations and reduced our debt levels in order to minimize the impact of short-term variabilities in market demand. Specifically, we discontinued a major program of building new towers in mid-2002, we completed the sale of our network services division in late 2002, we restructured our balance sheet through a bankruptcy process completed in early 2003 and we made a decision to discontinue operations of our broadcast services division in late 2003. Today, all of our revenues come from site leasing and licensing operations. Our growth opportunities are primarily linked to organic revenue growth on our existing portfolio of assets. We also see potential opportunities on a more limited basis with the development of new in-building neutral host assets.

Generally, our leasing and licensing agreements are specific to each site and are for an initial term of five to ten years and are renewable for additional pre-determined periods at the option of the customer. Payments under leasing and licensing agreements are generally made on a monthly basis, and revenue from each agreement is recorded monthly. Rate increases based on fixed escalation clauses included in certain lease and licensing agreements are recognized on a straight-line basis over the terms of the agreement. We also generate revenue by providing engineering and site inspection services to our customers for a fee. Revenues from fees originate at the time the customer applies for space on our towers or we provide certain services required in order to process the customer s application. Additionally, we generate revenues related to the management of sites on rooftops. Under each site management agreement, we are entitled to a fee based on a percentage of the gross revenue derived from the rooftop site subject to the agreement. We recognize this fee as revenue when earned.

Costs of operations consist primarily of ground rent, maintenance, utilities and taxes. Because our tower operating expenses generally do not increase significantly as we add additional customers, once a tower is built for an anchor customer, additional customers provide significant incremental cash flow. Fluctuations in our profit margin are therefore directly related to the incremental number of customers on each site and the amount of fees generated in a particular period.

Selling, general and administrative expenses have two major components. The first component consists of expenses necessary to support our site leasing and licensing operations such as sales, marketing, and property management functions. The second component includes expenses that are incurred to support all of our business segments, such as legal, finance, human resources and other administrative support.

Discontinued Operations

We anticipate that, in the foreseeable future, the delay and uncertainty regarding the requirements of digital television multicasting will continue to restrict the amount of capital that broadcasters will invest in tower modification and construction. As a result of the trend of declining sales and profitability in our broadcast services division, we evaluated our alternatives to maximize stockholder value. On December 16, 2003, we decided to discontinue the operations of this division. The related assets and liabilities were reclassified as held for sale and recorded at estimated fair market value. The division is currently being marketed for sale. Broadcast services revenues were $4.4 million and $11.2 million for the three and eight months ended September 30, 2003, respectively. Revenues for broadcast services were $1.2 million for the month ended January 31, 2003.

On December 31, 2002, we completed the sale of our network services division. Network services revenues were $30.2 million and $107.8 million for the three and nine months ended September 30, 2002, respectively. In conjunction with the sale, we recorded a loss on disposal of the network services division of $47.0 million in the year ended December 31, 2002.

The results of operations for the broadcast and network services divisions have been reported separately as discontinued operations in the balance sheets and statements of operations. Prior period financial statements have been restated to present the operations of the divisions as discontinued operations.

Plan of Reorganization

The financial difficulties experienced by the telecommunications and broadcast industries in recent years have severely impacted capital availability within the wireless telecommunications and broadcast sectors. Many of our customers were forced to reduce capital expenditures, which in turn impeded our revenue and earnings growth and, therefore, our ability to service our long-term debt. We incurred net losses of approximately $157.6 million in 2000, $654.8 million in 2001 and $775.0 million in 2002. After a review of our business and our prospects, we concluded that recoveries to creditors and equity holders would be maximized by a consensual restructuring.

On November 15, 2002, we filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of North

Carolina, Raleigh Division. On November 18, 2002, we filed a Proposed Plan of Reorganization with the Bankruptcy Court. A plan confirmation hearing was held on January 28, 2003, and the Proposed Plan of Reorganization, as modified on that date (the Plan of Reorganization), was confirmed by the Bankruptcy Court. All conditions precedent to the effectiveness of the Plan of Reorganization were met by February 10, 2003, thereby allowing us to emerge from bankruptcy. Our emergence from bankruptcy and adoption of fresh start accounting resulted in the extinguishment of $1.76 billion of indebtedness and significantly reduced our interest expense and our depreciation, amortization, and accretion expense. In addition to our reorganization, we have taken a number of other measures to minimize the potential net losses in the future, including the sale of non-performing assets and the reduction of overhead and capital expenditures.

As a result of our reorganization, we expect to achieve profitability sooner than if we had not filed a voluntary petition for bankruptcy. We expect the portion of our significant customers capital expenditures related to network improvements and coverage enhancements to remain at current levels for the foreseeable future. As customers continue to add antenna sites to our towers, we expect revenues associated with our tower assets to increase. Because a significant percentage of tower operating costs are fixed and do not increase with additional customers, we expect that our earnings will increase as we add additional customers on towers.

Our Plan of Reorganization provided for the distribution of 47.5 million shares of our common stock to our general unsecured creditors, including former noteholders, and new warrants to purchase an aggregate of 2.5 million shares of common stock at an exercise price of $16.00 per share to the holders of our old common stock, par value $0.001 per share (the Old Common Stock). These warrants expire on February 10, 2010. In addition, pursuant to the Plan of Reorganization, all outstanding shares of Old Common Stock and all outstanding options and warrants to purchase Old Common Stock that were outstanding on February 10, 2003 were cancelled. New options representing an aggregate of 10.0% of our fully diluted common stock were issued to our management.

Tower Acquisitions and Dispositions

Our portfolio has grown from 106 towers as of December 31, 1998, to 7,509 towers and in-building systems as of September 30, 2003. We have accomplished this growth through acquisitions and new construction (principally pursuant to build-to-suit arrangements). The majority of our towers were acquired from (or built under agreements with) affiliates of SBC and Nextel.

Our original agreement with SBC called for us to acquire leasehold and subleasehold interests in approximately 3,900 towers over approximately two years and to commit to build towers for Cingular, an affiliate of SBC. Subsequent amendments to these agreements have resulted in a reduction in the number of towers to be leased or subleased to approximately 3,306 towers and in the termination of the build-to-suit arrangement. See Note 5 to our unaudited consolidated financial statements, Acquisition Activities SBC Transaction. We reduced our acquisition program and terminated our build-to-suit program in order to limit our required capital expenditures and to achieve additional financial flexibility. In November 2001, we paid a fee of $35 million in connection with the first of these amendments. On February 10, 2003, we sold our interest in 545 SBC towers in California and Nevada to Cingular for an aggregate purchase price of $81.0 million and paid SBC a fee of $7.5 million related to the last of the reductions in the maximum number of towers that we will lease or sublease. In connection with these transactions, we received a net cash payment of $73.5 million, which we used to repay a portion of the indebtedness outstanding under our credit facility, significantly reduced our capital expenditure commitments, extended the timeline to meet our remaining commitments and maintained a mutually profitable commercial relationship with a significant customer. The 545 towers sold represented approximately 7% of our owned and operated tower portfolio at December 31, 2002 and generally were characterized by lower revenues per tower than other towers in our portfolio. We do not expect the sale of our interest in the 545 towers to materially impact our future operating performance.

For the one month ended January 31, 2003, these towers represented $1.2 million of a total of $25.6 million of revenues and $0.5 million of a total of $8.9 million of costs of operations, excluding depreciation, amortization and accretion expense. For the eight months ended September 30, 2003, these towers represented $0.4 million of a total of $208.2 million of revenues and $0.2 million of a total of $68.9 million in costs of operations, excluding depreciation, amortization and accretion expense. For the nine months ended September 30, 2002 the same towers represented $8.1 million of a total of $207.6 million of revenues and $4.3 million of a total of $79.7 million in costs of operations, excluding depreciation, amortization and accretion expense.

