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

FORM 10-Q

(Mark One):

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

For the quarterly period ended June 30, 2014.

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

Commission File Number: 001-14195

AMERICAN TOWER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

65-0723837
(I.R.S. Employer
Identification No.)

116 Huntington Avenue
Boston, Massachusetts 02116
(Address of principal executive offices)

Telephone Number (617) 375-7500
(Registrant's telephone number, including area code)

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

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

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

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

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

As of July 21, 2014, there were 396,144,247 shares of common stock outstanding.

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FOR THE QUARTER ENDED JUNE 30, 2014

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CONDENSED CONSOLIDATED BALANCE SHEETS—Unaudited
(in thousands, except share data)

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 282,959	\$ 293,576
Restricted cash	158,992	152,916
Short-term investments	15,298	18,612
Accounts receivable, net	174,612	151,084
Prepaid and other current assets	342,798	340,885
Deferred income taxes	23,786	22,401
Total current assets	<u>998,445</u>	<u>979,474</u>
PROPERTY AND EQUIPMENT, net	7,589,815	7,189,465
GOODWILL	3,854,931	3,808,426
OTHER INTANGIBLE ASSETS, net	6,637,882	6,580,305
DEFERRED INCOME TAXES	268,349	264,294
DEFERRED RENT ASSET	983,140	918,847
NOTES RECEIVABLE AND OTHER NON-CURRENT ASSETS	515,175	504,466
TOTAL	<u>\$20,847,737</u>	<u>\$ 20,245,277</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 132,734	\$ 172,426
Accrued expenses	422,614	415,075
Distributions payable	139,837	575
Accrued interest	117,632	105,751
Current portion of long-term obligations	1,225,992	70,132
Unearned revenue	204,437	162,079
Total current liabilities	<u>2,243,246</u>	<u>926,038</u>
LONG-TERM OBLIGATIONS	12,749,471	14,408,146
ASSET RETIREMENT OBLIGATIONS	556,881	526,930
OTHER NON-CURRENT LIABILITIES	889,975	794,123
Total liabilities	<u>16,439,573</u>	<u>16,655,237</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock: \$.01 par value; 20,000,000 shares authorized; 5.25% Mandatory Convertible Preferred Stock, Series A, 6,000,000 and no shares issued and outstanding, respectively	60	—
Common stock: \$.01 par value; 1,000,000,000 shares authorized; 398,811,474 and 397,674,350 shares issued; and 396,001,448 and 394,864,324 shares outstanding, respectively	3,988	3,976
Additional paid-in capital	5,772,269	5,130,616
Distributions in excess of earnings	(911,163)	(1,081,467)
Accumulated other comprehensive loss	(250,920)	(311,220)
Treasury stock (2,810,026 shares at cost)	(207,740)	(207,740)
Total American Tower Corporation equity	4,406,494	3,534,165
Noncontrolling interest	1,670	55,875
Total equity	<u>4,408,164</u>	<u>3,590,040</u>
TOTAL	<u>\$20,847,737</u>	<u>\$ 20,245,277</u>

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS—Unaudited
(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
REVENUES:				
Rental and management	\$1,005,761	\$ 789,199	\$1,965,881	\$1,566,632
Network development services	25,696	19,631	49,665	44,926
Total operating revenues	<u>1,031,457</u>	<u>808,830</u>	<u>2,015,546</u>	<u>1,611,558</u>
OPERATING EXPENSES:				
Costs of operations (exclusive of items shown separately below):				
Rental and management (including stock-based compensation expense of \$343, \$257, \$715 and \$503, respectively)	263,184	198,217	514,019	389,512
Network development services (including stock-based compensation expense of \$110, \$149, \$242 and \$341, respectively)	9,091	7,492	19,025	17,963
Depreciation, amortization and accretion	245,427	184,608	491,190	370,412
Selling, general, administrative and development expense (including stock-based compensation expense of \$18,382, \$16,649, \$42,482 and \$37,253, respectively)	98,499	99,803	208,528	200,956
Other operating expenses	12,757	5,898	26,648	20,217
Total operating expenses	<u>628,958</u>	<u>496,018</u>	<u>1,259,410</u>	<u>999,060</u>
OPERATING INCOME	<u>402,499</u>	<u>312,812</u>	<u>756,136</u>	<u>612,498</u>
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of \$370, \$371, \$741 and \$742 respectively	2,662	3,586	5,257	7,129
Interest income	2,281	1,412	4,299	3,126
Interest expense	(146,234)	(100,815)	(289,541)	(212,581)
Loss on retirement of long-term obligations	(1,284)	(2,669)	(1,522)	(37,967)
Other expense (including unrealized foreign currency losses of \$23,553, \$142,909, \$25,558 and \$120,766, respectively)	(16,463)	(141,660)	(20,206)	(119,369)
Total other expense	<u>(159,038)</u>	<u>(240,146)</u>	<u>(301,713)</u>	<u>(359,662)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>243,461</u>	<u>72,666</u>	<u>454,423</u>	<u>252,836</u>
Income tax (provision) benefit	(21,802)	11,447	(39,451)	(7,775)
NET INCOME	<u>221,659</u>	<u>84,113</u>	<u>414,972</u>	<u>245,061</u>
Net loss attributable to noncontrolling interest	12,772	15,708	21,958	26,167
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION STOCKHOLDERS	<u>234,431</u>	<u>99,821</u>	<u>436,930</u>	<u>271,228</u>
Dividends declared on preferred stock	(4,375)	—	(4,375)	—
NET INCOME ATTRIBUTABLE TO AMERICAN TOWER CORPORATION COMMON STOCKHOLDERS	<u>\$ 230,056</u>	<u>\$ 99,821</u>	<u>\$ 432,555</u>	<u>\$ 271,228</u>
NET INCOME PER COMMON SHARE AMOUNTS:				
Basic net income attributable to American Tower Corporation common stockholders	<u>\$ 0.58</u>	<u>\$ 0.25</u>	<u>\$ 1.09</u>	<u>\$ 0.69</u>
Diluted net income attributable to American Tower Corporation common stockholders	<u>\$ 0.58</u>	<u>\$ 0.25</u>	<u>\$ 1.08</u>	<u>\$ 0.68</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	<u>395,872</u>	<u>395,420</u>	<u>395,511</u>	<u>395,330</u>
Diluted	<u>399,588</u>	<u>399,458</u>	<u>399,452</u>	<u>399,659</u>
DISTRIBUTIONS DECLARED PER COMMON SHARE	<u>\$ 0.34</u>	<u>\$ 0.27</u>	<u>\$ 0.66</u>	<u>\$ 0.53</u>

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)—Unaudited
(in thousands)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income	\$221,659	\$ 84,113	\$414,972	\$245,061
Other comprehensive income (loss):				
Changes in fair value of cash flow hedges, net of tax expense of (\$141), \$345, (\$24) and \$456, respectively	367	3,793	(337)	2,749
Reclassification of unrealized losses on cash flow hedges to net income, net of taxes of \$41, \$59, \$96 and \$118, respectively	629	645	1,543	1,194
Foreign currency translation adjustments, net of taxes of (\$692), (\$7,149), \$364 and \$6,583, respectively	(3,104)	(123,369)	19,388	(95,942)
Other comprehensive (loss) income	(2,108)	(118,931)	20,594	(91,999)
Comprehensive income (loss)	219,551	(34,818)	435,566	153,062
Comprehensive loss attributable to noncontrolling interest	36,370	18,426	61,664	27,257
Comprehensive income (loss) attributable to American Tower Corporation stockholders	<u>\$255,921</u>	<u>\$ (16,392)</u>	<u>\$497,230</u>	<u>\$180,319</u>

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—Unaudited
(in thousands)

	Six months ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 414,972	\$ 245,061
Adjustments to reconcile net income to cash provided by operating activities:		
Stock-based compensation expense	43,439	38,097
Depreciation, amortization and accretion	491,190	370,412
Loss on early retirement of securitized debt	1,269	35,288
Other non-cash items reflected in statements of operations	48,636	127,946
Increase in net deferred rent asset	(46,293)	(53,017)
Increase in restricted cash	(194)	(27,961)
Increase in assets	(28,473)	(10,229)
Increase in liabilities	147,836	58,924
Cash provided by operating activities	<u>1,072,382</u>	<u>784,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchase of property and equipment and construction activities	(466,247)	(280,605)
Payments for acquisitions, net of cash acquired	(315,527)	(311,170)
Proceeds from sale of short-term investments and other non-current assets	338,787	27,978
Payments for short-term investments	(332,684)	(36,881)
Deposits, restricted cash, investments and other	(61,134)	(1,096)
Cash used for investing activities	<u>(836,805)</u>	<u>(601,774)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit facilities	360,000	249,000
Proceeds from issuance of senior notes, net	769,640	983,354
Proceeds from other long-term borrowings	3,033	16,000
Proceeds from issuance of Securities in securitization transaction, net	—	1,778,496
Repayments of notes payable, credit facilities and capital leases	(1,838,728)	(2,938,699)
(Distributions to) contributions from noncontrolling interest holders, net	(291)	17,721
Purchases of common stock	—	(74,625)
Proceeds from stock options and stock purchase plan	30,738	19,752
Proceeds from the issuance of preferred stock, net	583,326	—
Payment for early retirement of securitized debt	(6,767)	(29,234)
Deferred financing costs and other financing activities	(22,914)	(13,641)
Distributions paid on common stock	(127,269)	(102,984)
Cash used for financing activities	<u>(249,232)</u>	<u>(94,860)</u>
Net effect of changes in foreign currency exchange rates on cash and cash equivalents	3,038	(8,058)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(10,617)</u>	<u>79,829</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>293,576</u>	<u>368,618</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 282,959</u>	<u>\$ 448,447</u>
CASH PAID FOR INCOME TAXES (NET OF REFUNDS OF \$6,187 AND \$13,477, RESPECTIVELY)	<u>\$ 35,776</u>	<u>\$ 17,153</u>
CASH PAID FOR INTEREST	<u>\$ 270,257</u>	<u>\$ 181,315</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
INCREASE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES FOR PURCHASES OF PROPERTY AND EQUIPMENT AND CONSTRUCTION ACTIVITIES	<u>\$ 14,959</u>	<u>\$ 17,142</u>
PURCHASES OF PROPERTY AND EQUIPMENT UNDER CAPITAL LEASES	<u>\$ 14,585</u>	<u>\$ 9,422</u>
SETTLEMENT OF ACCOUNTS RECEIVABLE RELATED TO ACQUISITIONS	<u>\$ 31,279</u>	<u>\$ —</u>
CONVERSION OF THIRD-PARTY DEBT TO EQUITY	<u>\$ 7,750</u>	<u>\$ —</u>

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY—Unaudited
(in thousands, except share data)

	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-in Capital	Other Comprehensive Loss	Distributions in Excess of Earnings	Non- controlling Interest	Total Equity
	Issued Shares	Amount	Issued Shares	Amount	Shares	Amount					
BALANCE, JANUARY 1, 2013	—	\$ —	395,963,218	\$ 3,959	(872,005)	\$ (62,728)	\$5,012,124	\$ (183,347)	\$ (1,196,907)	\$ 111,080	\$3,684,181
Stock-based compensation related activity	—	—	952,304	10	—	—	47,363	—	—	—	47,373
Issuance of common stock- stock purchase plan	—	—	38,249	—	—	—	2,327	—	—	—	2,327
Treasury stock activity	—	—	—	—	(951,884)	(74,625)	—	—	—	—	(74,625)
Changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	—	2,456	—	293	2,749
Reclassification of unrealized losses on cash flow hedges to net income, net of tax	—	—	—	—	—	—	—	1,120	—	74	1,194
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	—	(94,485)	—	(1,457)	(95,942)
Contributions from noncontrolling interest	—	—	—	—	—	—	—	—	—	18,020	18,020
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	—	(299)	(299)
Common stock dividends/distributions declared	—	—	—	—	—	—	—	—	(210,172)	—	(210,172)
Net income (loss)	—	—	—	—	—	—	—	—	271,228	(26,167)	245,061
BALANCE, JUNE 30, 2013	—	\$ —	396,953,771	\$ 3,969	(1,823,889)	\$ (137,353)	\$5,061,814	\$ (274,256)	\$ (1,135,851)	\$ 101,544	\$3,619,867
BALANCE, JANUARY 1, 2014	—	\$ —	397,674,350	\$ 3,976	(2,810,026)	\$ (207,740)	\$5,130,616	\$ (311,220)	\$ (1,081,467)	\$ 55,875	\$3,590,040
Stock-based compensation related activity	—	—	1,093,535	11	—	—	55,935	—	—	—	55,946
Issuance of common stock- stock purchase plan	—	—	43,589	1	—	—	2,898	—	—	—	2,899
Issuance of preferred stock	6,000,000	60	—	—	—	—	582,820	—	—	—	582,880
Changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	—	(455)	—	118	(337)
Reclassification of unrealized losses on cash flow hedges to net income, net of tax	—	—	—	—	—	—	—	1,422	—	121	1,543
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	—	59,333	—	(39,945)	19,388
Contributions from noncontrolling interest	—	—	—	—	—	—	—	—	—	7,750	7,750
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	—	(291)	(291)
Common stock dividends/distributions declared	—	—	—	—	—	—	—	—	(262,251)	—	(262,251)
Preferred stock dividends declared	—	—	—	—	—	—	—	—	(4,375)	—	(4,375)
Net income (loss)	—	—	—	—	—	—	—	—	436,930	(21,958)	414,972
BALANCE, JUNE 30, 2014	6,000,000	\$ 60	398,811,474	\$ 3,988	(2,810,026)	\$ (207,740)	\$5,772,269	\$ (250,920)	\$ (911,163)	\$ 1,670	\$4,408,164

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

1. Description of Business, Basis of Presentation and Accounting Policies

American Tower Corporation is, through its various subsidiaries (collectively, “ATC” or the “Company”), an independent owner, operator and developer of wireless and broadcast communications real estate in the United States, Brazil, Chile, Colombia, Costa Rica, Germany, Ghana, India, Mexico, Panama, Peru, South Africa and Uganda. The Company’s primary business is the leasing of antenna space on multi-tenant communications sites to wireless service providers, radio and television broadcast companies, wireless data and data providers, government agencies and municipalities and tenants in a number of other industries. The Company also manages rooftop and tower sites for property owners, operates in-building and outdoor distributed antenna system (“DAS”) networks, holds property interests under third-party communications sites and provides network development services that primarily support its rental and management operations and the addition of new tenants and equipment on its sites. Since January 1, 2012, the Company has been organized and has qualified as a real estate investment trust (“REIT”) for U.S. federal income tax purposes.

ATC is a holding company that conducts its operations through its directly and indirectly owned subsidiaries and its joint ventures. ATC’s principal domestic operating subsidiaries are American Towers LLC and SpectraSite Communications, LLC. ATC conducts its international operations primarily through its subsidiary, American Tower International, Inc., which in turn conducts operations through its various international holding and operating subsidiaries and joint ventures.

The Company holds and operates certain of its assets through one or more taxable REIT subsidiaries (“TRSs”). The use of TRSs enables the Company to continue to engage in certain businesses while complying with REIT qualification requirements and also allows the Company to retain income generated by these businesses for reinvestment without the requirement of distributing those earnings. The businesses that the Company holds through its TRSs primarily include certain of its international operations and a portion of its managed network business.

As a REIT, the Company generally is not subject to federal income taxes on its income and gains that the Company distributes to its stockholders, including the income derived from leasing space on its towers. However, even as a REIT, the Company remains obligated to pay income taxes on earnings from its TRS operations. In addition, the Company’s international assets and operations, including those designated as direct or indirect qualified REIT subsidiaries or other disregarded entities of a REIT (collectively, “QRSs”), continue to be subject to taxation in the foreign jurisdictions where those assets are held or those operations are conducted.

The Company may, from time to time, change the election of previously designated TRSs that hold certain of its operations to be treated as QRSs, and may reorganize and transfer certain assets or operations from its TRSs to other subsidiaries, including QRSs. For all periods subsequent to the conversion from a TRS to a QRS, the Company includes the income from the QRSs as part of its REIT taxable income for the purpose of computing the Company’s REIT distribution requirements. During the six months ended June 30, 2014, the Company restructured certain of its German subsidiaries and certain of its domestic TRSs, which included a portion of its network development services segment and indoor DAS networks business, to be treated as QRSs. As of June 30, 2014, in addition to these businesses, the Company’s QRSs include its domestic tower leasing business and most of its operations in Costa Rica, Mexico and Panama.

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The financial information included herein is unaudited; however, the Company believes that all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the Company’s financial position and results of operations for such periods have been included. These condensed consolidated financial statements and related notes should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

Principles of Consolidation and Basis of Presentation—The accompanying condensed consolidated financial statements include the accounts of the Company and those entities in which it has a controlling interest. Investments in entities that the Company does not control are accounted for using the equity or cost method, depending upon the Company’s ability to exercise significant influence over operating and financial policies. All intercompany accounts and transactions have been eliminated.