The following table presents a comparison of the revenues and costs of operations (excluding depreciation, amortization and accretion expense) for the 545 SBC towers for the periods shown.

	Eight Months Ended September 30, 2003	**One Month Ended January 31, 2003**	**Nine Months Ended September 30, 2002**
		(dollars in thousands)	
Revenues attributed to 545 SBC Towers	$ 368	$ 1,202	$ 8,123
Total Revenues	208,173	25,626	207,615
Percent of Total Revenues	0.2%	4.7%	3.9%
Costs of Operations (excluding depreciation, amortization and accretion expenses)	$ 195	$ 465	$ 4,339
Total Cost of Operations (excluding depreciation, amortization and accretion expenses)	68,859	8,901	79,675
Percent of Total Cost of Operations (excluding depreciation, amortization and accretion expenses)	0.3%	5.2%	5.4%

We remain contractually obligated to acquire leasehold and subleasehold interests in up to an additional 485 towers from SBC through August 2004 for an aggregate purchase price of approximately $126.1 million.

Unaudited Fourth Quarter 2003 Results

On February 2, 2004, we reported unaudited results for the fourth quarter ended December 31, 2003. Total revenues for the fourth quarter of 2003 were $81.6 million, compared to $74.9 million for the fourth quarter of 2002, representing an increase of 8.9%. Net of the revenues contributed by the 545 SBC towers that we sold in February, 2003, revenues increased 16.6% from the fourth quarter of 2002 to the fourth quarter of 2003. Operating income for the fourth quarter of 2003 was $16.6 million, an increase from an operating loss of $11.8 million for the same period in 2002.

Other expense during the fourth quarter of 2003 was $0.8 million as compared to $1.7 million during the fourth quarter of 2002. Other expense items during the fourth quarter of 2003 primarily related to losses incurred on disposal of property, plant and equipment.

Our net loss was $13.6 million for the fourth quarter of 2003 versus a net loss of $60.3 million during the fourth quarter of 2002. Basic net loss per share was $0.29 during the fourth quarter of 2003 as compared to a basic net loss of $0.39 per share during the fourth quarter of 2002.

Adjusted EBITDA increased 29.6% to $41.5 million during the fourth quarter of 2003 from $32.0 million during the same period in the prior year. Net of the contribution of 545 SBC towers sold by us in February 2003, Adjusted EBITDA increased 45.2% from the fourth quarter of 2002 to the fourth quarter of 2003. Other expense items in the amount of $0.8 million during the fourth quarter of 2003 and $1.7 million during the fourth quarter of 2002 are included in the Adjusted EBITDA calculations.

Net cash provided by operating activities decreased to $29.5 million during the fourth quarter of 2003 as compared to net cash provided by operating activities of $34.8 million during the fourth quarter of 2002, primarily due to normal fluctuations in working capital. Purchases of property and equipment during the fourth quarter of 2003 were $11.6 million, an increase from $8.8 million for the same period in 2002. Free cash flow, defined as net cash provided by operating activities less purchases of property and equipment, during the fourth quarter of 2003 was $18.0 million as compared to free cash flow of $26.0 during the prior year s period. At December 31, 2003, we had $60.4 million of cash on hand and $639.6 million of long term debt. During the fourth quarter of 2003, we leased or subleased 56 SBC towers, for which we paid approximately $15.6 million in cash.

Results of Operations

Eight Months Ended September 30, 2003, One Month Ended January 31, 2003 and the Nine Months Ended September 30, 2002

On January 28, 2003, our Plan of Reorganization was confirmed by the Bankruptcy Court, and we emerged from bankruptcy on February 10, 2003. As a result of the implementation of fresh start accounting as of January 31, 2003, our results of operations after that date are not comparable to results reported in prior periods because of differences in the bases of accounting and the capital structure for the Predecessor Company and the Reorganized Company. See Note 2 to the unaudited condensed consolidated financial statements for additional information on the consummation of the Plan of Reorganization and implementation of fresh start accounting.

The following table provides a comparison of our revenues and expenses for the periods presented:

	Eight Months Ended September 30, 2003	One Month Ended January 31, 2003	Nine Months Ended September 30, 2002
		(in thousands)	
Revenues:			
Wireless	$193,188	$ 23,913	$ 192,253
Broadcast	14,985	1,713	15,362
Total revenues	208,173	25,626	207,615
Operating expenses:			
Cost of operations, excluding depreciation, amortization and accretion expenses:			
Wireless	67,437	8,719	76,123
Broadcast	1,422	182	3,552
Total cost of operations, excluding depreciation, amortization and accretion expenses	68,859	8,901	79,675
Selling, general and administrative expenses:			
Wireless	15,669	2,115	19,697
Broadcast	1,400	111	1,327
Other	15,958	1,777	21,519
Total selling, general and administrative expenses	33,027	4,003	42,543
Depreciation, amortization and accretion expenses:			
Wireless	64,733	15,516	139,085
Broadcast	2,671	414	3,511
Total depreciation, amortization and accretion expenses	67,404	15,930	142,596
Restructuring and non-recurring charges			27,394
Total operating expenses	$169,290	$ 28,834	$ 292,208
Operating income (loss)	$ 38,883	$ (3,208)	$ (84,593)
Other income (expense):			
Interest income	$ 639	$ 137	$ 525
Interest expense	(40,428)	(4,721)	(187,510)
Gain on debt discharge		1,034,764	
Reorganization expense			(1,854)
Other income (expense)	(1,936)	(493)	(9,074)
Total other income (expense)	$ (41,725)	$1,029,687	$(197,913)
Income (loss) from continuing operations before income taxes	$ (2,842)	$1,026,479	$(282,506)
Income tax expense	1,270	5	694

Income (loss) from continuing operations	(4,112)	1,026,474	283,200
Reorganization items:			
Adjust accounts to fair value		(644,688)	
Professional and other fees		(23,894)	
Total reorganization items	$	$ (668,582)	$
Income (loss) before discontinued operations	$ (4,112)	$ 357,892	$ (283,200)
Discontinued operations (net of income taxes):			
Income (loss) from operations of discontinued network services division			(8,305)
Loss on disposal of discontinued network services division	(596)		(45,627)
Loss from operations of discontinued broadcast services division	(1,344)	(686)	(806)
Loss before cumulative effect of change in accounting principle	$ (6,052)	$ 357,206	$ (337,938)
Cumulative effect of change in accounting principle		(12,236)	(376,753)
Net income (loss)	$ (6,052)	$ 344,970	$ (714,691)
Adjusted EBITDA:			
Wireless	110,707	12,586	73,084
Broadcast	9,602	1,420	7,730
Other:			
Corporate selling, general and administrative expenses, excluding corporate non-cash compensation charges	(15,958)	(1,777)	(20,881)
Corporate non-cash compensation charges			(638)
Corporate other expense			(10,366)
Total other	(15,958)	(1,777)	(31,885)
Total Adjusted EBITDA	$ 104,351	$ 12,229	$ 48,929

Revenues. Revenues in 2003 were primarily affected by incremental revenue in 2003 from new customers on sites that were part of our portfolio on September 30, 2002, revenues derived from sites acquired or built subsequent to September 30, 2002 and increases in fee revenues, offset by reductions in revenues relating to the 545 SBC towers sold in February 2003. Based on trailing twelve-months revenue on the towers that we owned or operated as of September 30, 2002 and September 30, 2003, same tower revenue growth was 14%. After the sale of 545 towers to Cingular and the sale of WesTower Leasing Canada, Inc., we owned or operated 7,509 towers and in-building systems at September 30, 2003, as compared to 7,999 towers and in-building systems at September 30, 2002.