Significant Accounting Policies and Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ from those estimates, and such differences could be material to the accompanying condensed consolidated financial statements. The significant estimates in the accompanying condensed consolidated financial statements include impairment of long-lived assets (including goodwill), asset retirement obligations, revenue recognition, rent expense, stock-based compensation, income taxes and accounting for business combinations. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued as additional evidence for certain estimates or to identify matters that require additional disclosure.

Functional Currency—The functional currency of the Company’s foreign operating subsidiaries is the respective local currency, except for Costa Rica and Panama, where the functional currency is the U.S. Dollar. All foreign currency assets and liabilities held by the subsidiaries are translated into U.S. Dollars at the exchange rate in effect at the end of the applicable fiscal reporting period and all foreign currency revenues and expenses are translated at the average monthly exchange rates. Translation adjustments are reflected in equity as a component of Accumulated other comprehensive income (loss) (“AOCI”) in the condensed consolidated balance sheets.

Transactional gains and losses on foreign currency transactions are reflected in Other expense in the condensed consolidated statements of operations. However, the effect from fluctuations in foreign currency exchange rates on intercompany notes whose payment is not planned or anticipated in the foreseeable future is reflected in AOCI in the condensed consolidated balance sheets. During the three months ended June 30, 2014, the Company recorded unrealized foreign currency losses of \$53.2 million, of which \$29.6 million was recorded in AOCI and \$23.6 million was recorded in Other expense. During the six months ended June 30, 2014, the Company recorded unrealized foreign currency losses of \$68.7 million, of which \$43.1 million was recorded in AOCI and \$25.6 million was recorded in Other expense.

Accounting Standards Updates—In April 2014, the Financial Accounting Standards Board (the “FASB”) issued additional guidance on reporting discontinued operations. Under this guidance, only disposals representing a strategic shift in operations would be presented as discontinued operations. This guidance requires expanded disclosure that provides information about the assets, liabilities, income and expenses of discontinued operations. Additionally, the guidance requires additional disclosure for a disposal of a significant part of an entity that does not qualify for discontinued operations reporting. This guidance will be effective for reporting periods beginning on or after December 15, 2014 with early adoption permitted for disposals or classifications of assets as held-for-sale that have not been reported in financial statements previously issued or available for issuance. The Company adopted this guidance during the six months ended June 30, 2014 and the adoption did not have a material effect on the Company’s financial statements.

In May 2014, the FASB issued new revenue recognition guidance, which requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in GAAP. The amendment will become effective on January 1, 2017, and early application is not

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

permitted. The standard permits the use of either the retrospective or cumulative effect transition method. Leases are not included in the scope of this standard. The Company is evaluating the impact this standard will have on its financial statements.

2. Prepaid and Other Current Assets

Prepaid and other current assets consists of the following as of (in thousands):

	<u>June 30, 2014</u>	<u>December 31, 2013 (1)</u>
Prepaid operating ground leases	\$ 86,700	\$ 95,580
Prepaid income tax	62,593	52,612
Acquisition deposit in escrow	59,024	—
Unbilled receivables	37,871	25,412
Prepaid assets	26,693	34,243
Value added tax and other consumption tax receivables	15,730	77,016
Other miscellaneous current assets	54,187	56,022
Balance	<u>\$ 342,798</u>	<u>\$ 340,885</u>

(1) December 31, 2013 balances have been revised to reflect purchase accounting measurement period adjustments.

3. Goodwill and Other Intangible Assets

The changes in the carrying value of goodwill for the Company's business segments are as follows (in thousands):

	<u>Rental and Management</u>		<u>Network Development Services</u>	<u>Total</u>
	<u>Domestic</u>	<u>International</u>		
Balance as of January 1, 2014 (1)	\$3,258,680	\$ 547,746	\$ 2,000	\$3,808,426
Additions	33,671	4,232	—	37,903
Effect of foreign currency translation	—	8,614	—	8,614
Other (2)	—	—	(12)	(12)
Balance as of June 30, 2014	<u>\$3,292,351</u>	<u>\$ 560,592</u>	<u>\$ 1,988</u>	<u>\$3,854,931</u>

(1) Balances have been revised to reflect purchase accounting measurement period adjustments.

(2) Other represents the fair value adjustment to goodwill associated with the Company's third-party structural analysis business, which was considered held-for-sale at June 30, 2014.

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The Company's other intangible assets subject to amortization consist of the following as of (in thousands):

	Estimated Useful Lives (years)	June 30, 2014			December 31, 2013 (1)		
		Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Acquired network location (2)	Up to 20	\$2,437,303	\$ (869,234)	\$1,568,069	\$2,419,708	\$ (791,359)	\$1,628,349
Acquired customer-related intangibles	15-20	6,283,602	(1,307,289)	4,976,313	6,026,480	(1,170,239)	4,856,241
Acquired licenses and other intangibles	3-20	6,755	(2,815)	3,940	6,583	(2,297)	4,286
Economic Rights, TV Azteca	70	28,927	(14,560)	14,367	28,783	(14,229)	14,554
Total		\$8,756,587	\$(2,193,898)	\$6,562,689	\$8,481,554	\$(1,978,124)	\$6,503,430
Deferred financing costs, net (3)	N/A			75,193			76,875
Other intangible assets, net				\$6,637,882			\$6,580,305

- (1) Balances have been revised to reflect purchase accounting measurement period adjustments.
- (2) Acquired network location intangibles are amortized over the shorter of the term of the corresponding ground lease taking into consideration lease renewal options and residual value or up to 20 years, as the Company considers these intangibles to be directly related to the tower assets.
- (3) Deferred financing costs are amortized over the term of the respective debt instruments to which they relate using the effective interest method. This amortization is included in Interest expense rather than in Depreciation, amortization and accretion expense.

The acquired network location intangibles represent the value to the Company of the incremental revenue growth that could potentially be obtained from leasing the excess capacity on acquired communications sites. The acquired customer-related intangibles typically represent the value to the Company of customer contracts and relationships in place at the time of an acquisition, including assumptions regarding estimated renewals.

The Company amortizes its acquired network intangibles and customer-related intangibles on a straight-line basis over their estimated useful lives. As of June 30, 2014, the remaining weighted average amortization period of the Company's intangible assets, excluding deferred financing costs and the TV Azteca Economic Rights detailed in note 5 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013, is approximately 16 years. Amortization of intangible assets for the three and six months ended June 30, 2014 was approximately \$101.6 million and \$204.2 million, respectively, and amortization of intangible assets for the three and six months ended June 30, 2013 was approximately \$61.1 million and \$120.3 million, respectively. Amortization expense excludes amortization of deferred financing costs, which is included in Interest expense on the condensed consolidated statements of operations. Based on current exchange rates, the Company expects to record amortization expense (excluding amortization of deferred financing costs) as follows over the remaining current year and the next five subsequent years (in millions):

Fiscal Year	
2014 (remaining year)	\$207.4
2015	412.5
2016	409.8
2017	407.5
2018	405.4
2019	403.3

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During the three months ended June 30, 2014, the Company determined that its operations in Panama and its third-party structural analysis business were held-for-sale. The Company assessed the carrying value of its operations in Panama, which are included in its international rental and management segment, and concluded that the value is expected to be recoverable and, accordingly, no impairment charge was recorded. The Company recorded an impairment charge of \$4.1 million during the three and six months ended June 30, 2014 for its third-party structural analysis business, which is included in its network development services segment, related to the write down of its intangible assets and goodwill to fair value. For additional information on assets held-for-sale, see note 7.

4. Accrued Expenses

Accrued expenses consists of the following as of (in thousands):

	<u>June 30, 2014</u>	<u>December 31, 2013 (1)</u>
Accrued construction costs	\$ 72,878	\$ 52,446
Accrued property and real estate taxes	65,533	54,529
Payroll and related withholdings	35,484	50,843
Accrued rent	34,002	28,456
Other accrued expenses	214,717	228,801
Balance	<u>\$ 422,614</u>	<u>\$ 415,075</u>

(1) December 31, 2013 balances have been revised to reflect purchase accounting measurement period adjustments.

5. Long-Term Obligations

Current portion of long-term obligations—In connection with its acquisition of MIP Tower Holdings LLC (“MIPT”) (see note 14) on October 1, 2013, the Company assumed approximately \$1.49 billion principal amount of existing indebtedness under six series, consisting of eleven separate classes, of Secured Tower Revenue Notes issued by certain subsidiaries of Global Tower Partners (“GTP”) in several securitization transactions (the “GTP Notes”). The Series 2010-1 Class C Notes and the Series 2010-1 Class F Notes (together, the “Series 2010-1 Notes”) have an aggregate principal amount outstanding of \$250.0 million and an anticipated repayment date of February 15, 2015. As a result, the aggregate principal amount of \$250.0 million and the unamortized premium of \$3.4 million of the Series 2010-1 Notes is reflected in Current portion of long-term obligations in the condensed consolidated balance sheets.

In addition, the Company’s 4.625% senior unsecured notes mature on April 1, 2015. As a result, the aggregate principal amount of \$600.0 million, net of unamortized discount of \$0.1 million, is reflected in Current portion of long-term obligations in the condensed consolidated balance sheets.

Costa Rica Loan—In connection with its acquisition of MIPT, the Company assumed \$32.6 million of secured debt in Costa Rica (the “Costa Rica Loan”), which it repaid in full in February 2014.

Colombian Bridge Loans—In connection with the acquisition of communications sites in Colombia, one of the Company’s Colombian subsidiaries entered into six Colombian Peso (“COP”) denominated bridge loans for an aggregate principal amount of 108.0 billion COP (approximately \$57.4 million). As of June 30, 2014, the interest rate was 7.86% and the maturity date of the loans was July 31, 2014. In July 2014, the maturity date of the loans was extended to August 31, 2014.

Mexican Loan—In connection with the acquisition of towers in Mexico from NII Holdings, Inc. (“NII”) during the fourth quarter of 2013, one of the Company’s Mexican subsidiaries entered into a 5.2 billion Mexican Peso (“MXN”) denominated unsecured bridge loan (the “Mexican Loan”) and subsequently borrowed

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approximately 4.9 billion MXN (approximately \$374.7 million at the date of borrowing). The Mexican subsidiary's ability to draw down the remaining 0.3 billion MXN under the Mexican Loan expired in February 2014. During the six months ended June 30, 2014, the Mexican subsidiary repaid 1.1 billion MXN (approximately \$80.4 million on the date of repayment) of the outstanding indebtedness with cash on hand. As of June 30, 2014, the Company had 3.9 billion MXN (approximately \$298.6 million) outstanding under the Mexican Loan, which is reflected in Current portion of long-term obligations in the condensed consolidated balance sheets.

Colombian Loan—In connection with the establishment of the Company's joint venture with Millicom International Cellular SA ("Millicom") and the acquisition of certain communications sites in Colombia, ATC Colombia B.V., a majority owned subsidiary of the Company, entered into a U.S. Dollar-denominated shareholder loan agreement (the "Colombian Loan"), as the borrower, with the Company's wholly owned subsidiary (the "ATC Colombian Subsidiary"), and a wholly owned subsidiary of Millicom (the "Millicom Subsidiary"), as the lenders. The portion of the Colombian Loan made by the ATC Colombian Subsidiary is eliminated in consolidation, and the portion of the Colombian Loan made by the Millicom Subsidiary is reported as outstanding debt. During the six months ended June 30, 2014, the joint venture borrowed an additional \$3.0 million under the Colombian Loan, which was subsequently converted from debt to equity, and the balance as of June 30, 2014 is \$35.1 million. In July 2014, the Company purchased Millicom's interest in the joint venture and the Colombian Loan using proceeds from borrowings under the Company's \$2.0 billion multi-currency senior unsecured revolving credit facility. As a result, all amounts outstanding under the Colombian Loan will be eliminated in consolidation.

Richland Notes—In connection with its acquisition of entities holding a portfolio of communications sites from Richland Properties LLC and other related entities ("Richland") (see note 14), the Company assumed approximately \$196.5 million of secured debt (the "Richland Notes") and recorded a fair value premium of \$5.5 million upon acquisition. In June 2014, the Company repaid the outstanding indebtedness, paid prepayment consideration and wrote-off the unamortizing premium associated with the fair value adjustment. As a result, the Company recorded a Loss on retirement of long-term obligations in the accompanying condensed consolidated statements of operations of \$1.3 million.

2012 Credit Facility—During the six months ended June 30, 2014, the Company repaid \$88.0 million of outstanding indebtedness under its \$1.0 billion senior unsecured revolving credit facility (the "2012 Credit Facility") with net proceeds from a registered public offering of \$250.0 million aggregate principal amount of reopened 3.40% senior unsecured notes due 2019 and \$500.0 million aggregate principal amount of reopened 5.00% senior unsecured notes due 2024. As of June 30, 2014, the Company has no amounts outstanding under the 2012 Credit Facility and \$7.5 million of undrawn letters of credit. The Company maintains the ability to draw down and repay amounts under the 2012 Credit Facility in the ordinary course.

The 2012 Credit Facility matures on January 31, 2017, does not require amortization of principal and may be paid prior to maturity in whole or in part at the Company's option without penalty or premium. The current margin over the London Interbank Offered Rate ("LIBOR") that the Company would incur (should it choose LIBOR) on borrowings is 1.625%, and the current commitment fee on the undrawn portion of the 2012 Credit Facility is 0.225%.

2013 Credit Facility—During the six months ended June 30, 2014, the Company repaid \$1.4 billion of outstanding indebtedness under its \$2.0 billion multi-currency senior unsecured revolving credit facility (the "2013 Credit Facility") using (i) proceeds from a registered public offering of \$250.0 million aggregate principal amount of reopened 3.40% senior unsecured notes due 2019 and \$500.0 million aggregate principal amount of reopened 5.00% senior unsecured notes due 2024, (ii) proceeds from the issuance of mandatory convertible preferred stock in May 2014 (see note 11) and (iii) cash on hand. During the six months ended June 30, 2014, the Company borrowed an additional \$360.0 million under the 2013 Credit Facility, which it primarily used to fund recent acquisitions, including the acquisition from Richland, and the repayment of the Richland Notes.

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As of June 30, 2014, the Company has \$783.0 million outstanding under the 2013 Credit Facility and approximately \$3.2 million of undrawn letters of credit. In July 2014, the Company borrowed a net amount of \$140.0 million under the 2013 Credit Facility, a portion of which it used to purchase Millicom's interest in the Colombian joint venture and the Colombian Loan. The 2013 Credit Facility includes an expansion option allowing the Company to request additional commitments of up to \$750.0 million, including in the form of a term loan. The Company maintains the ability to draw down and repay amounts under the 2013 Credit Facility in the ordinary course.

The 2013 Credit Facility matures on June 28, 2018 and includes two one-year renewal periods at the Company's option. The 2013 Credit Facility does not require amortization of principal and may be paid prior to maturity in whole or in part at the Company's option without penalty or premium. The current margin over LIBOR that the Company incurs on borrowings is 1.250%, and the current commitment fee on the undrawn portion of the 2013 Credit Facility is 0.150%.

Short-Term Credit Facility—On September 20, 2013, the Company entered into a \$1.0 billion senior unsecured revolving credit facility (the "Short-Term Credit Facility"). The Short-Term Credit Facility does not require amortization of principal and may be repaid prior to maturity in whole or in part at the Company's option without penalty or premium. The Company may reduce or terminate the unutilized portion of the commitments under the Short-Term Credit Facility in whole or in part without penalty.

The Short-Term Credit Facility matures on September 19, 2014. The current margin over LIBOR that the Company would incur (should it choose LIBOR) on borrowings is 1.250%, and the current commitment fee on the undrawn portion is 0.150%. As of June 30, 2014, the Company has no amounts outstanding under the Short-Term Credit Facility and maintains the ability to draw down and repay amounts under the Short-Term Credit Facility in the ordinary course.

2013 Term Loan—On October 29, 2013, the Company entered into a \$1.5 billion unsecured term loan (the "2013 Term Loan"), which includes an expansion option allowing the Company to request additional commitments of up to \$500.0 million. The 2013 Term Loan matures on January 3, 2019, and the current interest rate is LIBOR plus 1.250%.

Senior Notes Offering—On January 10, 2014, the Company completed a registered public offering through a reopening of its (i) 3.40% senior unsecured notes due 2019 (the "3.40% Notes"), in an aggregate principal amount of \$250.0 million and (ii) 5.00% senior unsecured notes due 2024 (the "5.00% Notes"), in an aggregate principal amount of \$500.0 million. The net proceeds from the offering were approximately \$763.8 million, after deducting commissions and estimated expenses. As a result, the aggregate outstanding principal amount of each of the 3.40% Notes and the 5.00% Notes is \$1.0 billion.

The Company used a portion of the proceeds, together with cash on hand, to repay \$88.0 million of outstanding indebtedness under the 2012 Credit Facility and \$710.0 million of outstanding indebtedness under the 2013 Credit Facility.