Accounts receivable, net of allowance, decreased by $7.5 million from December 31, 2002 to September 30, 2003. The decrease in accounts receivable is primarily due to cash collections on account, offset by a decrease in the allowance for doubtful accounts, which decreased by $1.7 million for the same period. We analyze the adequacy of our accounts receivable on a periodic basis to ensure that we appropriately reflect the amount we expect to collect. The economic factors affecting the wireless communications industry as a whole, our customers ability to meet their financial obligations and the age of our outstanding accounts receivable are all factors we take into consideration when evaluating the adequacy of our estimate for the allowance for doubtful accounts. During 2002, numerous wireless carriers experienced financial difficulties and their balances owed to us continued to age; these circumstances caused us to increase our allowance at December 31, 2002. During 2003, due to increased collection efforts, we were able to recover receivable amounts which had previously been reserved and as a result, we decreased our allowance as of September 30, 2003.

Costs of Operations, Excluding Depreciation, Amortization and Accretion Expenses. Costs of operations, excluding depreciation, amortization and accretion expenses as a percentage of revenues were 33% for the eight months ended September 30, 2003, 35% for the one month ended January 31, 2003 and 38% for the nine months ended September 30, 2002. Costs of operations, excluding depreciation, amortization and accretion expenses, for the wireless segment as a percentage of wireless segment revenues were 35% for the eight months ended September 30, 2003, 36% for the one month ended January 31, 2003 and 40% for the nine months ended September 30, 2002. Broadcast leasing costs of operations, excluding depreciation, amortization and accretion expenses, as a percentage of broadcast leasing revenues were 9% for the eight months ended September 30, 2003, 11% for the one month ended January 31, 2003 and 23% for the nine months ended September 30, 2002. Costs of operations, excluding depreciation, amortization and accretion expenses, for the wireless and broadcast segments in 2003 were primarily affected by increased revenues generated from new customers on existing towers. As our wireless and broadcast leasing operations mature, we expect that additional customers on towers will generate increases in our margins for wireless and broadcast leasing operations and in cash flow because a significant percentage of tower operating costs are fixed and do not increase with additional customers.

Selling, General and Administrative Expenses. A significant portion of our selling, general and administrative expenses does not increase when we add incremental revenues to our sites. Selling, general and administrative expenses were 16% of total revenues for both the eight months ended September 30, 2003 and the one-month ended January 31, 2003. Selling, general and administrative expenses were 21% of total revenues for the nine months ended September 30, 2002. Selling, general and administrative expenses declined during 2003 as a percentage of revenues primarily due to increases in revenues generated from new customers on existing sites and as a result of cost cutting measures that we implemented in late 2002.

Selling, general and administrative expenses for our wireless segment were 8% and 9% of wireless revenues for the eight months ended September 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative expenses for this segment were 10% of wireless revenues for the nine months ended September 30, 2002. Selling, general and administrative expenses for our broadcast segment as a percentage of broadcast leasing revenues were 9% and 6% for the eight months ended September 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative expenses for this segment as a percentage of broadcast leasing revenues were 9% for the nine months ended September 30, 2002.

Selling, general and administrative expenses not specific to the above business segments were 8% of total revenues for the eight months ended September 30, 2003 and 7% for the one-month ended January 31, 2003. Selling, general and administrative expenses not specific to the above business segments were 10% of total revenues for the nine months ended September 30, 2002.

Restructuring and Non-Recurring Charges. In May 2002, we announced that we would terminate our build-to-suit programs with Cingular and other carriers and implement other cost-cutting measures as a part of the curtailment of tower development activities. As a result of these actions, we recorded restructuring charges of $23.1 million in the nine months ended September 30, 2002, consisting of $20.3 million in our wireless segment and $2.8 million in our broadcast segment. The restructuring charge for our wireless segment consisted of $13.6 million related to the write-off of work in progress related to wireless sites in development that were terminated, $3.2 million related to the costs of closing offices and $3.5 million related to the costs of employee severance. The restructuring charge for the broadcast segment related to the write-off of work in progress related to broadcast sites in development that were terminated.

In addition, we recorded a non-recurring impairment charge in the wireless segment of our site leasing business of $4.3 million in the nine months ended September 30, 2002 to write-down the carrying value of 21 towers that were not marketable. The charge was based on the difference between the carrying value and the estimated discounted cash flows of the towers.

Other Income (Expense). Other income (expense), net was an expense of $1.9 million and $0.5 million in the eight months ended September 30, 2003 and the one month ended January 31, 2003, respectively. The eight months ended September 30, 2003 included $0.6 million of other income recorded in the wireless segment. This amount consisted primarily of $3.8 million of gain on the sale of available-for-sale securities, $0.4 million of gain on sale of subsidiary, $1.4 million of loss on sale of assets, $1.2 million of expenses related to the public offering of shares of our common stock and $0.4 million related to the writedown of our interest rate cap to fair value. In addition, we recorded $2.5 million of other expense in the broadcast segment related to the loss on disposal of a broadcast tower. For the one month ended January 31, 2003, this amount consisted of $0.6 million related to losses from investments in affiliates accounted for under the equity method offset by a gain on sale of assets of $0.1 million.

Other income (expense), net was an expense of $9.1 million in the nine months ended September 30, 2002. Of this amount, other income related to the wireless segment was $1.2 million for the nine months ended September 30, 2002, consisting of $1.3 million related to gains from investments in affiliates accounted for under the equity method and $0.1 million related to losses on sales of assets. Other expense not specific to any business segment for the nine months ended September 30, 2002 was $10.3 million and was related to expenses associated with our proposed debt tender and exchange offers.

Adjusted EBITDA. As a result of the factors discussed above, Adjusted EBITDA was $104.4 million and $12.2 million for the eight months ended September 30, 2003 and the one month ended January 31, 2003, respectively. Adjusted EBITDA was $48.9 million for the nine months ended September 30, 2002.

Depreciation, Amortization and Accretion Expenses. Depreciation, amortization and accretion expenses for 2003 were affected primarily by the implementation of fresh start accounting, which reduced the depreciable basis of property and equipment by $957.2 million, resulting in decreased depreciation expense, offset by an increase in amortization expense relating to customer contracts and an increase in accretion of the asset retirement obligation.

Interest Income. Interest income for 2003 was affected by higher cash balances on hand and lower interest rates. Interest expense in 2003 was affected by the extinguishment of indebtedness pursuant to our Plan of Reorganization and a reduction of amounts outstanding under our credit facility, offset by increases in interest expense as a result of the issuance of the 8 1/4% Senior Notes due 2010 and writeoffs of $8.2 million of debt issuance costs resulting from prepayments of amounts outstanding under our credit facility.

Interest Expense. Interest expense for the eight months ended September 30, 2003 consisted of $28.0 million of interest on our credit facility and our Senior Notes, amortization of debt issuance costs of $3.5 million and writeoff of debt issuance costs of $8.9 million. Interest expense for the one month ended January 31, 2003 consisted of $4.3 million of interest on our credit facility and amortization of debt issuance costs of $0.4 million. Interest expense for the nine months ended September 30, 2002 consisted of $83.5 million of interest on our credit facility and our Senior Notes, amortization of senior discount notes of $92.9 million, amortization of debt issuance costs of $12.3 million less capitalized interest of $1.2 million.