The reopened 3.40% Notes issued on January 10, 2014 have identical terms as, are fungible with and are part of a single series of senior debt securities with the 3.40% Notes issued on August 19, 2013. The reopened 5.00% Notes issued on January 10, 2014 have identical terms as, are fungible with and are part of a single series of senior debt securities with the 5.00% Notes issued on August 19, 2013.

The 3.40% Notes mature on February 15, 2019 and bear interest at a rate of 3.40% per annum. The 5.00% Notes mature on February 15, 2024 and bear interest at a rate of 5.00% per annum. Accrued and unpaid interest on the 3.40% Notes and the 5.00% Notes is payable in U.S. Dollars semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2014. Interest on the 3.40% Notes and the 5.00% Notes accrues from August 19, 2013 and is computed on the basis of a 360-day year comprised of twelve 30-day months.

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The Company may redeem the 3.40% Notes or the 5.00% Notes at any time at a redemption price equal to 100% of the principal amount, plus a make-whole premium, together with accrued interest to the redemption date. If the Company undergoes a change of control and ratings decline, each as defined in the supplemental indenture, the Company may be required to repurchase all of the 3.40% Notes and the 5.00% Notes at a purchase price equal to 101% of the principal amount of the 3.40% Notes and the 5.00% Notes, plus accrued and unpaid interest (including additional interest, if any), up to but not including the repurchase date. The 3.40% Notes and the 5.00% Notes rank equally with all of the Company's other senior unsecured debt and are structurally subordinated to all existing and future indebtedness and other obligations of its subsidiaries.

The supplemental indenture contains certain covenants that restrict the Company's ability to merge, consolidate or sell assets and its (together with its subsidiaries') ability to incur liens. These covenants are subject to a number of exceptions, including that the Company and its subsidiaries may incur certain liens on assets, mortgages or other liens securing indebtedness, if the aggregate amount of such liens does not exceed 3.5x Adjusted EBITDA, as defined in the supplemental indenture.

6. Derivative Financial Instruments

The Company is exposed to certain risks related to its ongoing business operations. The primary risk managed through the use of derivative instruments is interest rate risk. From time to time, the Company enters into interest rate protection agreements to manage exposure to variability in cash flows relating to forecasted interest payments. Under these agreements, the Company is exposed to credit risk to the extent that a counterparty fails to meet the terms of a contract. The Company's credit risk exposure is limited to the current value of the contract at the time the counterparty fails to perform.

If a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recorded in AOCI and is recognized in the results of operations when the hedged item affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized immediately in the results of operations. For derivative instruments not designated as hedging instruments, changes in fair value are recognized in the results of operations in the period in which the change occurs.

Certain of the Company's foreign subsidiaries have entered into interest rate swap agreements to manage exposure to variability in interest rates on debt in Colombia and South Africa and these interest rate swap agreements have been designated as cash flow hedges.

South Africa

One of the Company's South African subsidiaries has fifteen interest rate swap agreements outstanding, which mature on the earlier of termination of the underlying debt or March 31, 2020. The interest rate swap agreements provide that the Company pay a fixed interest rate ranging from 6.09% to 7.83% and receive variable interest at the three-month Johannesburg Interbank Agreed Rate (JIBAR) over the term of the interest rate swap agreements. The notional value is reduced in accordance with the repayment schedule under the related credit agreement.

Colombia

One of the Company's Colombian subsidiaries has an interest rate swap agreement outstanding, which matures on the earlier of termination of the underlying debt or November 30, 2020. The interest rate swap agreement provides that the Company pay a fixed interest rate of 5.78% and receive variable interest at the three-month Inter-bank Rate (IBR) over the term of the interest rate swap agreement. The notional value is reduced in accordance with the repayment schedule under the related credit agreement.

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Costa Rica

One of the Company's Costa Rican subsidiaries had three interest rate swaps agreements, which were terminated upon repayment of the Costa Rica Loan in February 2014.

The notional amount and fair value of the interest rate swap agreements are as follows (in thousands):

	June 30, 2014		December 31, 2013	
	Local	USD	Local	USD
South Africa (ZAR)				
Notional	457,079	42,969	469,354	44,732
Fair Value	3,773	355	939	90
Colombia (COP)				
Notional	100,743,750	53,553	101,250,000	52,547
Fair Value	(1,625,102)	(864)	(3,000,236)	(1,557)
Costa Rica (USD)				
Notional	—	—	N/A	42,000
Fair Value	—	—	N/A	(628)

As of June 30, 2014 and December 31, 2013, the South African interest rate swap agreements were in an asset position and were included in Notes receivable and other non-current assets on the condensed consolidated balance sheets. The Colombian interest rate swap agreement was in a liability position and was included in Other non-current liabilities on the condensed consolidated balance sheets.

During the three months ended June 30, 2014 and 2013, the interest rate swap agreements had the following impact on the Company's condensed consolidated financial statements (in thousands):

Three Months Ended June 30,	Gain(Loss) Recognized in Other Comprehensive Income—Effective Portion	Gain(Loss) Reclassified from AOCI into Income - Effective Portion	Location of Gain(Loss) Reclassified from AOCI into Income - Effective Portion	Gain(Loss) Recognized in Income - Ineffective Portion	Location of Gain(Loss) Recognized in Income - Ineffective Portion
2014	\$ 226	\$ (670)	Interest Expense	N/A	N/A
2013	\$ 4,138	\$ (704)	Interest Expense	N/A	N/A

During the six months ended June 30, 2014 and 2013, the interest rate swap agreements had the following impact on the Company's condensed consolidated financial statements (in thousands):

Six Months Ended June 30,	Gain(Loss) Recognized in Other Comprehensive Income—Effective Portion	Gain(Loss) Reclassified from AOCI into Income - Effective Portion	Location of Gain(Loss) Reclassified from AOCI into Income - Effective Portion	Gain(Loss) Recognized in Income - Ineffective Portion	Location of Gain(Loss) Recognized in Income - Ineffective Portion
2014	\$ (361)	\$ (1,639)	Interest Expense	N/A	N/A
2013	\$ 3,205	\$ (1,312)	Interest Expense	N/A	N/A

As of June 30, 2014, approximately \$0.7 million related to derivatives designated as cash flow hedges and recorded in AOCI is expected to be reclassified into earnings in the next twelve months.

For additional information on the Company's interest rate swap agreements, see notes 7 and 8.

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7. Fair Value Measurements

The Company determines the fair value of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Below are the three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Items Measured at Fair Value on a Recurring Basis—The fair value of the Company’s financial assets and liabilities that are required to be measured on a recurring basis at fair value is as follows (in thousands):

	June 30, 2014			Assets/Liabilities at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Assets:				
Short-term investments (1)		\$ 15,298		\$ 15,298
Interest rate swap agreements		\$ 355		\$ 355
Liabilities:				
Acquisition-related contingent consideration			\$ 31,025	\$ 31,025
Interest rate swap agreements		\$ 864		\$ 864
	December 31, 2013			Assets/Liabilities at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Assets:				
Short-term investments (1)		\$ 18,612		\$ 18,612
Interest rate swap agreements		\$ 90		\$ 90
Liabilities:				
Acquisition-related contingent consideration			\$ 31,890	\$ 31,890
Interest rate swap agreements		\$ 2,185		\$ 2,185

(1) Consists of highly liquid investments with original maturities in excess of three months.

Interest Rate Swap Agreements

The fair value of the Company’s interest rate swap agreements is determined using pricing models with inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Fair valuations of the interest rate swap agreements reflect the value of the instrument including the values associated with counterparty risk, the Company’s own credit standing and the value of the net credit differential between the counterparties to the derivative contract.

Acquisition-Related Contingent Consideration

The Company may be required to pay additional consideration under certain agreements for the acquisition of communications sites if specific conditions are met or events occur. In Colombia and Ghana, the Company

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may be required to pay additional consideration upon the conversion of certain barter agreements with other wireless carriers to cash-paying lease agreements. In addition, in Costa Rica, Panama and the United States, the Company may be required to pay additional consideration if certain pre-designated tenant leases commence during a specified period of time.

Acquisition-related contingent consideration is initially measured and recorded at fair value as an element of consideration paid in connection with an acquisition with subsequent adjustments recognized in Other operating expenses in the condensed consolidated statements of operations. The Company determines the fair value of acquisition-related contingent consideration, and any subsequent changes in fair value using a discounted probability-weighted approach. This approach takes into consideration Level 3 unobservable inputs including probability assessments of expected future cash flows over the period in which the obligation is expected to be settled and applies a discount factor that captures the uncertainties associated with the obligation. Changes in these unobservable inputs could significantly impact the fair value of the liabilities recorded in the accompanying condensed consolidated balance sheets and adjustments recorded in the condensed consolidated statements of operations.

As of June 30, 2014, the Company estimates that the value of all potential acquisition-related contingent consideration required payments to be between zero and \$44.6 million. During the three months ended June 30, 2014 and 2013, the fair value of the contingent consideration changed as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Balance as of April 1	\$31,342	\$25,201
Additions	406	313
Payments	(674)	(1,033)
Change in fair value	(952)	(2,007)
Foreign currency translation adjustment	903	(1,256)
Balance as of June 30	<u>\$31,025</u>	<u>\$21,218</u>

During the six months ended June 30, 2014 and 2013, the fair value of the contingent consideration changed as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Balance as of January 1	\$31,890	\$23,711
Additions	406	478
Payments	(1,289)	(4,222)
Change in fair value	(370)	3,307
Foreign currency translation adjustment	388	(2,056)
Balance as of June 30	<u>\$31,025</u>	<u>\$21,218</u>

Items Measured at Fair Value on a Nonrecurring Basis

Assets held and used—The Company's long-lived assets are measured at fair value on a nonrecurring basis using Level 3 inputs. During the three and six months ended June 30, 2014, the Company did not record any asset impairment charges and during the three and six months ended June 30, 2013, the Company recorded an asset impairment charge of \$0.1 million.

Assets held-for-sale—During the three months ended June 30, 2014, based on a strategic review of the international rental and management segment and components of the network development services segment, the Company determined that its operations in Panama and its third-party structural analysis business were held-for-sale.

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As of June 30, 2014, the net carrying value of the assets and liabilities held-for-sale in Panama is \$15.1 million, primarily including \$8.0 million of Property and equipment, net and \$5.6 million of Other intangible assets, net. The carrying value approximates fair value and, as a result, the Company did not record any impairment charges during the three and six months ended June 30, 2014.

As of June 30, 2014, the carrying value of the assets held-for-sale related to the Company's third-party structural analysis business is \$2.4 million of Other intangible assets, net, which reflects an impairment charge of \$4.1 million related to the write down of intangibles and goodwill to fair value. The Company completed the sale of this business in July 2014.

The impairment charges for both assets held and used and assets held-for-sale are recorded in Other operating expenses in the accompanying condensed consolidated statements of operations. These adjustments were determined by comparing the estimated net proceeds from sale of assets or the projected future discounted cash flows to be provided from the long-lived assets (calculated using Level 3 inputs) to the asset's carrying value. There were no other items measured at fair value on a nonrecurring basis during the six months ended June 30, 2014.

Fair Value of Financial Instruments—The carrying value of the Company's financial instruments that reasonably approximate fair value at June 30, 2014 and December 31, 2013 includes cash and cash equivalents, restricted cash, accounts receivable and accounts payable. The Company's estimates of fair value of its long-term obligations, including the current portion, are based primarily upon reported market values. For long-term debt not actively traded, fair value was estimated using either indicative price quotes or a discounted cash flow analysis using rates for debt with similar terms and maturities. As of June 30, 2014, the carrying value and fair value of long-term obligations, including the current portion, are \$14.0 billion and \$14.5 billion, respectively, of which \$9.2 billion was measured using Level 1 inputs and \$5.3 billion was measured using Level 2 inputs. As of December 31, 2013, the carrying value and fair value of long-term obligations, including the current portion, were \$14.5 billion and \$14.7 billion, respectively, of which \$8.6 billion was measured using Level 1 inputs and \$6.1 billion was measured using Level 2 inputs.

8. Accumulated Other Comprehensive Loss

The changes in Accumulated other comprehensive loss for the three months ended June 30, 2014 and 2013 are as follows (in thousands):

	<u>Unrealized Losses on Cash Flow Hedges (1)</u>	<u>Deferred Loss on the Settlement of the Treasury Rate Lock</u>	<u>Foreign Currency Items</u>	<u>Total</u>
Balance as of April 1, 2014	\$ (1,970)	\$ (2,829)	\$(267,611)	\$(272,410)
Other comprehensive income before reclassifications, net of tax	325	—	20,622	20,947
Amounts reclassified from accumulated other comprehensive loss, net of tax	344	199	—	543
Net current-period other comprehensive income	669	199	20,622	21,490
Balance as of June 30, 2014	<u>\$ (1,301)</u>	<u>\$ (2,630)</u>	<u>\$(246,989)</u>	<u>\$(250,920)</u>

(1) Losses on cash flow hedges have been reclassified into Interest expense in the accompanying condensed consolidated statements of operations. The tax effect of less than \$0.1 million is included in income tax expense for the three months ended June 30, 2014.

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	Unrealized Losses on Cash Flow Hedges (1)	Deferred Loss on the Settlement of the Treasury Rate Lock	Foreign Currency Items	Total
Balance as of April 1, 2013	\$ (5,162)	\$ (3,628)	\$ (149,253)	\$(158,043)
Other comprehensive income (loss) before reclassifications, net of tax	3,570	—	(120,394)	(116,824)
Amounts reclassified from accumulated other comprehensive loss, net of tax	410	201	—	611
Net current-period other comprehensive income (loss)	3,980	201	(120,394)	(116,213)
Balance as of June 30, 2013	<u>\$ (1,182)</u>	<u>\$ (3,427)</u>	<u>\$ (269,647)</u>	<u>\$(274,256)</u>

(1) Losses on cash flow hedges have been reclassified into Interest expense in the accompanying condensed consolidated statements of operations. The tax effect of less than \$0.1 million is included in income tax expense for the three months ended June 30, 2013.

The changes in Accumulated other comprehensive loss for the six months ended June 30, 2014 and 2013 are as follows (in thousands):

	Unrealized Losses on Cash Flow Hedges (1)	Deferred Loss on the Settlement of the Treasury Rate Lock	Foreign Currency Items	Total
Balance as of January 1, 2014	\$ (1,869)	\$ (3,029)	\$ (306,322)	\$(311,220)
Other comprehensive (loss) income before reclassifications, net of tax	(455)	—	59,333	58,878
Amounts reclassified from accumulated other comprehensive loss, net of tax	1,023	399	—	1,422
Net current-period other comprehensive income	568	399	59,333	60,300
Balance as of June 30, 2014	<u>\$ (1,301)</u>	<u>\$ (2,630)</u>	<u>\$ (246,989)</u>	<u>\$(250,920)</u>

(1) Losses on cash flow hedges have been reclassified into Interest expense in the accompanying condensed consolidated statements of operations. The tax effect of \$0.1 million is included in income tax expense for the six months ended June 30, 2014.

	Unrealized Losses on Cash Flow Hedges (1)	Deferred Loss on the Settlement of the Treasury Rate Lock	Foreign Currency Items	Total
Balance as of January 1, 2013	\$ (4,358)	\$ (3,827)	\$ (175,162)	\$(183,347)
Other comprehensive income (loss) before reclassifications, net of tax	2,456	—	(94,485)	(92,029)
Amounts reclassified from accumulated other comprehensive loss, net of tax	720	400	—	1,120
Net current-period other comprehensive income (loss)	3,176	400	(94,485)	(90,909)
Balance as of June 30, 2013	<u>\$ (1,182)</u>	<u>\$ (3,427)</u>	<u>\$ (269,647)</u>	<u>\$(274,256)</u>

(1) Losses on cash flow hedges have been reclassified into Interest expense in the accompanying condensed consolidated statements of operations. The tax effect of \$0.1 million is included in income tax expense for the six months ended June 30, 2013.

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9. Income Taxes

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year. Cumulative adjustments to the Company's estimate are recorded in the interim period in which a change in the estimated annual effective tax rate is determined. The Company reorganized to qualify as a REIT for the taxable year commencing January 1, 2012. As a REIT, the Company continues to be subject to income taxes on the income of its TRSs, and taxation in foreign jurisdictions where it conducts international operations. Under the provisions of the Internal Revenue Code of 1986, as amended, the Company may deduct amounts distributed to stockholders against the income generated in its QRSs. The Company is able to offset income in both its TRSs and QRSs by utilizing their respective net operating losses. In addition, MIPT has been organized and has qualified as a REIT. For so long as MIPT continues to elect separate REIT status, it is independently subject to, and must comply with, the same REIT requirements that the Company must satisfy in order to qualify as a REIT, together with all other rules applicable to REITs.

The Company provides valuation allowances if, based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets.