Gain on Debt Discharge. On February 10, 2003, we emerged from bankruptcy, and the holders of the indebtedness extinguished pursuant to our Plan of Reorganization received their pro rata share of 47.5 million shares of common stock in exchange for their notes. The excess of the carrying value of the extinguished indebtedness, net of the related debt issuance costs, over the reorganization value used in adopting fresh start accounting was recorded as a gain on debt discharge of $1.03 billion in the one month ended January 31, 2003.

Reorganization Expense. Reorganization expense for the nine months ended September 30, 2002 was $1.9 million and related to costs incurred in connection with our Plan of Reorganization.

Reorganization Items. In accordance with AICPA Statement of Position 90-7 *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7), we adopted fresh start accounting as of January 31, 2003, and our emergence from bankruptcy resulted in a new reporting entity. Under fresh start accounting, the reorganization value of the entity is allocated to the entity s assets based on fair values, and liabilities are stated at the present value of amounts to be paid determined at appropriate current interest rates. The net effect of all fresh start accounting adjustments resulted in a charge of $644.7 million, which is recorded in the one month ended January 31, 2003. In addition, we incurred costs directly associated with the chapter 11 proceedings of $23.9 million in the one month ended January 31, 2003. These costs are included in reorganization items in the unaudited condensed consolidated statement of operations.

Discontinued Operations. On December 31, 2002, we sold our network services division. Loss from operations of this discontinued division was $8.3 million for the nine months ended September 30, 2002. Loss on disposal of our discontinued network services division was $45.6 million in the nine months ended September 30, 2002. Loss on disposal of our discontinued network services division was $0.6 million in the eight months ended September 30, 2003. This amount consisted of the settlement of a disputed item related to the sale of the network services division.

On December 16, 2003, we decided to discontinue our broadcast services division. Losses from operations of this division were $1.3 million, $0.7 million and $0.8 million for the eight months ended September 30, 2003, the one month ended January 31, 2003 and the nine months ended September 30, 2002, respectively.

Net Income (Loss). As a result of the factors discussed above, net loss for the eight months ended September 30, 2003 was $6.1 million, and net income for the one month ended January 31, 2003 was $345.0 million. Net loss for the nine months ended September 30, 2002 was $714.7 million.

Year Ended December 31, 2002 Compared to the Year Ended December 31, 2001

The following table provides a comparison of our revenues and expenses for the periods presented:

	Year Ended December 31, 2001	Year Ended December 31, 2002	$ Change	% Change
	(dollars in thousands)			
Revenues:				
Wireless	$ 210,308	$ 261,189	$ 50,881	24%
Broadcast	11,427	21,336	9,909	87
Total Revenues	221,735	282,525	60,790	27
Operating expenses:				
Cost of operations, excluding depreciation, amortization and accretion expenses:				
Wireless	89,339	103,635	14,296	16
Broadcast	2,355	4,905	2,550	108
Total cost of operations, excluding depreciation, amortization and accretion expenses	91,694	108,540	16,846	18
Selling, general and administrative expenses:				
Wireless	33,035	24,691	(8,344)	(25)
Broadcast	637	1,683	1,046	164
Other	31,868	28,438	(3,430)	(11)
Total selling, general and administrative expenses	65,540	54,812	(10,728)	(16)
Depreciation, amortization and accretion expenses:				
Wireless	159,463	182,023	22,560	14
Broadcast	4,165	6,153	1,988	48
Total depreciation, amortization and accretion expenses	163,628	188,176	24,548	15
Restructuring and non-recurring charges	140,871	27,394	(113,477)	(81)
Total operating expenses	461,733	378,922	(82,811)	(18)
Operating loss	(239,998)	(96,397)	143,601	60
Other income (expense):				
Interest income	17,037	855	(16,182)	(95)
Interest expense	(212,174)	(226,536)	(14,362)	(7)
Reorganization expense		(4,329)	(4,329)	(100)
Other expense	(223,241)	(10,820)	212,421	95
Total other expense	(418,378)	(240,830)	177,548	42
Loss from continuing operations before income taxes	(658,376)	(337,227)	321,149	49
Income tax expense	559	1,331	772	138

Loss from continuing operations	(658,935)	(338,558)	320,377	49
Discontinued operations (net of income taxes):				
Income (loss) from operations of discontinued network services division	5,858	(12,268)	(18,126)	(309)
Loss on disposal of discontinued network services division		(46,984)	(46,984)	(100)
Loss from operations of discontinued broadcast services division	(1,692)	(421)	1,271	75
Loss before cumulative effect of change in accounting principle	(654,769)	(398,231)	256,538	39
Cumulative effect of change in accounting principle		(376,753)	(376,753)	(100)
Net loss	$(654,769)	$(774,984)	$(120,215)	(18)%
Adjusted EBITDA:				
Wireless	$ (53,044)	$ 107,004	$ 160,048	302%
Broadcast	8,537	11,993	3,456	40
Other:				
Corporate selling, general and administrative expenses, excluding corporate non-cash compensation charges	(29,743)	(27,743)	2,000	7
Corporate non-cash compensation charges	(2,125)	(695)	1,430	67
Corporate other expenses	(66,852)	(9,600)	57,252	86
Total Other	(98,720)	(38,038)	60,682	61
Total adjusted EBITDA	$(143,227)	$ 80,959	$ 224,186	156%

Revenues. The increase in revenues from 2001 to 2002 was primarily a result of incremental revenue in 2002 from new customers on towers that were part of our portfolio on December 31, 2001 and revenues derived from towers acquired in 2001 and 2002. Based on trailing twelve-months revenue on the towers that we owned or operated as of December 31, 2001, same tower revenue growth was 18%. We owned or operated 8,036 towers at December 31, 2002, as compared to 7,925 towers at December 31, 2001.

For the year ended December 31, 2002, one wireless customer, which was a significant stockholder at the time, and its affiliates accounted for $88.0 million or 31% of our revenues. For the year ended December 31, 2001, this customer and its affiliates accounted for $78.5 million or 35% of our revenues. In addition, another wireless customer, which was an affiliate of a significant stockholder at the time, accounted for $63.2 million or 22% of our revenues in the year ended December 31, 2002 and $33.9 million or 15% of our revenues in the year ended December 31, 2001. Both of these customers remain significant customers, but neither they nor their affiliates are significant stockholders following our reorganization and thus are no longer considered to be our related parties.

Accounts receivable, net of allowance, decreased by $5.7 million from December 31, 2001 to December 31, 2002. This decrease is primarily due to an increase in the allowance for doubtful accounts, which grew by $6.6 million for the same period. We analyze the adequacy of our accounts receivable on a periodic basis to ensure that we appropriately reflect the amount we expect to collect. The economic factors affecting the wireless communications industry as a whole, our customers ability to meet their financial obligations and the age of our outstanding accounts receivable are all factors we take into consideration when evaluating the adequacy of our estimate for the allowance for doubtful accounts. During 2002, numerous wireless carriers experienced financial difficulties and their balances owed to us continued to age; these circumstances caused us to increase our allowance.

Costs of Operations, Excluding Depreciation, Amortization and Accretion Expenses. Costs of operations, excluding depreciation, amortization and accretion expenses, increased primarily due to towers acquired or constructed during 2001 and 2002. Costs of operations, excluding depreciation, amortization and accretion expenses, for wireless operations as a percentage of wireless revenues decreased to 40% for the year ended December 31, 2002 from 42% for the year ended December 31, 2001. Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast leasing as a percentage of broadcast leasing revenues increased to 23% for the year ended December 31, 2002 from 21% for the year ended December 31, 2001. Overall, costs of operations, excluding depreciation, amortization and accretion expenses, as a percentage of revenues decreased to 38% for the year ended December 31, 2002 from 41% for the year ended December 31, 2001. The decrease was primarily due to increased revenues generated from new customers on existing towers. As our operations mature, we expect that additional customers on towers will generate increases in our margins and in cash flow because a significant percentage of tower operating costs are fixed and do not increase with additional customers.