As of June 30, 2014 and December 31, 2013, the total amount of unrecognized tax benefits that would impact the effective tax rate, if recognized, was approximately \$37.7 million and \$31.1 million, respectively. The increase in the amount of unrecognized tax benefits during the three and six months ended June 30, 2014 is primarily attributable to the additions to the Company's existing tax positions and fluctuations in foreign currency exchange rates. The Company expects the unrecognized tax benefits to change over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this timeframe, as described in note 14 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013. The impact of the amount of such changes to previously recorded uncertain tax positions could range from zero to \$14.6 million.

The Company recorded penalties and income tax-related interest expense during the three and six months ended June 30, 2014 of \$1.9 million and \$3.2 million, respectively, and during the three and six months ended June 30, 2013 of \$1.3 million and \$2.6 million, respectively. As of June 30, 2014 and December 31, 2013, the total amount of accrued penalties and income tax-related interest included in Other non-current liabilities in the condensed consolidated balance sheets was \$34.8 million and \$30.9 million, respectively.

10. Stock-Based Compensation

The Company recognized stock-based compensation expense during the three and six months ended June 30, 2014 of \$18.8 million and \$43.4 million, respectively, and stock-based compensation expense during the three and six months ended June 30, 2013 of \$17.1 million and \$38.1 million, respectively. Stock-based compensation expense for the three and six months ended June 30, 2013 included \$1.1 million related to the modification of the vesting and exercise terms for certain employees' equity awards. The Company capitalized stock-based compensation expense of \$0.4 million during each of the three months ended June 30, 2014 and 2013, and \$0.8 million during each of the six months ended June 30, 2014 and 2013, as property and equipment.

Summary of Stock-Based Compensation Plans—The Company maintains equity incentive plans that provide for the grant of stock-based awards to its directors, officers and employees. The 2007 Equity Incentive Plan (the "2007 Plan") provides for the grant of non-qualified and incentive stock options, as well as restricted stock units, restricted stock and other stock-based awards. Exercise prices in the case of non-qualified and incentive stock options are not less than the fair value of the underlying common stock on the date of grant. Equity awards

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typically vest ratably over various periods, generally four years, and stock options generally expire ten years from the date of grant. As of June 30, 2014, the Company has the ability to grant stock-based awards with respect to an aggregate of 14.2 million shares of common stock under the 2007 Plan.

The Company's Compensation Committee adopted a death, disability and retirement benefits program in connection with equity awards granted on or after January 1, 2013, which provides for accelerated vesting and extended exercise periods of stock options and restricted stock units upon an employee's death or permanent disability, or upon an employee's qualified retirement, provided certain eligibility criteria are met. Due to the accelerated recognition of stock-based compensation expense related to awards granted to retirement eligible employees, the Company recognized an incremental \$1.2 million and \$9.7 million of stock-based compensation expense during the three and six months ended June 30, 2014, respectively, and an incremental \$0.6 million and \$7.3 million of stock-based compensation expense during the three and six months ended June 30, 2013, respectively.

Stock Options—The Company's option activity for the six months ended June 30, 2014 is as follows:

	Number of Options
Outstanding as of January 1, 2014	6,106,171
Granted	1,858,633
Exercised	(627,037)
Forfeited	(100,830)
Expired	(33,188)
Outstanding as of June 30, 2014	<u>7,203,749</u>

The fair value of each option granted during the six months ended June 30, 2014 is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions noted in the table below:

Range of risk-free interest rate	1.46%-1.74%
Weighted average risk-free interest rate	1.64%
Expected life of option grants	4.5 years
Range of expected volatility of underlying stock price	22.45% -23.35%
Weighted average expected volatility of underlying stock price	23.09%
Expected annual dividend yield	1.50%

The weighted average grant date fair value per share during the six months ended June 30, 2014 was \$14.84. As of June 30, 2014, total unrecognized compensation expense related to unvested stock options is \$45.2 million and is expected to be recognized over a weighted average period of approximately two years.

Restricted Stock Units—The following table summarizes the Company's restricted stock unit activity during the six months ended June 30, 2014:

	Number of Units
Outstanding as of January 1, 2014	1,840,137
Granted	786,584
Vested	(689,501)
Forfeited	(91,769)
Outstanding as of June 30, 2014	<u>1,845,451</u>

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As of June 30, 2014, total unrecognized compensation expense related to unvested restricted stock units granted under the 2007 Plan is \$102.7 million and is expected to be recognized over a weighted average period of approximately two years.

Employee Stock Purchase Plan—The Company maintains an employee stock purchase plan (“ESPP”) for all eligible employees as described in note 15 to the Company’s consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013. Under the ESPP, shares of the Company’s common stock may be purchased on the last day of each bi-annual offering period at a 15% discount of the lower of the closing market value on the first or last day of such offering period. The offering periods run from June 1 through November 30 and from December 1 through May 31 of each year. During the six months ended June 30, 2014, employee contributions were accumulated to purchase an estimated 44,000 shares under the ESPP.

Key assumptions used to apply the Black-Scholes pricing model for shares purchased through the ESPP during the six months ended June 30, 2014, which resulted in a fair value per share of \$14.35, are as follows:

Approximate risk-free interest rate	0.11%
Expected life of shares	6 months
Expected volatility of underlying stock price over the option period	16.59%
Expected annual dividend yield	1.50%

11. Equity

5.25% Mandatory Convertible Preferred Stock Offering—On May 12, 2014, the Company completed a registered public offering of 6,000,000 shares of its 5.25% Mandatory Convertible Preferred Stock, Series A, par value \$0.01 per share (the “Mandatory Convertible Preferred Stock”). The net proceeds of the offering were \$582.9 million after deducting commissions and estimated expenses. The Company used the net proceeds from this offering to fund recent acquisitions, including the acquisition from Richland, initially funded by indebtedness incurred under the 2013 Credit Facility.

Unless converted earlier, each share of the Mandatory Convertible Preferred Stock will automatically convert on May 15, 2017, into between 0.9174 and 1.1468 shares of common stock, depending on the applicable market value of the common stock and subject to anti-dilution adjustments. Subject to certain restrictions, at any time prior to May 15, 2017, holders of the Mandatory Convertible Preferred Stock may elect to convert all or a portion of their shares into common stock at the minimum conversion rate then in effect.

Dividends on shares of Mandatory Convertible Preferred Stock are payable on a cumulative basis when, as and if declared by the Company’s Board of Directors (or an authorized committee thereof) at an annual rate of 5.25% on the liquidation preference of \$100.00 per share, on February 15, May 15, August 15 and November 15 of each year, commencing on August 15, 2014 to, and including, May 15, 2017. The Company may pay dividends in cash or, subject to certain limitations, in shares of common stock or any combination of cash and shares of common stock. The terms of the Mandatory Convertible Preferred Stock provide that, unless full cumulative dividends have been paid or set aside for payment on all outstanding Mandatory Convertible Preferred Stock for all prior dividend periods, no dividends may be declared or paid on common stock.

Stock Repurchase Program—In March 2011, the Board of Directors approved a stock repurchase program, pursuant to which the Company is authorized to purchase up to \$1.5 billion of common stock (the “2011 Buyback”). On September 6, 2013, the Company temporarily suspended repurchases in connection with its acquisition of MIPT.

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Under the 2011 Buyback, the Company is authorized to purchase shares from time to time through open market purchases or privately negotiated transactions at prevailing prices in accordance with securities laws and other legal requirements, and subject to market conditions and other factors. To facilitate repurchases, the Company makes purchases pursuant to trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, which allows the Company to repurchase shares during periods when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods.

The Company continues to manage the pacing of the remaining \$1.1 billion under the 2011 Buyback in response to general market conditions and other relevant factors, including its financial policies. The Company expects to fund any further repurchases of its common stock through a combination of cash on hand, cash generated by operations and borrowings under its credit facilities. Purchases under the 2011 Buyback are subject to the Company having available cash to fund repurchases.

Sales of Equity Securities—The Company receives proceeds from sales of its equity securities pursuant to its ESPP and upon exercise of stock options granted under its equity incentive plans. During the six months ended June 30, 2014, the Company received an aggregate of \$30.7 million in proceeds upon exercises of stock options and from its ESPP.

Distributions—During the six months ended June 30, 2014, the Company declared the following cash distributions:

	<u>Declaration Date</u>	<u>Payment Date</u>	<u>Record Date</u>	<u>Distribution per share</u>	<u>Aggregate Payment Amount (in millions)</u>
Common stock	March 6, 2014	April 25, 2014	April 10, 2014	\$ 0.32	\$ 126.6
Common stock	May 21, 2014	July 16, 2014	June 17, 2014	\$ 0.34	\$ 134.6
Preferred stock	May 21, 2014	August 15, 2014	August 1, 2014	\$ 1.3563	\$ 8.1

The Company accrues distributions on unvested restricted stock unit awards granted subsequent to January 1, 2012, which are payable upon vesting. As of June 30, 2014, the amount accrued for distributions payable related to unvested restricted stock units is \$2.3 million. During the six months ended June 30, 2014, the Company paid \$0.6 million of distributions upon the vesting of restricted stock units.

To maintain its REIT status, the Company expects to continue paying regular distributions, the amount, timing and frequency of which will be determined, and subject to adjustment, by the Company's Board of Directors.

12. Earnings Per Share

Basic net income per common share represents net income attributable to American Tower Corporation common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted net income per common share represents net income attributable to American Tower Corporation common stockholders divided by the weighted average number of common shares outstanding during the period and any dilutive common share equivalents, including shares issuable (i) upon the vesting of restricted stock awards, (ii) upon exercise of stock options and (iii) upon conversion of the Mandatory Convertible Preferred Stock (see note 11). Dilutive common share equivalents also include the dilutive impact of the Verizon transaction (see note 13).

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The Company uses the treasury stock method to calculate the effect of its outstanding restricted stock awards and stock options and uses the if-converted method to calculate the effect of its outstanding Mandatory Convertible Preferred Stock. The following table sets forth basic and diluted net income per common share computational data for the three and six months ended June 30, 2014 and 2013 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income attributable to American Tower Corporation stockholders	\$ 234,431	\$ 99,821	\$ 436,930	\$ 271,228
Dividends declared on preferred stock	(4,375)	—	(4,375)	—
Net income attributable to American Tower Corporation common stockholders	230,056	99,821	432,555	271,228
Basic weighted average common shares outstanding	395,872	395,420	395,511	395,330
Dilutive securities	3,716	4,038	3,941	4,329
Diluted weighted average common shares outstanding	399,588	399,458	399,452	399,659
Basic net income attributable to American Tower Corporation common stockholders per common share	\$ 0.58	\$ 0.25	\$ 1.09	\$ 0.69
Diluted net income attributable to American Tower Corporation common stockholders per common share	\$ 0.58	\$ 0.25	\$ 1.08	\$ 0.68

Shares Excluded From Dilutive Effect

The following shares were not included in the computation of diluted earnings per share because the effect would be anti-dilutive (in thousands, on a weighted average basis):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Restricted stock awards	3	—	1	—
Stock options	2,497	1,229	2,342	860
Preferred stock (1)	3,733	—	1,877	—

(1) Issued on May 12, 2014.

13. Commitments and Contingencies

Litigation

The Company periodically becomes involved in various claims, lawsuits and proceedings that are incidental to its business. In the opinion of Company management, after consultation with counsel, there are no matters currently pending that would, in the event of an adverse outcome, materially impact the Company's consolidated financial position, results of operations or liquidity.

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TriStar Litigation—The Company was involved in several lawsuits against TriStar Investors LLP and its affiliates (“TriStar”) in various states regarding single tower sites where TriStar had taken land interests under the Company’s owned or managed sites and the Company believes TriStar induced the landowner to breach obligations to the Company. In addition, on February 16, 2012, TriStar brought a federal action against the Company in the United States District Court for the Northern District of Texas (the “District Court”), in which TriStar principally alleged that the Company made misrepresentations to landowners when competing with TriStar for land under the Company’s owned or managed sites. On January 22, 2013, the Company filed an amended answer and counterclaim against TriStar and certain of its employees, denying TriStar’s claims and asserting that TriStar engaged in a pattern of unlawful activity, including: (i) entering into agreements not to compete for land under certain towers; and (ii) making widespread misrepresentations to landowners regarding both TriStar and the Company. Both parties sought injunctive relief that would prohibit the other party from making certain statements when interacting with landowners, as well as significant damages. On April 3, 2014, the District Court ruled on the parties’ cross-motions for summary judgment, permitting both parties’ claims of misrepresentation to proceed to trial, as well as related state law actions, and dismissing certain of the parties’ other claims. Pursuant to a Settlement Agreement dated July 9, 2014, all pending state and federal actions between the Company and TriStar were dismissed with prejudice and without payment of damages.

Commitments

AT&T Transaction—The Company has an agreement with SBC Communications Inc., a predecessor entity to AT&T Inc. (“AT&T”), that currently provides for the lease or sublease of approximately 2,430 towers from AT&T with the lease commencing between December 2000 and August 2004. Substantially all of the towers are part of the Company’s securitization transaction completed in March 2013. The average term of the lease or sublease for all sites at the inception of the agreement was approximately 27 years, assuming renewals or extensions of the underlying ground leases for the sites. The Company has the option to purchase the sites subject to the applicable lease or sublease upon its expiration. Each tower is assigned to an annual tranche, ranging from 2013 to 2032, which represents the outside expiration date for the sublease rights to that tower. The purchase price for each site is a fixed amount stated in the sublease for that site plus the fair market value of certain alterations made to the related tower by AT&T. As of June 30, 2014, the Company has purchased four of the subleased towers upon expiration of the applicable agreement. The aggregate purchase option price for the remaining towers leased and subleased is approximately \$623.5 million, and will accrete at a rate of 10% per year to the applicable expiration of the lease or sublease of a site. For all such sites purchased by the Company prior to June 30, 2020, AT&T will continue to lease the reserved space at the then-current monthly fee which shall escalate in accordance with the standard master lease agreement for the remainder of AT&T’s tenancy. Thereafter, AT&T shall have the right to renew such lease for up to four successive five-year terms. For all such sites purchased by the Company subsequent to June 30, 2020, AT&T has the right to continue to lease the reserved space for successive one-year terms at a rent equal to the lesser of the agreed upon market rate and the then-current monthly fee, which is subject to an annual increase based on changes in the Consumer Price Index.

Verizon Transaction—In December 2000, the Company entered into an agreement with ALLTEL, a predecessor entity to Verizon Wireless (“Verizon”), to acquire towers through a 15-year sublease agreement. Pursuant to the agreement, as amended, with Verizon, the Company acquired rights to approximately 1,800 towers in tranches between April 2001 and March 2002. The Company has the option to purchase each tower at the expiration of the applicable sublease, which will occur in tranches between April 2016 and March 2017 based on the original closing date for such tranche of towers. The purchase price per tower as of the original closing date was \$27,500 and will accrete at a rate of 3% per annum through the expiration of the applicable sublease. The aggregate purchase option price for the subleased towers is approximately \$72.2 million as of June 30, 2014. At Verizon’s option, at the expiration of the sublease, the purchase price would be payable in cash or with 769 shares of the Company’s common stock per tower, which would be valued at approximately \$122.8 million in the aggregate based on the closing price at June 30, 2014.

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Other Contingencies—The Company is subject to income tax and other taxes in the geographic areas where it operates, and periodically receives notifications of audits, assessments or other actions by taxing authorities. The Company evaluates the circumstances of each notification based on the information available, and records a liability for any potential outcome that is probable or more likely than not unfavorable, if the liability is also reasonably estimable. On January 21, 2014, the Company received an income tax assessment in the amount of 22.6 billion Indian Rupees (approximately \$369.0 million on the date of assessment), asserting tax liabilities arising out of a transfer pricing review of transactions by Essar Telecom Infrastructure Private Limited (“ETIPL”), and more specifically involving the issuance of share capital and the determination by the tax authority that an income tax obligation arose as a result of such issuance. The assessment was made with respect to transactions that took place in the tax year commencing in 2008, prior to the Company’s acquisition of ETIPL. Under the Company’s definitive acquisition agreement of ETIPL, the seller is obligated to indemnify and defend the Company with respect to any tax-related liability that may arise from activities prior to March 31, 2010. The Company believes that there is no basis upon which the tax assessment can be enforced under existing tax law and accordingly has not recorded an obligation in the consolidated financial statements. The assessment is being challenged with the appellate authorities.

14. Acquisitions

All of the acquisitions described below are accounted for as business combinations and are consistent with the Company’s strategy to expand in selected geographic areas.

The estimates of the fair value of the assets acquired and liabilities assumed at the date of the applicable acquisition are subject to adjustment during the measurement period (up to one year from the particular acquisition date). The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired and liabilities assumed, including contingent consideration, and residual goodwill and any related tax impact. The fair value of these net assets acquired are based on management’s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. While the Company believes that such preliminary estimates provide a reasonable basis for estimating the fair value of assets acquired and liabilities assumed, it will evaluate any necessary information prior to finalization of the fair value. During the measurement period, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the revised estimated values of those assets or liabilities as of that date. The effect of measurement period adjustments to the estimated fair values is reflected as if the adjustments had been completed on the acquisition date. The impact of all changes that do not qualify as measurement period adjustments are included in current period earnings. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the condensed consolidated financial statements could be subject to a possible impairment of the intangible assets or goodwill, or require acceleration of the amortization expense of intangible assets in subsequent periods. During the six months ended June 30, 2014, the Company made certain purchase accounting measurement period adjustments related to several acquisitions and therefore retrospectively adjusted the fair value of the assets acquired and liabilities assumed in the condensed consolidated balance sheet as of December 31, 2013.

Impact of current year acquisitions—The Company typically acquires communications sites from wireless carriers or other tower operators and subsequently integrates those sites into its existing portfolio of communications sites. The financial results of the Company’s acquisitions have been included in the Company’s condensed consolidated statements of operations for the three and six months ended June 30, 2014 from the date of respective acquisition. The date of acquisition, and by extension the point at which the Company begins to recognize the results of an acquisition may be dependent upon, among other things, the receipt of contractual consents, the commencement and extent of leasing arrangements and the timing of the transfer of title or rights to

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the assets, which may be accomplished in phases. For sites acquired from communications service providers, these sites may never have been operated as a business and were utilized solely by the seller as a component of their network infrastructure. An acquisition, depending on its size and nature, may or may not involve the transfer of business operations or employees.

The estimated aggregate impact of the 2014 acquisitions on the Company's revenues and gross margin for the six months ended June 30, 2014 is approximately \$10.2 million and \$7.6 million, respectively. The revenues and gross margin amounts also reflect incremental revenues from the addition of new tenants to the acquired sites subsequent to the date of acquisition. Incremental amounts of segment selling, general, administrative and development expense have not been reflected as the amounts attributable to acquisitions are not comparable.

The Company recognizes acquisition and merger related costs in the period in which they are incurred and services are received. Acquisition and merger related costs may include finder's fees, advisory, legal, accounting, valuation and other professional or consulting fees and general administrative costs, and are included in Other operating expenses in the condensed consolidated statements of operations. During the three and six months ended June 30, 2014, the Company recognized acquisition and merger related expenses, including the fair value adjustments to contingent consideration, of \$4.8 million and \$14.6 million, respectively. During the three and six months ended June 30, 2013, the Company recognized acquisition and merger related expenses, including the fair value adjustments to contingent consideration, of \$3.3 million and \$16.9 million, respectively. In addition, during the three and six months ended June 30, 2014, the Company recorded \$3.2 million and \$5.7 million, respectively, of integration costs related to recently closed acquisitions.

2014 Acquisitions

Richland Acquisition—On April 3, 2014, the Company, through one of its wholly-owned subsidiaries, acquired entities holding a portfolio of 60 communications sites, which at the time of acquisition were leased primarily to radio and television broadcast tenants, and four property interests in the United States from Richland for an aggregate purchase price of \$385.9 million. The purchase price was satisfied with approximately \$182.9 million in cash, approximately \$6.5 million payable to the seller upon satisfaction of certain closing conditions and the assumption of \$196.5 million of existing indebtedness. In June 2014, the Company repaid the outstanding indebtedness, paid prepayment consideration and wrote-off the unamortized premium associated with the fair value adjustment (see note 5).

International Acquisitions—During the six months ended June 30, 2014, the Company acquired a total of 136 communications sites and related assets in Brazil, Ghana and Mexico, for an aggregate purchase price of \$25.8 million (including value added tax of \$0.8 million) and acquired additional net assets of approximately \$0.1 million. The Company also acquired 299 communications sites in Mexico for an aggregate purchase price of \$44.1 million (including value added tax of \$5.6 million). The Company assumed net liabilities of approximately \$3.8 million, resulting in total consideration of approximately \$40.3 million, which was satisfied by the issuance of approximately \$36.3 million of credits to be applied against trade accounts receivable and cash consideration of approximately \$4.0 million. Each purchase price is subject to post-closing adjustments.

Other U.S. Acquisitions—During the six months ended June 30, 2014, the Company acquired a total of 30 communications sites and equipment, as well as four property interests, in the United States for an aggregate purchase price of \$33.6 million (including \$0.4 million of contingent consideration). The Company also assumed net liabilities of approximately \$0.4 million, resulting in total consideration of approximately \$33.2 million. The aggregate purchase price is subject to post-closing adjustments.

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The following table summarizes the preliminary allocation of the aggregate purchase price paid and the amounts of assets acquired and liabilities assumed for the fiscal year 2014 acquisitions based upon their estimated fair value at the date of acquisition (in thousands). Balances are reflected in the accompanying condensed consolidated balance sheets as of June 30, 2014.

	<u>Richland</u>	<u>International</u>	<u>Other U.S.</u>
Current assets	\$ 7,819	\$ 7,309	\$ 20
Non-current assets	—	996	—
Property and equipment	173,686	29,900	7,696
Intangible assets (1):			
Customer-related intangible assets	185,000	20,409	18,928
Network location intangible assets	1,800	10,772	3,370
Current liabilities	(3,954)	(1,307)	(439)
Long-term obligations (2)	(201,999)	—	—
Other non-current liabilities	(2,922)	(6,126)	(74)
Fair value of net assets acquired	<u>\$ 159,430</u>	<u>\$ 61,953</u>	<u>\$ 29,501</u>
Goodwill (3)	29,996	4,232	3,675

- (1) Customer-related intangible assets and network location intangible assets are amortized on a straight-line basis over periods of up to 20 years.
- (2) Long-term obligations included \$196.5 million of Richland's existing indebtedness and a fair value adjustment of \$5.5 million. The fair value adjustment was based primarily on reported market values using Level 2 inputs.
- (3) Goodwill was allocated to the Company's domestic and international rental and management segments, as applicable, and the Company expects goodwill recorded will be deductible for tax purposes.

2013 Acquisitions

MIPT Acquisition

On October 1, 2013, the Company, through its wholly owned subsidiary American Tower Investments LLC, acquired 100% of the outstanding common membership interests of MIPT, a private REIT and the parent company of GTP, an owner and operator, through its various operating subsidiaries, of approximately 4,860 communications sites in the United States and approximately 510 communications sites in Costa Rica and Panama. GTP also manages rooftops and holds property interests that it leases to communications service providers and third-party tower operators.

The preliminary purchase price of \$4.9 billion was satisfied with approximately \$3.3 billion in cash, including an aggregate of approximately \$2.8 billion from borrowings under the Company's credit facilities, and the assumption of approximately \$1.5 billion of MIPT's existing indebtedness.

The consideration consisted of the following (in thousands):

Cash consideration (1)	\$ 3,330,462
Assumption of existing indebtedness at historical cost	<u>1,527,621</u>
Estimated total purchase price	<u>\$ 4,858,083</u>

- (1) Cash consideration includes \$14.5 million of an additional purchase price adjustment which was paid to the sellers during the six months ended June 30, 2014 and is reflected in Accrued expenses on the consolidated balance sheet included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

The following table summarizes the updated allocation of the aggregate purchase price paid and the amounts of assets acquired and liabilities assumed for the MIPT acquisition based upon the estimated fair value at the date of acquisition (in thousands).

	Updated Purchase Price Allocation (1)	Preliminary Purchase Price Allocation (2)
Cash and cash equivalents	\$ 35,967	\$ 35,967
Restricted cash	30,883	30,883
Accounts receivable, net	10,021	10,021
Prepaid and other current assets	35,614	22,875
Property and equipment	920,782	996,901
Intangible assets (3):		
Customer-related intangible assets	2,464,300	2,629,188
Network location intangible assets	532,000	467,300
Notes receivable and other non-current assets	63,682	4,220
Accounts payable	(9,456)	(9,249)
Accrued expenses	(36,755)	(37,004)
Accrued interest	(3,253)	(3,253)
Current portion of long-term obligations	(2,820)	(2,820)
Unearned revenue	(35,905)	(35,753)
Long-term obligations (4)	(1,573,366)	(1,573,366)
Asset retirement obligations	(43,089)	(43,089)
Other non-current liabilities	(8,693)	(37,326)
Fair value of net assets acquired	<u>\$ 2,379,912</u>	<u>\$ 2,455,495</u>
Goodwill (5)	950,550	874,967

- (1) Balances are reflected in the accompanying condensed consolidated balance sheets as of June 30, 2014.
- (2) Balances are reflected in the consolidated balance sheets in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.
- (3) Customer-related intangible assets and network location intangible assets are amortized on a straight-line basis over periods of up to 20 years.
- (4) Long-term obligations included \$1.5 billion of MIPT's existing indebtedness and a fair value adjustment of \$53.0 million. The fair value adjustment was based primarily on reported market values using Level 2 inputs.
- (5) Goodwill was allocated to the Company's domestic and international rental and management segments, as applicable, and the Company expects goodwill recorded will not be deductible for tax purposes.

Other 2013 Acquisitions

Axtel Mexico Acquisition—On January 31, 2013, the Company acquired 883 communications sites from Axtel, S.A.B. de C.V. for an aggregate purchase price of \$248.5 million.

NII Acquisition—On August 8, 2013, the Company entered into an agreement with NII to acquire up to 1,666 communications sites in Mexico and 2,790 communications sites in Brazil in two separate transactions.

On November 8, 2013, the Company acquired 1,473 communications sites in Mexico from NII for an initial aggregate purchase price of approximately \$436.0 million (including value added tax of approximately \$60.3 million) and net assets of approximately \$0.9 million for total cash consideration of approximately \$436.9 million. The purchase price was subsequently reduced to approximately \$427.0 million (including value added tax of approximately \$59.0 million) during the six months ended June 30, 2014 as a result of post-closing adjustments, while net assets acquired remained unchanged. The purchase price is subject to further post-closing adjustments. The Company's right to purchase additional sites in Mexico expired on May 30, 2014.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
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On December 6, 2013, the Company acquired 1,937 communications sites in Brazil from NII for an initial aggregate purchase price of approximately \$349.0 million. The purchase price was subsequently reduced to approximately \$342.7 million during the six months ended June 30, 2014 as a result of post-closing adjustments. In addition, on June 26, 2014, the Company purchased an additional 103 communications sites for an aggregate purchase price of approximately \$18.6 million, which are reflected above in “2014 Acquisitions”. The purchase price is subject to post-closing adjustments and the purchase of the remaining sites is subject to diligence and customary closing conditions.

Z Sites Acquisition—On November 29, 2013, the Company acquired 238 communications sites from Z-Sites Locação de Imóveis Ltda for an aggregate purchase price of approximately \$122.8 million. The purchase price was subsequently increased to approximately \$123.9 million during the six months ended June 30, 2014 and is subject to post-closing adjustments.

Other International Acquisitions—During the year ended December 31, 2013, the Company acquired a total of 714 additional communications sites in Brazil, Chile, Colombia, Ghana, Mexico and South Africa, for an aggregate purchase price of \$89.8 million (including contingent consideration of \$4.1 million and value added tax of \$4.9 million).

Other U.S. Acquisitions—During the year ended December 31, 2013, the Company acquired a total of 55 additional communications sites and 23 property interests in the United States for an aggregate purchase price of \$65.6 million, subject to post-closing adjustments. The purchase price included cash paid of approximately \$65.2 million and net liabilities assumed of approximately \$0.4 million.

The following table summarizes the updated allocation of the aggregate purchase price paid and the amounts of assets acquired and liabilities assumed for the fiscal year 2013 acquisitions based upon their estimated fair value at the date of acquisition (in thousands). Balances are reflected in the accompanying condensed consolidated balance sheets herein.

	Axtel Mexico (1)	NII Mexico (2)	NII Brazil	Z Sites	Other International	Other U.S.
Current assets	\$ —	\$ 59,938	\$ —	\$ —	\$ 4,863	\$ 1,220
Non-current assets	2,626	10,738	7,201	6,436	1,991	44
Property and equipment	86,100	143,680	111,094	26,881	44,844	23,537
Intangible assets (3):						
Customer-related intangible assets	119,392	132,897	143,037	62,286	20,590	29,325
Network location intangible assets	43,031	66,069	80,568	17,350	20,727	7,935
Current liabilities	—	—	—	—	—	(454)
Other non-current liabilities	(9,377)	(10,478)	(13,188)	(1,502)	(8,168)	(848)
Fair value of net assets acquired	<u>\$241,772</u>	<u>\$402,844</u>	<u>\$328,712</u>	<u>\$111,451</u>	<u>\$ 84,847</u>	<u>\$ 60,759</u>
Goodwill (4)	6,751	25,056	13,978	12,493	4,970	4,403

(1) The allocation of the purchase price was finalized during the year ended December 31, 2013.

(2) Current assets includes approximately \$59.0 million of value added tax.

(3) Customer-related intangible assets and network location intangible assets are amortized on a straight-line basis over periods of up to 20 years.

(4) Goodwill was allocated to the Company’s domestic and international rental and management segments, as applicable, and the Company expects goodwill recorded will be deductible for tax purposes.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

The following table summarizes the preliminary allocation, unless otherwise noted, of the aggregate purchase price paid and the amounts of assets acquired and liabilities assumed for the fiscal year 2013 acquisitions. The allocation is based upon the estimated fair value at the date of acquisition (in thousands). Balances are reflected in the consolidated balance sheets in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

	Axtel Mexico (1)	NII Mexico (2)	NII Brazil	Z Sites	Other International	Other U.S.
Current assets	\$ —	\$ 61,183	\$ —	\$ —	\$ 4,863	\$ 1,220
Non-current assets	2,626	11,969	4,484	6,157	1,991	44
Property and equipment	86,100	147,364	105,784	24,832	44,844	23,803
Intangible assets (3):						
Customer-related intangible assets	119,392	135,175	149,333	64,213	20,590	29,325
Network location intangible assets	43,031	63,791	93,867	17,123	20,727	7,607
Current liabilities	—	—	—	—	—	(454)
Other non-current liabilities	(9,377)	(10,478)	(13,188)	(1,502)	(8,168)	(786)
Fair value of net assets acquired	<u>\$241,772</u>	<u>\$409,004</u>	<u>\$340,280</u>	<u>\$110,823</u>	<u>\$ 84,847</u>	<u>\$ 60,759</u>
Goodwill (4)	6,751	27,928	8,704	11,953	4,970	4,403

- (1) The allocation of the purchase price was finalized during the year ended December 31, 2013.
- (2) Current assets includes approximately \$60.3 million of value added tax.
- (3) Customer-related intangible assets and network location intangible assets are amortized on a straight-line basis over periods of up to 20 years.
- (4) Goodwill was allocated to the Company's domestic and international rental and management segments, as applicable, and the Company expects goodwill recorded will be deductible for tax purposes.

Pro Forma Consolidated Results

The following table presents the unaudited pro forma financial results as if the 2013 acquisitions had occurred on January 1, 2012 and the 2014 acquisitions had occurred on January 1, 2013 (in thousands, except per share data). Management relied on various estimates and assumptions due to the fact that some of the acquisitions never operated as a business and were utilized solely by the seller as a component of their network infrastructure. As a result, historical operating results for these acquisitions are not available. The pro forma results do not include any anticipated cost synergies, costs or other effects of the planned integration of the acquisitions. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisitions been completed on the dates indicated, nor are they indicative of the future operating results of the Company.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Pro forma revenues	\$ 1,033,541	\$ 941,291	\$ 2,031,066	\$ 1,879,156
Pro forma net income attributable to American Tower Corporation common stockholders	\$ 230,506	\$ 74,956	\$ 434,176	\$ 212,146
Pro forma net income per common share amounts:				
Basic net income attributable to American Tower Corporation common stockholders	\$ 0.58	\$ 0.19	\$ 1.10	\$ 0.54
Diluted net income attributable to American Tower Corporation common stockholders	\$ 0.58	\$ 0.19	\$ 1.09	\$ 0.53

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
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Other Signed Acquisitions

BR Towers Acquisition—On June 13, 2014, the Company entered into an agreement with GPCP V, a private equity fund managed by GP Investments, Ltd., FIP Multisetorial Plus, a private equity fund managed by Bradesco BBI, and other shareholders, to acquire 100% of the equity interests of BR Towers S.A., a Brazilian telecommunications real estate company that is expected to own approximately 2,530 towers and the exclusive use rights for approximately 2,110 additional towers in Brazil at closing. The purchase price of 2.18 billion Brazilian Reals (“BRL”) (approximately \$990.3 million) is subject to customary adjustments. The Company deposited 130.0 million BRL (approximately \$59.0 million) in escrow for this transaction, which is reflected in Prepaid and other current assets in the condensed consolidated balance sheets as of June 30, 2014.

U.S. Acquisition—In July 2014, the Company entered into an agreement to acquire 154 communications sites in the United States for approximately \$132.5 million, subject to customary adjustments.

Acquisition-Related Contingent Consideration

The Company may be required to pay additional consideration under certain agreements for the acquisition of communications sites if specific conditions are met or events occur.