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of revenues decreased to 19% for the year ended December 31, 2002 from 30% for the year ended December 31, 2001. Selling, general and administrative expenses decreased in amount and as a percentage of revenues as a result of significant cost cutting measures implemented in the second half of 2001 and early 2002. In addition, for the year ended December 31, 2002, we recorded non-cash compensation charges of $0.7 million related to the issuance of stock options and restricted shares of common stock to employees compared to $2.1 million in the year ended December 31, 2001.

Selling, general and administrative expenses for wireless operations as a percentage of wireless revenues decreased to 9% for the year ended December 31, 2002 from 16% for the year ended December 31, 2001. Selling, general and administrative expenses for broadcast leasing as a percentage of broadcast leasing revenues increased to 8% for the year ended December 31, 2002 from 6% for the year ended December 31, 2001. This increase is due to the additional integration cost of recent tower purchases.

Selling, general and administrative expenses not specific to the above business segments as a percentage of total revenues decreased to 10% for the year ended December 31, 2002 from 14% for the year ended December 31, 2001.

Restructuring and Non-Recurring Charges. In the years ended December 31, 2002 and 2001, we recorded restructuring and non-recurring charges of $27.4 and $140.9 million, respectively. The details of these charges are discussed below:

In May 2002, we announced the termination of our build-to-suit programs with Cingular and other carriers and recorded restructuring charges of $23.1 million;

In December 2002, we wrote-down 21 wireless towers that were deemed not marketable and therefore impaired. We recorded a non-recurring charge based on the carrying value and the estimated discounted cashflow of the towers of $4.3 million;

In May 2001, we announced the consolidation of our rooftop management operations and recorded non-recurring charges of $35.8 million;

In June 2001, we announced that we would divest our operations in Mexico and recorded non-recurring charges of $32.2 million;

In June 2001, we announced that we would close the Vertical Properties operations and recorded non-recurring charges of $4.3 million all relating to the broadcast division; and

In November 2001, we announced that we would reduce our planned new tower construction and acquisition programs for 2002 and recorded restructuring charges of $68.6 million. These charges include $35.0 million in fees paid to SBC in considerations for modification to our agreement.

The following tables summarize the restructuring and non-recurring charges for the years ended December 31, 2002 and 2001.

	Writeoff of goodwill	Writedown of assets	Employee severance	Other	Total
			(in thousands)		
Termination of build-to-suit Cingular contract May 2002	$	$16,400	$3,500	$ 3,200	$ 23,100
Impairment of 21 towers December 2002		4,300			4,300
Total 2002 restructuring and non-recurring charges	$	$20,700	$3,500	$ 3,200	$ 27,400
Rooftop consolidation May 2001	$29,600	$ 5,100	$1,100	$	$ 35,800
Mexico divesture June 2001	10,700	17,600	3,900		32,200
Vertical Properties closing June 2001	4,200		100		4,300
Reduction of new tower construction and acquisition program November 2001		26,000	2,800	39,800	68,600
Total 2001 restructuring and non-recurring charges	$44,500	$48,700	$7,900	$39,800	$140,900

Other Income (Expense). Other income (expense) was an expense of $10.8 million in the year ended December 31, 2002. Other income (expense) for our wireless segment was an

expense of $1.4 million in the year ended December 31, 2002, primarily due to loss on sale of assets. Other income (expense) not specific to any business segment was an expense of $9.4 million in the year ended December 31, 2002, primarily due to expenses associated with our proposed debt tender and exchange offers.

Other income (expense) not specific to any business segment was a net expense of $223.2 million in the year ended December 31, 2001. Of this amount, $61.8 million related to losses from investments in former affiliates accounted for under the equity method, primarily our investment in SpectraSite-Transco Communications, Ltd., $121.9 million related to the write-down of our investment in SpectraSite-Transco and $20.0 million related to the write-off of a loan to SpectraSite-Transco. We completed the sale of our interest in SpectraSite-Transco in October 2001. In addition, $7.5 million related to a write-off of our investment in Evolution Holdings, Inc., a network services company that ceased operations in the second quarter. Other income (expense) for 2001 also includes $7.0 million related to the write-down of a loan to Concourse Communications, Inc., a former affiliate that provides in-building antenna sites primarily in airports and other public sites in New York City.

Adjusted EBITDA. As a result of the factors discussed above, Adjusted EBITDA increased to $80.9 million for the year ended December 31, 2002 from ($143.2) million for the year ended December 31, 2001. Wireless Adjusted EBITDA increased to $107.0 million for the year ended December 31, 2002 from ($53.0) million for the year ended December 31, 2001. Adjusted EBITDA for our broadcast segment increased to $12.0 million for the year ended December 31, 2002 from $8.5 million for the year ended December 31, 2001.

Depreciation, Amortization and Accretion Expenses. Depreciation and amortization expense increased primarily as a result of the increased depreciation from the towers we have acquired or constructed, partially offset by the $35.5 million reduction in goodwill amortization as a result of the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). See Description of Critical Accounting Policies Goodwill.

As a result of the factors discussed above, our operating loss was $96.4 million for the year ended December 31, 2002, compared to a loss of $240.0 million for the year ended December 31, 2001.

Interest Expense. Net interest expense increased due to increased accreted value of the senior discount notes and increased amounts outstanding under our credit facility, as well as the write-off of $4.5 million of debt issuance costs related to the decrease in the maximum availability of the credit facility. This increase was partially offset by not incurring interest expense of $24.4 million on the senior notes, senior discount notes and senior convertible notes for the period from the date of the chapter 11 filing (November 15, 2002) through December 31, 2002.

Discontinued Operations. Loss from operations of the discontinued network services division was $12.3 million in the year ended December 31, 2002 compared to income from operations of the discontinued network services division of $5.9 million in the year ended December 31, 2001. The loss from operations in 2002 was primarily due to lower revenues, fixed costs that did not decline with revenues and a more competitive environment for these services that led to lower pricing and restructuring charges. On December 31, 2002, we completed the sale of the network services division, resulting in a loss on disposal of $47.0 million. Loss from operations of the discontinued broadcast services division was $0.4 million in the year ended December 31, 2002 compared to a loss of $1.7 million in the year ended December 31, 2001. These losses were due to the uncertainties regarding the requirements and timing for multicasting of digital television. These uncertainties have caused broadcasters to delay their capital expenditures for new construction and make minimum modifications to their towers.

Cumulative Effect of Change in Accounting Principle. We performed the first of the impairment tests of goodwill required by SFAS 142 by comparing the fair value of each of our reporting units with its carrying value. Fair value was determined using a discounted cash flow methodology. Based on our impairment tests, we recognized an adjustment of $376.8 million to reduce the carrying value of goodwill in our wireless services, broadcast tower, broadcast services and building units to its implied fair value. The impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of accounting change in our first quarter 2002 statement of operations.

Net Income (Loss). As a result of the factors discussed above, net loss was $775.0 million for the year ended December 31, 2002, compared to a net loss of $654.8 million for the year ended December 31, 2001.

Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000

The following table provides a comparison of our revenues and expenses for the periods presented:

	Year Ended December 31, 2000	Year Ended December 31, 2001	$ Change	% Change
	(dollars in thousands)			
Revenues:				
Wireless	$ 114,224	$ 210,308	$ 96,084	84%
Broadcast	3,746	11,427	7,681	205
Total revenues	117,970	221,735	103,765	88
Operating expenses:				
Cost of operations, excluding depreciation, amortization and accretion expenses:				
Wireless	45,808	89,339	43,531	95
Broadcast	859	2,355	1,496	174
Total cost of operations, excluding depreciation, amortization and accretion expenses	46,667	91,694	45,027	96
Selling, general and administrative expenses:				
Wireless	22,509	33,035	10,526	47
Broadcast	414	637	223	54
Other	20,054	31,868	11,814	59
Total selling, general and administrative expenses	42,977	65,540	22,563	52
Depreciation, amortization and accretion expenses:				
Wireless	75,424	159,463	84,039	11
Broadcast	1,562	4,165	2,603	167
Total depreciation, amortization and accretion expenses	76,986	163,628	86,642	112
Restructuring and non-recurring charges		140,871	140,871	100
Total operating expenses	166,630	461,733	295,103	177
Operating loss	(48,660)	(239,998)	(191,338)	(393)
Operating income (expense):				
Interest income	28,391	17,037	(11,354)	(40)
Interest expense	(134,664)	(212,174)	(77,510)	(58)
Other expense	(8,574)	(223,241)	(214,667)	(2,504)
Total other expense	(114,847)	(418,378)	(303,531)	(264)
Loss from continuing operations before income taxes	(163,507)	(658,376)	(494,869)	(303)
Income tax expense	305	559	254	83

Loss from continuing operations	(163,812)	(658,935)	(495,123)	(302)
Discontinued operations (net of income taxes):				
Income from operations of discontinued network services division	5,443	5,858	415	8
Income (loss) from operations of discontinued broadcast services division	753	(1,692)	(2,445)	(325)
Net loss	$(157,616)	$(654,769)	$(497,153)	(315)%
Adjusted EBITDA:				
Wireless	$ 45,101	$ (53,044)	$ (98,145)	(218)%
Broadcast	3,483	8,537	5,054	145
Other:				
Corporate selling, general and administrative expenses, excluding corporate non-cash compensation charges	(17,482)	(29,743)	(12,261)	(70)
Corporate non-cash compensation charges	(2,572)	(2,125)	447	17
Corporate other expense	(8,778)	(66,852)	(58,074)	(662)
Total Other	(28,832)	(98,720)	(69,888)	(242)
Total adjusted EBITDA	$ 19,752	$(143,227)	$(162,979)	(825)%

Revenues. Revenues increased primarily as a result of revenues derived from towers which we acquired or constructed during 2000 and 2001. We owned or operated 7,925 towers at December 31, 2001, as compared to 5,030 towers at December 31, 2000. The remaining factor contributing to the increase is incremental revenue in 2001 for towers that existed as of December 31, 2000 from new customers.

For the year ended December 31, 2001, one wireless customer, which was a significant stockholder of ours at the time, and its affiliates accounted for $78.5 million or 35% of our revenues. For the year ended December 31, 2000, this customer and its affiliates accounted for $75.4 million or 64% of our revenues. In addition, another wireless customer, which was an affiliate of a significant stockholder of ours at the time, accounted for $33.9 million or 15% of our revenues in the year ended December 31, 2001. Both of these customers remain significant customers, but neither they nor their affiliates are significant stockholders following our reorganization and thus are no longer considered to be our related parties.

Costs of Operations, Excluding Depreciation, Amortization and Accretion Expenses. The increase in costs of operations was primarily attributable to operating costs of the communications towers acquired or constructed during 2000 and 2001, acquisitions in 2000 and 2001 and overall growth in operating activities. Costs of operations, excluding depreciation, amortization and accretion expenses, for wireless operations as a percentage of wireless revenues increased to 42% for the year ended December 31, 2001 from 40% for the year ended December 31, 2000. Costs of operations for broadcast leasing as a percentage of broadcast leasing revenues decreased to 21% for the year ended December 31, 2001 from 23% for the year ended December 31, 2000. Overall, costs of operations, excluding depreciation, amortization and accretion expenses, as a percentage of site operations revenues increased to 41% for the year ended December 31, 2001 from 40% for the year ended December 31, 2000. These increases were primarily due to the addition of new towers and higher tower operating expenses partially offset by increased revenues generated from new customers on existing towers. As our operations mature, we expect that additional customers on a tower will generate increases in our margins and in cash flow because a significant percentage of tower operating costs are fixed and do not increase with additional customers.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased as a result of expenses related to additional corporate overhead and field operations required to manage and operate the growth of our ongoing operations and acquisition activities. For the year ended December 31, 2001, we recorded non-cash compensation charges of $2.1 million related to the issuance of stock options and restricted shares of common stock to employees. We recorded non-cash compensation charges of $2.6 million in the year ended December 31, 2000 related to stock options and restricted shares of common stock issued to employees. Selling, general and administrative expenses as a percentage of revenues decreased to 30% for the year ended December 31, 2001 from 36% for the year ended December 31, 2000 primarily due to cost reduction efforts implemented in the second quarter of 2001.

Selling, general and administrative expenses for the wireless segment as a percentage of wireless revenues decreased to 16% for the year ended December 31, 2001 from 20% for the year ended December 31, 2000. Selling, general and administrative expenses for broadcast leasing as a percentage of broadcast leasing revenues decreased to 6% for the year ended December 31, 2001 from 11% for the year ended December 31, 2000.

Selling, general and administrative expenses not specific to the above business segments as a percentage of total revenues decreased to 14% for the year ended December 31, 2001 from 17% for the year ended December 31, 2000.

Restructuring and Non-Recurring Charges. In the year ended December 31, 2001, we recorded restructuring and non-recurring charges of $140.9 million, all relating to the wireless segment. The details of these charges are discussed below.

In May 2001, we announced the consolidation of our rooftop management operations and recorded a non-recurring charge of $35.8 million;

In June 2001, we announced that we would divest our operations in Mexico and recorded non-recurring charges of $32.2 million;

In June 2001, we announced that we would close the Vertical Properties operations and recorded non-recurring charges of $4.3 million all relating to the broadcast division; and

In November 2001, we announced that we would reduce our planned new tower construction and acquisition programs for 2002 and recorded restructuring charges of $68.6 million. These charges include $35.0 million in fees paid to SBC in considerations for modification to our agreement.

The following table summarizes the restructuring and non-recurring charges for the year ended December 31, 2001:

	Writeoff of goodwill	Writedown of assets	Employee severance	Other	Total
			(in thousands)		
Rooftop consolidation May 2001	$29,600	$ 5,100	$1,100	$	$ 35,800
Mexico divesture June 2001	10,700	17,600	3,900		32,200
Vertical Properties closing June 2001	4,200		100		4,300
Reduction of new tower construction and acquisition program November 2001		26,000	2,800	39,800	68,600
Total restructuring and non-recurring charges	$44,500	$48,700	$7,900	$39,800	$140,900

Other Income (Expense) Other income (expense) not specific to any business segment was a net expense of $223.2 million in the year ended December 31, 2001. Of this amount, $61.8 million related to losses from investments in affiliates accounted for under the equity method, primarily our investment in SpectraSite-Transco Communications, Ltd., $121.9 million related to the write-down of our investment in SpectraSite-Transco and $20.0 million related to the write-off of a loan to SpectraSite-Transco. We completed the sale of our interest in SpectraSite-Transco in October 2001. In addition, $7.5 million related to a write-off of our investment in Evolution Holdings, Inc., a network services company that ceased operations in the second quarter. Other income (expense) for 2001 also includes $7.0 million related to the write-down of a loan to Concourse Communications, Inc., a former affiliate that provides in-building antenna sites primarily in airports and other public sites in New York City.