Colombia—Under the terms of the agreement with Colombia Movil S.A. E.S.P., the Company is required to make additional payments upon the conversion of certain barter agreements with other wireless carriers to cash paying lease agreements. Based on current estimates, the Company expects the value of potential contingent consideration payments required to be made under the agreement to be between zero and \$37.6 million and estimates it to be \$24.6 million using a probability weighted average of the expected outcomes at June 30, 2014. During the three and six months ended June 30, 2014, the Company recorded an increase in fair value of \$0.5 million and \$1.0 million, respectively, in Other operating expenses in the accompanying condensed consolidated statements of operations.

Ghana—Under the terms of its agreement, as amended, with MTN Group Limited, the Company is required to make additional payments upon the conversion of certain barter agreements with other wireless carriers to cash paying lease agreements. Based on current estimates, the Company expects the value of potential contingent consideration payments required to be made under the amended agreement to be between zero and \$0.5 million and estimates it to be \$0.5 million using a probability weighted average of the expected outcomes at June 30, 2014.

MIPT—In connection with the acquisition of MIPT, the Company assumed additional contingent consideration liability related to previously closed acquisitions in Costa Rica, Panama and the United States. The Company is required to make additional payments to the sellers if certain pre-designated tenant leases commence during a limited specified period of time after the applicable acquisition was completed, generally one year or less. The Company initially recorded \$9.3 million of contingent consideration liability as part of the preliminary purchase price allocation upon closing of the acquisition. Based on current estimates, the Company expects the value of potential contingent consideration payments required to be made under these agreements to be between zero and \$6.1 million and estimates it to be \$5.5 million using a probability weighted average of the expected outcomes at June 30, 2014. During the three and six months ended June 30, 2014, the Company recorded a decrease in fair value of \$1.4 million in Other operating expenses in the accompanying condensed consolidated statements of operations. During the three and six months ended June 30, 2014, the Company made payments under these agreements of \$0.7 million and \$1.3 million, respectively.

Other U.S.—In connection with other acquisitions in the United States, the Company is required to make additional payments if certain pre-designated tenant leases commence during a specified period of time. The Company initially recorded \$0.4 million of contingent consideration liability as part of the preliminary purchase price allocation upon closing of certain acquisitions, which, based on current estimates, also represents the estimated balance at June 30, 2014 and the maximum potential liability.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES
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For more information regarding contingent consideration, see note 7.

15. Business Segments

The Company operates in three business segments, (i) domestic rental and management, (ii) international rental and management and (iii) network development services. The Company's primary business is leasing antenna space on multi-tenant communications sites to wireless service providers, radio and television broadcast companies, wireless data and data providers, government agencies and municipalities and tenants in a number of other industries. This business is referred to as the Company's rental and management operations and is comprised of domestic and international segments, which, as of June 30, 2014, consist of the following:

- Domestic: rental and management operations in the United States; and
- International: rental and management operations in Brazil, Chile, Colombia, Costa Rica, Germany, Ghana, India, Mexico, Panama, Peru, South Africa and Uganda.

The Company has applied the aggregation criteria to operations within the international rental and management operating segments on a basis consistent with management's review of information and performance evaluation.

The Company's network development services segment offers tower-related services in the United States, including site acquisition, zoning and permitting services and structural analysis services, which primarily support its site leasing business and the addition of new tenants and equipment on its sites. The network development services segment is a strategic business unit that offers different services from the rental and management operating segments and requires different resources, skill sets and marketing strategies.

The accounting policies applied in compiling segment information below are similar to those described in note 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013. Among other factors, in evaluating financial performance in each business segment, management uses segment gross margin and segment operating profit. The Company defines segment gross margin as segment revenue less segment operating expenses excluding stock-based compensation expense recorded in costs of operations; Depreciation, amortization and accretion; Selling, general, administrative and development expense; and Other operating expenses. The Company defines segment operating profit as segment gross margin less Selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. For reporting purposes, the international rental and management segment gross margin and segment operating profit also include Interest income, TV Azteca, net. These measures of segment gross margin and segment operating profit are also before Interest income, Interest expense, Loss on retirement of long-term obligations, Other income (expense), Net income (loss) attributable to noncontrolling interest, Income (loss) on equity method investments and Income tax provision (benefit). The categories of expenses indicated above, such as depreciation, have been excluded from segment operating performance as they are not considered in the review of information or the evaluation of results by management. There are no significant revenues resulting from transactions between the Company's operating segments. All intercompany transactions are eliminated to reconcile segment results and assets to the condensed consolidated statements of operations and condensed consolidated balance sheets.

Summarized financial information concerning the Company's reportable segments for the three and six months ended June 30, 2014 and 2013 is shown in the following tables. The "Other" column (i) represents amounts excluded from specific segments, such as business development operations, stock-based compensation expense and corporate expenses included in Selling, general, administrative and development expense; Other operating expenses; Interest income; Interest expense; Loss on retirement of long-term obligations; and Other income (expense), and (ii) reconciles segment operating profit to Income from continuing operations before income taxes, as these amounts are not utilized in assessing each segment's performance.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

Three months ended June 30, 2014	Rental and Management		Total Rental and Management (in thousands)	Network Development Services	Other	Total
	Domestic	International				
Segment revenues	\$ 659,743	\$ 346,018	\$ 1,005,761	\$ 25,696		\$ 1,031,457
Segment operating expenses (1)	126,340	136,501	262,841	8,981		271,822
Interest income, TV Azteca, net	—	2,662	2,662	—		2,662
Segment gross margin	533,403	212,179	745,582	16,715		762,297
Segment selling, general, administrative and development expense (1)	28,313	34,472	62,785	2,326		65,111
Segment operating profit	\$ 505,090	\$ 177,707	\$ 682,797	\$ 14,389		\$ 697,186
Stock-based compensation expense					\$ 18,835	18,835
Other selling, general, administrative and development expense					15,006	15,006
Depreciation, amortization and accretion					245,427	245,427
Other expense (principally interest expense and other expenses)					174,457	174,457
Income from continuing operations before income taxes						\$ 243,461
Total assets	\$14,149,220	\$6,466,380	\$ 20,615,600	\$ 58,611	\$173,526	\$20,847,737

(1) Segment operating expenses and segment selling, general, administrative and development expenses exclude stock-based compensation expense of \$0.5 million and \$18.4 million, respectively.

Three months ended June 30, 2013	Rental and Management		Total Rental and Management (in thousands)	Network Development Services	Other	Total
	Domestic	International				
Segment revenues	\$ 521,043	\$ 268,156	\$ 789,199	\$ 19,631		\$ 808,830
Segment operating expenses (1)	95,208	102,752	197,960	7,343		205,303
Interest income, TV Azteca, net	—	3,586	3,586	—		3,586
Segment gross margin	425,835	168,990	594,825	12,288		607,113
Segment selling, general, administrative and development expense (1)	24,243	32,490	56,733	2,324		59,057
Segment operating profit	\$ 401,592	\$ 136,500	\$ 538,092	\$ 9,964		\$ 548,056
Stock-based compensation expense					\$ 17,055	17,055
Other selling, general, administrative and development expense					24,097	24,097
Depreciation, amortization and accretion					184,608	184,608
Other expense (principally interest expense and other (expense) income)					249,630	249,630
Income from continuing operations before income taxes						\$ 72,666
Total assets	\$8,618,294	\$5,414,526	\$ 14,032,820	\$ 48,603	\$257,971	\$14,339,394

(1) Segment operating expenses and segment selling, general, administrative and development expenses exclude stock-based compensation expense of \$0.4 million and \$16.6 million, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

Six months ended June 30, 2014	Rental and Management		Total Rental and Management	Network Development Services	Other	Total
	Domestic	International				
	(in thousands)					
Segment revenues	\$1,295,522	\$ 670,359	\$1,965,881	\$ 49,665		\$2,015,546
Segment operating expenses (1)	247,849	265,455	513,304	18,783		532,087
Interest income, TV Azteca, net	—	5,257	5,257	—		5,257
Segment gross margin	<u>1,047,673</u>	<u>410,161</u>	<u>1,457,834</u>	<u>30,882</u>		<u>1,488,716</u>
Segment selling, general, administrative and development expense (1)	<u>55,722</u>	<u>63,688</u>	<u>119,410</u>	<u>4,856</u>		<u>124,266</u>
Segment operating profit	<u>\$ 991,951</u>	<u>\$ 346,473</u>	<u>\$1,338,424</u>	<u>\$ 26,026</u>		<u>\$1,364,450</u>
Stock-based compensation expense					\$ 43,439	43,439
Other selling, general, administrative and development expense					41,780	41,780
Depreciation, amortization and accretion					491,190	491,190
Other expense (principally interest expense and other expenses)					333,618	333,618
Income from continuing operations before income taxes						<u>\$ 454,423</u>

(1) Segment operating expenses and segment selling, general, administrative and development expenses exclude stock-based compensation expense of \$1.0 million and \$42.5 million, respectively.

Six months ended June 30, 2013	Rental and Management		Total Rental and Management	Network Development Services	Other	Total
	Domestic	International				
	(in thousands)					
Segment revenues	\$1,036,719	\$ 529,913	\$1,566,632	\$ 44,926		\$1,611,558
Segment operating expenses (1)	187,041	201,968	389,009	17,622		406,631
Interest income, TV Azteca, net	—	7,129	7,129	—		7,129
Segment gross margin	<u>849,678</u>	<u>335,074</u>	<u>1,184,752</u>	<u>27,304</u>		<u>1,212,056</u>
Segment selling, general, administrative and development expense (1)	<u>47,141</u>	<u>62,025</u>	<u>109,166</u>	<u>5,225</u>		<u>114,391</u>
Segment operating profit	<u>\$ 802,537</u>	<u>\$ 273,049</u>	<u>\$1,075,586</u>	<u>\$ 22,079</u>		<u>\$1,097,665</u>
Stock-based compensation expense					\$ 38,097	38,097
Other selling, general, administrative and development expense					49,312	49,312
Depreciation, amortization and accretion					370,412	370,412
Other expense (principally interest expense and other (expense) income)					387,008	387,008
Income from continuing operations before income taxes						<u>\$ 252,836</u>

(1) Segment operating expenses and segment selling, general, administrative and development expenses exclude stock-based compensation expense of \$0.8 million and \$37.3 million, respectively.

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

This Quarterly Report on Form 10-Q contains forward-looking statements relating to our goals, beliefs, plans or current expectations and other statements that are not of historical facts. For example, when we use words such as "project," "believe," "anticipate," "expect," "forecast," "estimate," "intend," "should," "would," "could," "may" or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements. Certain important factors may cause actual results to differ materially from those indicated by our forward-looking statements, including those set forth under the caption "Risk Factors" in Part II, Item 1A. of this Quarterly Report on Form 10-Q. Forward-looking statements represent management's current expectations and are inherently uncertain. We do not undertake any obligation to update forward-looking statements made by us.

The discussion and analysis of our financial condition and results of operations that follow are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ significantly from these estimates under different assumptions or conditions. This discussion should be read in conjunction with our condensed consolidated financial statements herein and the accompanying notes thereto, information set forth under the caption "Critical Accounting Policies and Estimates" of our Annual Report on Form 10-K for the year ended December 31, 2013, and in particular, the information set forth therein under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We are a leading independent owner, operator and developer of wireless and broadcast communications real estate. Our primary business is leasing antenna space on multi-tenant communications sites to wireless service providers, radio and television broadcast companies, wireless data and data providers, government agencies and municipalities and tenants in a number of other industries. We refer to this business as our rental and management operations, which accounted for approximately 98% of our total revenues for the six months ended June 30, 2014. Through our network development services, we offer tower-related services domestically, including site acquisition, zoning and permitting services and structural analysis services, which primarily support our site leasing business and the addition of new tenants and equipment on our sites. We began operating as a real estate investment trust ("REIT") for federal income tax purposes effective January 1, 2012.

Our communications real estate portfolio of 69,200 sites, as of June 30, 2014, includes wireless and broadcast communications towers and distributed antenna system ("DAS") networks, which provide seamless coverage solutions in certain in-building and outdoor wireless environments. Our portfolio primarily consists of towers that we own and towers that we operate pursuant to long-term lease arrangements, including, as of June 30, 2014, 28,203 towers domestically and 40,619 towers internationally. Our portfolio also includes 378 DAS networks. In addition to the communications sites in our portfolio, we manage rooftop and tower sites for property owners under various contractual arrangements. We also hold property interests that we lease to communications service providers and third-party tower operators.

In October 2013, we acquired MIP Tower Holdings LLC ("MIPT"), a private REIT and parent company to Global Tower Partners ("GTP"), an owner and operator of approximately 5,370 communications sites, through its various operating subsidiaries, in the United States, Costa Rica and Panama. GTP also manages rooftops and holds property interests that it leases to communications service providers and third-party tower operators. As a result of our acquisition of MIPT, we own an interest in a subsidiary REIT, and are currently evaluating the continued election of MIPT's private REIT status.

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The following table details the number of communications sites we own or operate as of June 30, 2014:

Country	Number of Owned Sites	Number of Operated Sites (1)
United States	21,286	7,211
International:		
Brazil	6,774	155
Chile	1,191	—
Colombia	2,835	706
Costa Rica	460	—
Germany	2,031	—
Ghana	2,009	—
India	12,131	—
Mexico	8,517	199
Panama (2)	58	—
Peru	499	—
South Africa	1,912	—
Uganda	1,226	—

(1) All of the communications sites we operate are held pursuant to long-term capital leases, including those subject to purchase options.

(2) During the three months ended June 30, 2014, we determined that the operations in Panama were held-for-sale.

Our continuing operations are reported in three segments: domestic rental and management, international rental and management and network development services. Among other factors, in evaluating operating performance in each business segment, management uses segment gross margin and segment operating profit. We define segment gross margin as segment revenue less segment operating expenses, excluding stock-based compensation expense recorded in costs of operations; Depreciation, amortization and accretion; Selling, general, administrative and development expense; and Other operating expense. We define segment operating profit as segment gross margin less Selling, general, administrative and development expense attributable to the segment, excluding stock-based compensation expense and corporate expenses. Segment gross margin and segment operating profit for the international rental and management segment also include Interest income, TV Azteca, net (see note 15 to our condensed consolidated financial statements included herein). These measures of segment gross margin and segment operating profit are also before Interest income, Interest expense, Loss on retirement of long-term obligations, Other income (expense), Net income (loss) attributable to noncontrolling interest, Income (loss) on equity method investments and Income tax provision (benefit).

In the section that follows, we provide information regarding management's expectations of long-term drivers of demand for our communications sites, as well as our current results of operations, financial position and sources and uses of liquidity. In addition, we highlight key trends, which management believes provide valuable insight into our operating and financial resource allocation decisions.

Revenue Growth. Due to our diversified communications site portfolio, our tenant lease rates vary considerably depending upon numerous factors, including but not limited to, tower location, amount and type of tenant equipment on the tower, ground space required by the tenant and remaining tower capacity. We measure the remaining tower capacity by assessing several factors, including tower height, tower type, environmental conditions, existing equipment on the tower and zoning and permitting regulations in effect in the jurisdiction where the tower is located. In many instances, tower capacity can be increased through tower augmentation.

The primary factors affecting the revenue growth of our domestic and international rental and management segments are:

- Recurring revenues from tenant leases attributable to sites that existed in our portfolio as of the beginning of the prior year period ("legacy sites");
- Contractual rent escalations on existing tenant leases, net of cancellations;

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- New revenue attributable to leasing additional space on our legacy sites; and
- New revenue attributable to sites acquired or constructed since the beginning of the prior year period (“new sites”).

The majority of our tenant leases with wireless carriers are typically for an initial non-cancellable term of five to ten years, with multiple five-year renewal terms. Accordingly, nearly all of the revenue generated by our rental and management operations during the six months ended June 30, 2014 is recurring revenue that we should continue to receive in future periods. Based upon foreign currency exchange rates and the tenant leases in place as of June 30, 2014, we expect to generate approximately \$23 billion of non-cancellable tenant lease revenue over future periods, absent the impact of straight-line lease accounting. Most of our tenant leases have provisions that periodically increase the rent due under the lease, typically annually based on a fixed escalation (approximately 3.0% in the United States) or an inflationary index in our international markets.

Revenue lost from either cancellations of leases at the end of their terms or rent negotiations historically has not had a material adverse effect on the revenues generated by our rental and management operations. During the six months ended June 30, 2014, loss of revenue from tenant lease cancellations or renegotiations represented less than 1.5% of our rental and management operations revenues.

Demand Drivers. We continue to believe that our site leasing revenue is likely to increase due to the growing use of wireless communications services and our ability to meet the corresponding incremental demand for wireless real estate by adding new tenants and new equipment for existing tenants on our legacy sites, which increases these sites’ utilization and profitability. In addition, we believe the majority of our site leasing activity will continue to come from wireless service providers. Our legacy site portfolio and our established tenant base provide us with new business opportunities, which have historically resulted in consistent and predictable organic revenue growth as wireless carriers seek to increase the coverage and capacity of their existing networks, while also deploying next generation wireless technologies. In addition, we intend to continue to supplement the organic growth on our legacy sites by selectively developing or acquiring new sites in our existing and new markets where we can achieve our risk adjusted return on investment objectives.

Based on industry research and projections, we expect the following key industry trends will result in incremental revenue opportunities for us:

- The deployment of advanced wireless technology across existing wireless networks will provide higher speed data services and enable fixed broadband substitution. As a result, we expect our tenants to continue to deploy additional equipment across their existing networks.
- Wireless service providers compete based on the overall capacity and coverage of their existing wireless networks. To maintain or improve their network performance as overall network usage increases, our tenants continue to deploy additional equipment across their existing sites while also adding new cell sites. We anticipate increasing network densification over the next several years, as existing network infrastructure is anticipated to be insufficient to account for rapidly increasing levels of wireless data usage.
- Wireless service providers are also investing in reinforcing their networks through incremental backhaul and the utilization of on-site generators, which typically results in additional equipment or space leased at the tower site, and incremental revenue.
- Wireless service providers continue to acquire additional spectrum, and as a result are expected to add additional sites and equipment to their network as they seek to optimize their network configuration.

As part of our international expansion initiatives, we have targeted markets in three stages of network development in order to diversify our international exposure and position us to benefit from a number of different wireless technology deployments over the long term. In addition, we have focused on building relationships with

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large multinational carriers such as MTN Group Limited, Telefónica S.A. and Vodafone Group PLC. We believe that consistent carrier investments in their networks across our international markets position us to generate meaningful organic revenue growth going forward.

In emerging markets, such as Ghana, India and Uganda, wireless networks tend to be significantly less advanced than those in the United States, and initial voice networks continue to be deployed in underdeveloped areas. In more developed urban locations within these markets, early-stage data network deployments are underway. Carriers are focused on completing voice network build-outs while also investing in initial data networks as wireless data usage and smartphone penetration within their customer bases begin to accelerate.

In markets with rapidly evolving network technology, such as South Africa and most of the countries in Latin America where we do business, initial voice networks, for the most part, have already been built out, and carriers are focused on third generation (3G) network build outs, with select investments in fourth generation (4G) technology. Recent spectrum auctions in these rapidly evolving markets have allowed incumbent carriers to accelerate their data network deployments and have also enabled new entrants to begin initial investments in data networks. Smartphone penetration and wireless data usage in these markets are growing rapidly, which mandates that carriers continue to invest in their networks in order to maintain and augment their quality of service.

Finally, in markets with more mature network technology, such as Germany, carriers are focused on deploying 4G data networks to account for rapidly increasing wireless data usage. With a more mature customer base, higher smartphone penetration and significantly higher per capita data usage, carrier investment in networks is focused on 4G coverage and capacity.

We believe that the network technology migration we have seen in the United States, which has led to significantly denser networks and meaningful new business commencements for us over a number of years, will ultimately be replicated in our less advanced international markets. As a result, we expect to be able to leverage our extensive international portfolio of over 40,000 communications sites and the relationships we have built with our carrier customers to drive sustainable, long-term growth.

Rental and Management Operations Expenses. Direct operating expenses incurred by our domestic and international rental and management segments include direct site level expenses and consist primarily of ground rent, property taxes, repairs and maintenance, security and power and fuel costs, some of which may be passed through to our tenants. These segment direct operating expenses exclude all segment and corporate selling, general, administrative and development expenses, which are aggregated into one line item entitled Selling, general, administrative and development expense in our condensed consolidated statements of operations. In general, our domestic and international rental and management segments' selling, general, administrative and development expenses do not significantly increase as a result of adding incremental tenants to our legacy sites and typically increase only modestly year-over-year. As a result, leasing additional space to new tenants on our legacy sites provides significant incremental cash flow. We may, however, incur additional segment selling, general, administrative and development expenses as we increase our presence in geographic areas where we have recently launched operations or are focused on expanding our portfolio. Our profit margin growth is therefore positively impacted by the addition of new tenants to our legacy sites and can be temporarily diluted by our development activities.

Network Development Services Segment Revenue Growth. As we continue to focus on growing our rental and management operations, we anticipate that our network development services revenue will continue to represent a small percentage of our total revenues. Through our network development services segment, we offer tower-related services, including site acquisition, zoning and permitting services and structural analysis services, which primarily support our site leasing business and the addition of new tenants and equipment on our sites, including in connection with provider network upgrades.

Non-GAAP Financial Measures

Included in our analysis of our results of operations are discussions regarding earnings before interest, taxes, depreciation, amortization and accretion, as adjusted (“Adjusted EBITDA”), Funds From Operations, as defined by the National Association of Real Estate Investment Trusts (“NAREIT FFO”) and Adjusted Funds From Operations (“AFFO”).

We define Adjusted EBITDA as Net income before Income (loss) on discontinued operations, net; Income (loss) on equity method investments; Income tax provision (benefit); Other income (expense); Loss on retirement of long-term obligations; Interest expense; Interest income; Other operating income (expense); Depreciation, amortization and accretion; and stock-based compensation expense.

NAREIT FFO is defined as net income before gains or losses from the sale or disposal of real estate, real estate related impairment charges, real estate related depreciation, amortization and accretion and dividends declared on preferred stock, and including adjustments for (i) unconsolidated affiliates and (ii) noncontrolling interest.

We define AFFO as NAREIT FFO before (i) straight-line revenue and expense; (ii) stock-based compensation expense; (iii) the non-cash portion of our tax provision; (iv) non-real estate related depreciation, amortization and accretion; (v) amortization of deferred financing costs, capitalized interest, debt discounts and premiums and long-term deferred interest charges; (vi) other income (expense); (vii) loss on retirement of long-term obligations; (viii) other operating income (expense); and adjustments for (ix) unconsolidated affiliates and (x) noncontrolling interest, less cash payments related to capital improvements and cash payments related to corporate capital expenditures.

Adjusted EBITDA, NAREIT FFO and AFFO are not intended to replace net income or any other performance measures determined in accordance with GAAP. Neither NAREIT FFO nor AFFO represent cash flows from operating activities in accordance with GAAP and, therefore, these measures should not be considered indicative of cash flows from operating activities as a measure of liquidity or of funds available to fund our cash needs, including our ability to make cash distributions. Rather, Adjusted EBITDA, NAREIT FFO and AFFO are presented as we believe each is a useful indicator of our current operating performance. We believe that these metrics are useful to an investor in evaluating our operating performance because (1) each is a key measure used by our management team for purposes of decision making and for evaluating the performance of our operating segments; (2) Adjusted EBITDA is a component of the calculation used by our lenders to determine compliance with certain debt covenants; (3) Adjusted EBITDA is widely used in the tower industry to measure operating performance as depreciation, amortization and accretion may vary significantly among companies depending upon accounting methods and useful lives, particularly where acquisitions and non-operating factors are involved; (4) each provides investors with a meaningful measure for evaluating our period-to-period operating performance by eliminating items that are not operational in nature; and (5) each provides investors with a measure for comparing our results of operations to those of other companies.

Our measurement of Adjusted EBITDA, NAREIT FFO and AFFO may not, however, be fully comparable to similarly titled measures used by other companies. Reconciliations of Adjusted EBITDA, NAREIT FFO and AFFO to net income, the most directly comparable GAAP measure, have been included below.

[Table of Contents](#)**Results of Operations***Three Months Ended June 30, 2014 and 2013 (in thousands, except percentages)**Revenue*

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	\$ 659,743	\$ 521,043	\$ 138,700	27%
International	346,018	268,156	77,862	29
Total rental and management	1,005,761	789,199	216,562	27
Network development services	25,696	19,631	6,065	31
Total revenues	\$1,031,457	\$808,830	\$222,627	28%

Total revenues for the three months ended June 30, 2014 increased 28% to \$1,031.5 million. The increase was primarily attributable to an increase in both of our rental and management segments, including organic revenue growth attributable to our legacy sites, and revenue growth attributable to the approximately 13,545 new sites that we have constructed or acquired since April 1, 2013. Approximately \$84.0 million of the increase was attributable to revenues generated by MIPT.

Domestic rental and management segment revenue for the three months ended June 30, 2014 increased 27% to \$659.7 million. This growth was comprised of:

- Revenue growth of approximately 15% attributable to the addition of approximately 4,860 domestic sites, as well as managed sites, rooftops and land interests under third-party sites in connection with our acquisition of MIPT;
- Revenue growth from legacy sites of approximately 11%, which includes approximately 8% from new tenant leases and amendments to existing tenant leases, and less than 2% from accelerated revenue recognition under a multi-year equipment agreement with a major tenant. In addition, approximately 1% of the revenue growth on our legacy sites was attributable to contractual rent escalations, net of tenant lease cancellations;
- Revenue growth from new sites (excluding MIPT) of approximately 2%, resulting from the construction or acquisition of approximately 810 new sites, as well as land interests under third-party sites since April 1, 2013; and
- A decrease of approximately 1% from the impact of straight-line lease accounting.

International rental and management segment revenue for the three months ended June 30, 2014 increased 29% to \$346.0 million. This growth was comprised of:

- Revenue growth from new sites (excluding MIPT) of approximately 19%, resulting from the construction or acquisition of approximately 7,365 new sites since April 1, 2013;
- Revenue growth from legacy sites of approximately 17%, which includes approximately 14% due to incremental revenue primarily generated from new tenant leases and amendments to existing tenant leases on our legacy sites and approximately 3% attributable to contractual rent escalations, net of tenant lease cancellations;
- Revenue growth of approximately 3% from the impact of straight-line lease accounting;
- Revenue growth of over 1% attributable to the addition of approximately 510 sites in Costa Rica and Panama in connection with our acquisition of MIPT; and

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- A decrease of approximately 11% attributable to the negative impact from foreign currency translation, which includes, among others, the negative impact of approximately 4% related to fluctuations in Ghanaian Cedi (“GHS”), approximately 3% related to fluctuations in Brazilian Reals (“BRL”) and approximately 2% related to fluctuations in Indian Rupees (“INR”).

Network development services segment revenue for the three months ended June 30, 2014 increased 31% to \$25.7 million. The increase was primarily due to increased revenue from structural engineering services.

Gross Margin

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	\$ 533,403	\$ 425,835	\$ 107,568	25%
International	212,179	168,990	43,189	26
Total rental and management	745,582	594,825	150,757	25
Network development services	16,715	12,288	4,427	36%

Domestic rental and management segment gross margin for the three months ended June 30, 2014 increased 25% to \$533.4 million. This growth was comprised of:

- Gross margin growth of approximately 14% attributable to the addition of approximately 4,860 domestic sites, as well as managed sites, rooftops and land interests under third-party sites, in connection with our acquisition of MIPT;
- Gross margin growth from legacy sites of approximately 11%, primarily associated with the increase in revenue, as described above;
- Gross margin growth from new sites (excluding MIPT) of approximately 2%, resulting from the construction or acquisition of approximately 810 new sites, as well as land interests under third-party sites since April 1, 2013; and
- A decrease of approximately 2% from the impact of straight-line lease accounting.

International rental and management segment gross margin for the three months ended June 30, 2014 increased 26% to \$212.2 million. This growth was comprised of:

- Gross margin growth from new sites (excluding MIPT) of approximately 15%, resulting from the construction or acquisition of approximately 7,365 new sites since April 1, 2013;
- Gross margin growth from legacy sites of approximately 15%, primarily associated with the increase in revenue, as described above;
- Gross margin growth of approximately 5% from the impact of straight-line lease accounting;
- Gross margin growth of less than 2% attributable to the addition of approximately 510 sites in Costa Rica and Panama in connection with our acquisition of MIPT; and
- A decrease of approximately 11% attributable to the negative impact from foreign currency translation, which includes, among others, the negative impact of approximately 4% related to fluctuations in GHS, approximately 3% related to fluctuations in BRL and less than 2% related to fluctuations in Mexican Pesos (“MXN”).

Network development services segment gross margin for the three months ended June 30, 2014 increased 36% to \$16.7 million, primarily due to the increase in revenue as described above.

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Selling, General, Administrative and Development Expense

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	\$28,313	\$24,243	\$ 4,070	17%
International	34,472	32,490	1,982	6
Total rental and management	62,785	56,733	6,052	11
Network development services	2,326	2,324	2	—
Other	33,388	40,746	(7,358)	(18)
Total selling, general, administrative and development expense	\$98,499	\$99,803	\$ (1,304)	(1)%

Total selling, general, administrative and development expense (“SG&A”) for the three months ended June 30, 2014 decreased 1% to \$98.5 million. The decrease was primarily attributable to a decrease in other SG&A, partially offset by increased SG&A in our domestic and international rental and management segments.

Domestic rental and management segment SG&A for the three months ended June 30, 2014 increased 17% to \$28.3 million. The increase was primarily driven by increasing personnel costs to support our business, including additional costs associated with the acquisition of MIPT.

International rental and management segment SG&A for the three months ended June 30, 2014 increased 6% to \$34.5 million. The increase was primarily due to the impact of increased personnel costs to support our business, partially offset by the impact of foreign currency fluctuations, as well as the reversal of bad debt expense for amounts previously reserved.

Network development services segment SG&A for the three months ended June 30, 2014 remained constant at \$2.3 million.

Other SG&A for the three months ended June 30, 2014 decreased 18% to \$33.4 million, primarily due to a \$9.1 million decrease in corporate SG&A, partially offset by an increase of \$1.7 million related to stock-based compensation expense. The decrease in corporate SG&A was primarily related to the recovery of \$6.7 million in legal expenses and the reversal of a \$2.8 million reserve associated with a non-recurring state tax item. The decrease in corporate SG&A was partially offset by an increase in personnel costs to support our business.

Operating Profit

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	\$505,090	\$401,592	\$103,498	26%
International	177,707	136,500	41,207	30
Total rental and management	682,797	538,092	144,705	27
Network development services	14,389	9,964	4,425	44%

Domestic rental and management segment operating profit for the three months ended June 30, 2014 increased 26% to \$505.1 million. The growth was primarily attributable to the increase in our domestic rental and management segment gross margin (25%) and was partially offset by an increase in our domestic rental and management segment SG&A (17%).

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International rental and management segment operating profit for the three months ended June 30, 2014 increased 30% to \$177.7 million. The growth was primarily attributable to the increase in our international rental and management segment gross margin (26%) and was partially offset by an increase in our international rental and management segment SG&A (6%).

Network development services segment operating profit for the three months ended June 30, 2014 increased 44% to \$14.4 million. The increase was primarily attributable to the increase in network development services segment gross margin (36%).

Depreciation, Amortization and Accretion

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Depreciation, amortization and accretion	\$ 245,427	\$ 184,608	\$ 60,819	33%

Depreciation, amortization and accretion for the three months ended June 30, 2014 increased 33% to \$245.4 million. The increase was primarily attributable to the depreciation, amortization and accretion associated with the acquisition or construction of approximately 13,545 sites since April 1, 2013, which resulted in an increase in property and equipment and intangible assets subject to amortization.

Other Operating Expenses

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Other operating expenses	\$ 12,757	\$ 5,898	\$ 6,859	116%

Other operating expenses for the three months ended June 30, 2014 increased 116% to \$12.8 million. The increase was primarily attributable to an increase of \$4.8 million in integration and acquisition related costs, as well as, an increase of \$3.9 million in impairment charges, which included the write down to fair value of certain of our assets held-for-sale. This increase was partially offset by a decrease in losses from sale or disposal of assets.

Interest Expense

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Interest expense	\$ 146,234	100,815	\$ 45,419	45%

Interest expense for the three months ended June 30, 2014 increased 45% to \$146.2 million. The increase was primarily attributable to an increase of \$5.3 billion in our average debt outstanding, which was primarily used to fund our acquisitions, partially offset by a decrease in our annualized weighted average cost of borrowing from 4.69% to 4.03%. The weighted average contractual interest rate was 4.07% at June 30, 2014.

Loss on Retirement of Long-Term Obligations

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Loss on retirement of long-term obligations	\$ 1,284	\$ 2,669	\$ (1,385)	(52)%

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During the three months ended June 30, 2014 and 2013, we recorded a loss on retirement of long-term obligations of \$1.3 million and \$2.7 million, respectively. During the three months ended June 30, 2014, we repaid the notes assumed in connection with the acquisition of entities holding a portfolio of communications sites from Richland Properties LLC and other related entities (“Richland”) and paid prepayment consideration and wrote-off the unamortized premium associated with the fair value adjustment. During the three months ended June 30, 2013, we recorded \$2.7 million of loss related to the acceleration of the remaining deferred financing costs associated with our \$1.0 billion unsecured revolving credit facility entered into in April 2011 (the “2011 Credit Facility”), which was terminated in June 2013.