Other income (expense) not specific to any business segment was an expense of $8.6 million in the year ended December 31, 2000, primarily due to a loss from an investment in SpectraSite-Transco accounted for under the equity method.

Adjusted EBITDA As a result of the factors discussed above, Adjusted EBITDA was ($143.3) million for the year ended December 31, 2001 compared to $19.8 million for the year ended December 31, 2000. Wireless Adjusted EBITDA was ($53.0) million for the year ended December 31, 2001 compared to $45.1 million for the year ended December 31, 2000. Adjusted EBITDA for the broadcast leasing component of our broadcast segment increased to $8.5 million for the year ended December 31, 2001 from $3.5 million for the year ended December 31, 2000.

Depreciation, Amortization and Accretion Expenses. Depreciation and amortization expense increased for the year ended December 31, 2001 from the year ended December 31, 2000, primarily as a result of the increased depreciation from towers we have acquired or constructed and amortization of goodwill related to acquisitions.

Income (Loss) from Continuing Operations. As a result of the factors discussed above, our loss from operations was $240.0 million for the year ended December 31, 2001, compared to a loss of $48.7 million for the year ended December 31, 2000.

Interest Expense Net interest expense increased during the year ended December 31, 2001 from the year ended December 31, 2000 due to the issuance of our 12 7/8% senior discount notes due 2010 in March 2000, our 10 3/4% senior notes due 2010 in March 2000, our 6 3/4% senior convertible notes due 2010 in November 2000 and our 12 1/2% senior notes due 2010 in December 2000, as well as additional borrowings under our credit facility in 2001.

Discontinued Operations. Income from operations of the discontinued network services division increased to $5.9 million in the year ended December 31, 2001 compared to income from operations of discontinued division of $5.4 million in the year ended December 31, 2000 primarily as a result of increased revenues. Loss from operations of the discontinued broadcast services division was $1.7 million for the year ended December 31, 2001 compared to income of $0.8 million for the year ended December 31, 2000. The increase in losses was primarily due to the uncertainties regarding the requirements and timing for multicasting of digital television. These uncertainties have caused broadcasters to delay their capital expenditures for new construction and make minimum modifications to their towers.

Net Income (Loss). As a result of the factors discussed above, net loss was $654.8 million for the year ended December 31, 2001, compared to a net loss of $157.6 million for the year ended December 31, 2000.

Liquidity and Capital Resources

We are a holding company whose only significant asset is the outstanding capital stock of our subsidiary, Communications. Our only source of cash to pay our obligations is distributions from Communications.

As a result of the reorganization and implementation of fresh start accounting, our results of operations after January 31, 2003 are not comparable to results reported in prior periods because of differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company.

Cash Flows

Cash provided by operating activities was $36.3 million for the year ended December 31, 2002 as compared to cash used in operating activities of $12.1 million for the year ended December 31, 2001. The change is primarily attributable to the $35.0 million fee paid in 2001 to SBC to amend our agreement to acquire leasehold and sub-leasehold interests in wireless communications towers and by improved operating performance.

Cash provided by operating activities was $67.4 million for the eight months ended September 30, 2003 and $5.9 million for the one month ended January 31, 2003. Cash provided by operating activities was $1.5 million for the nine months ended September 30, 2002. The increase in cash provided by operating activities in 2003 is primarily attributable to increased operating income, decreased interest payments following our reorganization and decreased accounts receivable due to increased collections.

Cash used in investing activities was $70.0 million for the year ended December 31, 2002 compared to $984.7 million for the year ended December 31, 2001. The decrease in cash used in investing activities is primarily attributable to the reduction in the number of towers purchased under the SBC agreement in 2002 as compared to 2001, the termination of our build-to-suit agreement with Cingular on May 15, 2002 and other tower purchases that occurred in 2001.

Cash provided by investing activities was $63.5 million for the eight months ended September 30, 2003. Cash used in investing activities was $2.7 million for the one month ended January 31, 2003 and $54.5 million for the nine months ended September 30, 2002. Investing activities for the eight months ended September 30, 2003 consisted primarily of proceeds received from the sale of the 545 SBC towers of $81.0 million, proceeds from the sale of an investment in available-for-sale securities of $5.0 million and proceeds from the sale of our Canadian leasing operations of $2.1 million. In addition, we invested $24.8 million, $2.7 million and $62.5 million in purchases of property and equipment and acquisitions of towers, primarily related to the acquisition and construction of communications towers, in the eight months ended September 30, 2003, the one month ended January 31, 2003 and the nine months ended September 30, 2002, respectively.

Cash provided by financing activities was $83.1 million in the year ended December 31, 2002 as compared to $475.8 million in the year ended December 31, 2001. The cash provided by financing activities in 2001 and 2002 was primarily attributable to draws on our credit facility.

Cash used in financing activities was $148.3 million in the eight months ended September 30, 2003 and $10.9 million in the one month ended January 31, 2003. Cash provided by financing activities was $85.6 million in the nine months ended September 30, 2002. Cash used in financing activities for the eight months ended September 30, 2003 consisted primarily of $200.0 million in proceeds from the issuance of our 8 1/4% Senior Notes Due 2010 and $2.4 million in proceeds from the issuance of common stock, offset by $343.0 million of payments on our credit facility, payments on capital leases of $0.4 million and $7.4 million in debt issuance costs related to the Senior Notes. Cash used in financing activities for the one month ended January 31, 2003 consisted of payments on capital leases of $10.9 million, which includes the prepayment of a capital lease in connection with the exercise of our purchase option on our corporate headquarters. The cash provided by financing activities in the nine months ended September 30, 2002 was primarily attributable to $90.0 million of draws on our credit facility.

Senior Notes

On May 21, 2003, we issued $200.0 million aggregate principal amount of 8 1/4% Senior Notes due 2010 for proceeds of $194.5 million, net of debt issuance costs. Subsequently, on December 12, 2003, we exchanged the $200.0 million aggregate principal amount of 8 1/4% Senior Notes due 2010 for a like amount of 8 1/4% Senior Notes due 2010, which were registered under the Securities Act. Semi-annual interest payments for the 8 1/4% Senior Notes are due on each May 15 and November 15 beginning on November 15, 2003. We are required to comply with certain covenants under the terms of the 8 1/4% Senior Notes that restrict our ability to incur additional indebtedness and make certain payments, among other things.

Credit Facility

Our principal operating subsidiary, Communications, is party to an amended and restated credit facility with lending commitments totaling approximately $640.0 million. The credit facility includes a revolving credit facility with a borrowing limit of $200.0 million, subject to compliance with covenants and the satisfaction of certain conditions precedent. As of September 30, 2003, Communications could borrow up to approximately $193.8 million of the $200.0 million under the revolving credit facility. The maximum amount available will be reduced (and, if necessary, the amounts outstanding must be repaid) in quarterly installments beginning on September 30, 2005 and ending on June 30, 2007. The credit facility also includes a multiple draw term loan that is fully drawn and which must be repaid in quarterly installments beginning on March 31, 2006 and ending on June 30, 2007, and a term loan that is fully drawn and which must be repaid in quarterly installments beginning on

September 30, 2007 and ending on December 31, 2007. As of September 30, 2003, $187.8 million was outstanding under the multiple draw term loan and $252.2 million was outstanding under the term loan.

The revolving credit loans and the multiple draw term loans bear interest, at Communications option, at either Canadian Imperial Bank of Commerce s base rate plus an applicable margin ranging from 2.00% to 1.00% per annum or the Eurodollar rate plus an applicable margin ranging from 3.25% to 2.25% per annum, depending on Communications leverage ratio at the end of the preceding fiscal quarter. The term loan bears interest, at Communications option, at either Canadian Imperial Bank of Commerce s base rate plus 2.75% per annum or the Eurodollar rate plus 4.00% per annum. After giving effect to the amendment to our credit facility discussed below, the term loan will bear interest, at Communications option, at either the Canadian Imperial Bank of Commerce s base rate plus 1.75% per annum or the Eurodollar rate plus 3.00% per annum.

In February 2003, we entered into an interest rate cap agreement in order to limit exposure to fluctuations in interest rates on our variable rate credit facility. This transaction is designated as a fair value hedge. Accordingly, gains and losses from the change in the fair value of this instrument are recognized in other income and expense. As of September 30, 2003, the carrying amount and fair value of this instrument was $0.3 million and is included in Other Assets in the unaudited condensed consolidated financial statements.

Communications is required to pay a commitment fee of between 1.375% and 0.500% per annum in respect of the undrawn portions of the revolving credit facility, depending on the undrawn amount. Communications may be required to prepay the credit facility in part upon the occurrence of certain events, such as a sale of assets, the incurrence of certain additional indebtedness, certain changes to the SBC transaction or the generation of excess cash flow (as defined in the credit facility).

SpectraSite and each of Communications domestic subsidiaries have guaranteed the obligations under the credit facility. The credit facility is further secured by substantially all the tangible and intangible assets of Communications and its domestic subsidiaries, a pledge of all of the capital stock of Communications and its domestic subsidiaries and 66% of the capital stock of any Communications foreign subsidiaries. The credit facility contains a number of covenants that, among other things: restrict Communications ability to incur additional indebtedness; create liens on assets; make investments or acquisitions or engage in mergers or consolidations; dispose of assets; enter into new lines of business; engage in certain transactions with affiliates; and pay dividends or make capital distributions. In addition, the credit facility requires compliance with certain financial covenants, including a requirement that Communications and its subsidiaries, on a consolidated basis, maintain a maximum ratio of total debt to Annualized EBITDA (as defined in the credit agreement), a minimum interest coverage ratio and a minimum fixed charge coverage ratio.

With the proceeds of the sale of 545 SBC towers to Cingular, Communications repaid $31.4 million of the multiple draw term loan and $42.1 million of the term loan on February 11, 2003. In addition, Communications repaid $1.1 million of the multiple draw term loan and $1.4 million of the term loan on February 19, 2003. In connection with these repayments, Communications wrote off $1.6 million in debt issuance costs. This charge is included in interest expense in the unaudited condensed consolidated statement of operations.

On May 14, 2003, Communications amended its credit facility to reduce the unused $300 million commitment under the revolving credit facility by $100 million in exchange for moderately increasing the ratios in its leverage covenant in future periods. In connection with this reduction, Communications wrote off $2.0 million in debt issuance costs. This charge is included in interest expense in the unaudited condensed consolidated statement of operations.

With the proceeds from the issuance of the 8 1/4% Senior Notes Due 2010, Communications repaid $83.0 million of the multiple draw term loan and $111.5 million of the term loan on May 21, 2003. In addition, Communications repaid $1.1 million of the multiple draw term loan and $1.4 million of the term loan on June 24, 2003 and voluntarily repaid $12.8 million of the multiple draw term loan and $17.2 million of the term loan on June 30, 2003. In connection with these repayments, Communications wrote off $4.6 million in debt issuance costs. This charge is included in interest expense in the unaudited condensed consolidated statement of operations.

On September 29, 2003, Communications repaid $0.8 million of the multiple draw term loan and $1.0 million of the term loan. In addition, Communications voluntarily repaid $16.3 million of the multiple draw term loan and $21.9 million of the term loan on September 30, 2003. In connection with these repayments, Communications wrote off $0.7 million in debt issuance costs. This charge is included in interest expense in the unaudited condensed consolidated statement of operations.

The following table summarizes activity with respect to our credit facility from January 1, 2003 through September 30, 2003:

	Amount Owed			
	Multiple Draw Term Loan	**Term Loan**	**Total**	**Undrawn Revolving Credit Facility Commitment**
		(in thousands)		
Balance, January 1, 2003	$334,127	$ 448,828	$ 782,955	$ 300,000
Sale of 545 SBC towers	(31,366)	(42,134)	(73,500)	
Amendment to credit facility				(100,000)
Proceeds from issuance of Senior Notes	(83,003)	(111,497)	(194,500)	
Other repayments	(32,007)	(42,993)	(75,000)	
Balance, September 30, 2003	$187,751	$ 252,204	$ 439,955	$ 200,000

On October 24, 2003, we completed an amendment to our credit facility which reduced the interest rate on our term loan from, at Communications option, Canadian Imperial Bank of Commerce s base rate plus 2.75% per annum or the Eurodollar rate plus 4.00% per annum to Canadian Imperial Bank of Commerce s base rate plus 1.75% per annum or the Eurodollar rate plus 3.00% per annum.

We have asked our lenders to approve an amendment to our credit facility which, if completed, would replace the term loan portion of our credit facility with a new term loan that is substantially the same as the existing term loan, except that the interest rate will be reduced from, at our option, Canadian Imperial Bank of Commerce s base rate plus 1.75% per annum or the Eurodollar rate plus 3.00% per annum to Canadian Imperial Bank of Commerce s base rate plus 1% per annum or the Eurodollar rate plus 2.25% per annum. The proposed amendment would also provide that the interest rate margins would automatically be further reduced if our credit ratings improve. There can be no assurance that the lenders will agree to complete the amendment.

Liquidity and Commitments

We emerged from bankruptcy in February 2003. As a result, $1.76 billion of previously outstanding indebtedness was cancelled. Communications, the borrower under the credit facility, and our other subsidiaries were not part of the bankruptcy. The credit facility has remained in place during, and since, the reorganization.

We had cash and cash equivalents of $81.0 million at December 31, 2002 and $55.9 million at September 30, 2003. We also had $783.0 million outstanding under our credit facility at December 31, 2002 and $440.0 million outstanding at September 30, 2003. As of September 30, 2003, the revolving portion of our credit facility was undrawn. Our ability to borrow under the revolving credit facility is limited by the financial covenants regarding the total debt to Annualized EBITDA (as defined in the credit agreement) and interest and fixed charge coverage ratios of Communications and its subsidiaries. Communications could borrow approximately $193.8 million under the revolving credit facility as of September 30, 2003. Our ability to borrow under the credit facility s financial covenants will increase or decrease as our Annualized EBITDA (as defined in the credit facility) increases or decreases. The weighted average interest rate on outstanding borrowings under the credit facility was 5.94% as of December 31, 2002 and 4.55% as of September 30, 2003. After giving effect to the October 24, 2003, amendment to our credit facility, the weighted average interest rate on outstanding borrowings under the credit facility as of September 30, 2003 would have been 3.97%.

While we have taken steps to reduce our capital commitments, as of September 30, 2003, we are contractually obligated to purchase up to an additional 541 towers from SBC from November 2003 through August 2004. These commitments will require approximately $26 million in 2003 and $115 million in 2004. In addition, we will continue to make capital expenditures to improve our existing towers and to install new in-building neutral host distributed antenna systems. We believe that cash flow from operations and available cash on hand will be sufficient to fund our capital expenditures and other currently anticipated cash needs for the next three years. Our ability to meet these needs from cash provided by operating activities will depend on the demand for wireless services, developments in competing technologies and our ability to add new customers, as well as general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond our control. In addition, if we make additional acquisitions or pursue other opportunities or if our estimates prove inaccurate, we may seek additional sources of debt or equity capital or reduce the scope of tower construction and acquisition activity.

The following table provides a summary of our material debt, lease and other contractual commitments as of September 30, 2003:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**