Other Expense

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Other expense	\$16,463	\$141,660	\$(125,197)	(88)%

During the three months ended June 30, 2014, other expense was \$16.5 million, which reflected \$23.6 million of unrealized foreign currency losses, as compared to \$142.9 million of unrealized foreign currency losses during the three months ended June 30, 2013. We record unrealized foreign currency gains or losses as a result of fluctuations in the foreign currency exchange rates primarily associated with our intercompany notes and similar unaffiliated balances denominated in a currency other than the subsidiaries’ functional currencies. During the three months ended June 30, 2014, we recorded unrealized foreign currency losses of \$53.2 million, of which \$29.6 million was recorded in Accumulated other comprehensive income (loss) (“AOCI”) and \$23.6 million was recorded in Other expense (see note 1 to the condensed consolidated financial statements included herein).

Income Tax Provision (Benefit)

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Income tax provision (benefit)	\$21,802	(11,447)	\$ 33,249	290%
Effective tax rate	9.0%	(15.8)%		

The income tax provision for the three months ended June 30, 2014 was \$21.8 million compared to an income tax benefit of \$11.4 million for the three months ended June 30, 2013. The effective tax rate (“ETR”) for the three months ended June 30, 2014 increased to 9.0% from (15.8)%. This increase was primarily attributable to the income tax benefits of certain unrealized foreign currency losses during the three months ended June 30, 2013, as well as an increase in foreign tax expense from foreign operations during the three months ended June 30, 2014.

The ETR on income from continuing operations for the three months ended June 30, 2014 and 2013 differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a REIT, we may deduct earnings distributed to stockholders against the income generated in our qualified REIT subsidiaries or other disregarded entities (“QRSs”). In addition, we are able to offset income in both our taxable REIT subsidiaries (“TRSs”) and QRSs by utilizing our net operating losses (“NOLs”), subject to specified limitations.

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Net Income/Adjusted EBITDA

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Net income	\$221,659	\$ 84,113	\$ 137,546	164%
Income tax provision (benefit)	21,802	(11,447)	33,249	290
Other expense	16,463	141,660	(125,197)	(88)
Loss on retirement of long-term obligations	1,284	2,669	(1,385)	(52)
Interest expense	146,234	100,815	45,419	45
Interest income	(2,281)	(1,412)	869	62
Other operating expenses	12,757	5,898	6,859	116
Depreciation, amortization and accretion	245,427	184,608	60,819	33
Stock-based compensation expense	18,835	17,055	1,780	10
Adjusted EBITDA	\$682,180	\$523,959	\$ 158,221	30%

Net income for the three months ended June 30, 2014 increased 164% to \$221.7 million primarily due to the increase in our operating profit of \$149.1 million, as described above, as well as a decrease in other expense. The increase in net income was partially offset by increases in depreciation, amortization and accretion expense, interest expense and income tax provision.

Adjusted EBITDA for the three months ended June 30, 2014 increased 30% to \$682.2 million. Adjusted EBITDA growth was primarily attributable to the increase in our gross margin of \$155.2 million, as well as a decrease in SG&A of \$3.0 million, excluding the impact of stock-based compensation expense.

Net Income/NAREIT FFO/AFFO

	Three Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Net income	\$221,659	\$ 84,113	\$ 137,546	164%
Real estate related depreciation, amortization and accretion	219,171	160,610	58,561	36
Losses from sale or disposal of real estate and real estate related impairment charges	559	2,401	(1,842)	(77)
Dividends declared on preferred stock	(4,375)	—	4,375	N/A
Adjustments for unconsolidated affiliates and noncontrolling interest	6,965	8,813	(1,848)	(21)
NAREIT FFO	\$443,979	\$255,937	\$ 188,042	73%
Straight-line revenue	(33,148)	(34,442)	(1,294)	(4)
Straight-line expense	7,872	7,911	(39)	—
Stock-based compensation expense	18,835	17,055	1,780	10
Non-cash portion of tax provision (benefit)	5,120	(15,057)	20,177	134
Non-real estate related depreciation, amortization and accretion	26,256	23,998	2,258	9
Amortization of deferred financing costs, capitalized interest, debt discounts and premiums and long-term deferred interest charges	3,176	7,395	(4,219)	(57)
Other expense (1)	16,463	141,660	(125,197)	(88)
Loss on retirement of long-term obligations	1,284	2,669	(1,385)	(52)
Other operating expenses (2)	12,198	3,497	8,701	249
Capital improvement capital expenditures	(17,225)	(26,442)	(9,217)	(35)
Corporate capital expenditures	(3,939)	(9,157)	(5,218)	(57)
Adjustments for unconsolidated affiliates and noncontrolling interest	(6,965)	(8,813)	(1,848)	(21)
AFFO	\$473,906	\$366,211	\$ 107,695	29%

(1) Primarily includes unrealized losses on foreign currency exchange rate fluctuations.

(2) Primarily includes acquisition related costs, impairment charges and integration costs.

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NAREIT FFO for the three months ended June 30, 2014 was \$444.0 million as compared to NAREIT FFO of \$255.9 million for the three months ended June 30, 2013. AFFO for the three months ended June 30, 2014 increased 29% to \$473.9 million as compared to \$366.2 million for the three months ended June 30, 2013. AFFO growth was primarily attributable to the increase in our operating profit and a decrease in capital improvement and corporate capital expenditures, partially offset by an increase in cash paid for interest and cash paid for taxes.

Six Months Ended June 30, 2014 and 2013 (in thousands, except percentages)

Revenue

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	\$1,295,522	\$1,036,719	\$258,803	25%
International	670,359	529,913	140,446	27
Total rental and management	1,965,881	1,566,632	399,249	25
Network development services	49,665	44,926	4,739	11
Total revenues	\$2,015,546	\$1,611,558	\$403,988	25%

Total revenues for the six months ended June 30, 2014 increased 25% to \$2,015.5 million. The increase was primarily attributable to an increase in both of our rental and management segments, including organic revenue growth attributable to our legacy sites, and revenue growth attributable to the approximately 14,915 new sites that we have constructed or acquired since January 1, 2013. Approximately \$169.0 million of the increase was attributable to revenues generated by MIPT.

Domestic rental and management segment revenue for the six months ended June 30, 2014 increased 25% to \$1,295.5 million. This growth was comprised of:

- Revenue growth of approximately 15% attributable to the addition of approximately 4,860 domestic sites, as well as managed sites, rooftops and land interests under third-party sites in connection with our acquisition of MIPT;
- Revenue growth from legacy sites of approximately 9%, including approximately 7% from new tenant leases and amendments to existing tenant leases, and less than 1% from accelerated revenue recognition under a multi-year equipment agreement with a major tenant. In addition, approximately 1% of the revenue growth on our legacy sites was attributable to contractual rent escalations, net of tenant lease cancellations;
- Revenue growth from new sites (excluding MIPT) of approximately 2%, resulting from the construction or acquisition of approximately 880 new sites, as well as land interests under third-party sites since January 1, 2013; and
- A decrease of approximately 1% from the impact of straight-line lease accounting.

International rental and management segment revenue for the six months ended June 30, 2014 increased 27% to \$670.4 million. This growth was comprised of:

- Revenue growth from new sites (excluding MIPT) of approximately 21%, resulting from the construction or acquisition of approximately 8,665 new sites since January 1, 2013;
- Revenue growth from legacy sites of approximately 16%, which includes approximately 13% due to incremental revenue primarily generated from new tenant leases and amendments to existing tenant leases on our legacy sites and approximately 3% attributable to contractual rent escalations, net of tenant lease cancellations;

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- Revenue growth of approximately 2% from the impact of straight-line lease accounting;
- Revenue growth of over 1% attributable to the addition of approximately 510 sites in Costa Rica and Panama in connection with our acquisition of MIPT; and
- A decrease of approximately 13% attributable to the negative impact from foreign currency translation, which includes, among others, the negative impact of approximately 4% related to fluctuations in BRL, approximately 4% related to fluctuations in GHS and approximately 2% related to fluctuations in INR.

Network development services segment revenue for the six months ended June 30, 2014 increased 11% to \$49.7 million. The increase was primarily due to increased revenue from structural engineering services, partially offset by a decline in zoning, permitting and site acquisition projects for one of our major customers during the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

Gross Margin

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	\$1,047,673	\$ 849,678	\$ 197,995	23%
International	410,161	335,074	75,087	22
Total rental and management	1,457,834	1,184,752	273,082	23
Network development services	30,882	27,304	3,578	13%

Domestic rental and management segment gross margin for the six months ended June 30, 2014 increased 23% to \$1,047.7 million. This growth was comprised of:

- Gross margin growth of approximately 14% attributable to the addition of approximately 4,860 domestic sites, as well as managed sites, rooftops and land interests under third-party sites, in connection with our acquisition of MIPT;
- Gross margin growth from legacy sites of approximately 10%, primarily associated with the increase in revenue, as described above;
- Gross margin growth from new sites (excluding MIPT) of approximately 1%, resulting from the construction or acquisition of approximately 880 new sites, as well as land interests under third-party sites since January 1, 2013; and
- A decrease of approximately 2% from the impact of straight-line lease accounting.

International rental and management segment gross margin for the six months ended June 30, 2014 increased 22% to \$410.2 million. This growth was comprised of:

- Gross margin growth from new sites (excluding MIPT) of approximately 16%, resulting from the construction or acquisition of approximately 8,665 new sites since January 1, 2013;
- Gross margin growth from legacy sites of approximately 14%, primarily associated with the increase in revenue, as described above;
- Gross margin growth of approximately 3% from the impact of straight-line lease accounting;
- Gross margin growth of over 1% attributable to the addition of approximately 510 sites in Costa Rica and Panama in connection with our acquisition of MIPT; and
- A decrease of approximately 12% attributable to the negative impact from foreign currency translation, which includes, among others, the negative impact of approximately 4% related to fluctuations in BRL, approximately 3% related to fluctuations in GHS and less than 2% related to fluctuations in MXN.

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Network development services segment gross margin for the six months ended June 30, 2014 increased 13% to \$30.9 million. The increase was primarily attributable to the increase in revenue as described above.

Selling, General, Administrative and Development Expense

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	\$ 55,722	\$ 47,141	\$ 8,581	18%
International	63,688	62,025	1,663	3
Total rental and management	119,410	109,166	10,244	9
Network development services	4,856	5,225	(369)	(7)
Other	84,262	86,565	(2,303)	(3)
Total selling, general, administrative and development expense	\$208,528	\$200,956	\$ 7,572	4%

Total SG&A for the six months ended June 30, 2014 increased 4% to \$208.5 million. The increase was primarily attributable to an increase in our domestic and international rental and management segments, partially offset by a decrease in other SG&A.

Domestic rental and management segment SG&A for the six months ended June 30, 2014 increased 18% to \$55.7 million. The increase was primarily driven by increasing personnel costs to support our business, including additional costs associated with the acquisition of MIPT.

International rental and management segment SG&A for the six months ended June 30, 2014 increased 3% to \$63.7 million. The increase was primarily due to the impact of increased personnel costs to support our business, partially offset by the impact of foreign currency fluctuations, as well as the reversal of bad debt expense for amounts previously reserved.

Network development services segment SG&A for the six months ended June 30, 2014 decreased 7% to \$4.9 million primarily due to a decrease in personnel expense.

Other SG&A for the six months ended June 30, 2014 decreased 3% to \$84.3 million primarily due to a \$7.5 million decrease in corporate SG&A, partially offset by an increase of \$5.2 million related to stock-based compensation expense. The decrease in corporate SG&A was primarily related to a reduction in legal expenses of \$10.2 million, including the recovery of expenses during the six months ended June 30, 2014, and the reversal of a \$2.8 million reserve associated with a non-recurring state tax item. The decrease in corporate SG&A was offset primarily by an increase in personnel costs to support our business.

Operating Profit

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Rental and management				
Domestic	\$ 991,951	\$ 802,537	\$ 189,414	24%
International	346,473	273,049	73,424	27
Total rental and management	1,338,424	1,075,586	262,838	24
Network development services	26,026	22,079	3,947	18%

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Domestic rental and management segment operating profit for the six months ended June 30, 2014 increased 24% to \$992.0 million. The growth was primarily attributable to the increase in our domestic rental and management segment gross margin (23%) and was partially offset by an increase in our domestic rental and management segment SG&A (18%).

International rental and management segment operating profit for the six months ended June 30, 2014 increased 27% to \$346.5 million. The growth was primarily attributable to the increase in our international rental and management segment gross margin (22%) and was partially offset by an increase in our international rental and management segment SG&A (3%).

Network development services segment operating profit for the six months ended June 30, 2014 increased 18% to \$26.0 million. The increase was primarily attributable to the increase in network development services segment gross margin (13%) and by a decrease in our network development services segment SG&A (7%).

Depreciation, Amortization and Accretion

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Depreciation, amortization and accretion	\$491,190	\$370,412	\$120,778	33%

Depreciation, amortization and accretion for the six months ended June 30, 2014 increased 33% to \$491.2 million. The increase was primarily attributable to the depreciation, amortization and accretion associated with the acquisition or construction of approximately 14,915 sites since January 1, 2013, which resulted in an increase in property and equipment and intangible assets subject to amortization.

Other Operating Expenses

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Other operating expenses	\$26,648	\$20,217	\$6,431	32%

Other operating expenses for the six months ended June 30, 2014 increased 32% to \$26.6 million. The increase was primarily attributable to an increase of \$3.8 million in impairment charges, which included the write down to fair value of certain of our assets held-for-sale, and a net increase of \$3.4 million in integration and acquisition related costs.

Interest Expense

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Interest expense	\$289,541	212,581	\$76,960	36%

Interest expense for the six months ended June 30, 2014 increased 36% to \$289.5 million. The increase was primarily attributable to an increase of \$5.5 billion in our average debt outstanding, which was primarily used to fund our acquisitions, partially offset by a decrease in our annualized weighted average cost of borrowing from 4.70% to 3.99%.

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Loss on Retirement of Long-Term Obligations

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Loss on retirement of long-term obligations	\$ 1,522	\$ 37,967	\$ (36,445)	(96)%

During the six months ended June 30, 2014 and 2013, we recorded a loss on retirement of long-term obligations of \$1.5 million and \$38.0 million, respectively. During the six months ended June 30, 2014, we repaid the notes assumed in connection with the acquisition from Richland and paid prepayment consideration and wrote-off the unamortized premium associated with the fair value adjustment. During the six months ended June 30, 2013, we recorded a loss of \$35.3 million as we repaid the \$1.75 billion outstanding balance of the Commercial Mortgage Pass-Through Certificates, Series 2007-1 issued in the securitization transaction completed in May 2007 and incurred prepayment consideration and recorded the acceleration of deferred financing costs. In addition, during the six months ended June 30, 2013, we recorded a loss of \$2.7 million related to the acceleration of the remaining deferred financing costs associated with the 2011 Credit Facility, which was terminated in June 2013.

Other Expense

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Other expense	\$ 20,206	\$ 119,369	\$ (99,163)	(83)%

During the six months ended June 30, 2014, other expense was \$20.2 million, which reflected \$25.6 million of unrealized foreign currency losses, as compared to \$120.8 million of unrealized foreign currency losses during the six months ended June 30, 2013. During the six months ended June 30, 2014, we recorded unrealized foreign currency losses of \$68.7 million, of which \$43.1 million was recorded in AOCI and \$25.6 million was recorded in Other expense.

Income Tax Provision

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Income tax provision	\$ 39,451	7,775	\$ 31,676	407%
Effective tax rate	8.7%	3.1%		

The income tax provision for the six months ended June 30, 2014 and 2013 was \$39.5 million and \$7.8 million, respectively. The ETR for the six months ended June 30, 2014 increased to 8.7% from 3.1%. This increase was primarily attributable to income tax benefits of certain unrealized foreign currency losses during the six months ended June 30, 2013, as well as an increase in foreign tax expense from our foreign operations for six months ended June 30, 2014.

The ETR on income from continuing operations for the six months ended June 30, 2014 and 2013 differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a REIT, we may deduct earnings distributed to stockholders against the income generated in our QRSs. In addition, we are able to offset income in both our TRSs and QRSs by utilizing our NOLs, subject to specified limitations.

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Net Income/Adjusted EBITDA

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Net income	\$ 414,972	\$ 245,061	\$ 169,911	69%
Income tax provision	39,451	7,775	31,676	407
Other expense	20,206	119,369	(99,163)	(83)
Loss on retirement of long-term obligations	1,522	37,967	(36,445)	(96)
Interest expense	289,541	212,581	76,960	36
Interest income	(4,299)	(3,126)	1,173	38
Other operating expenses	26,648	20,217	6,431	32
Depreciation, amortization and accretion	491,190	370,412	120,778	33
Stock-based compensation expense	43,439	38,097	5,342	14
Adjusted EBITDA	\$1,322,670	\$1,048,353	\$274,317	26%

Net income for the six months ended June 30, 2014 increased 69% to \$415.0 million primarily due to the increase in our operating profit of \$266.8 million, as described above, as well as a decrease in other expense and loss on retirement of long-term obligations. The increase in net income was partially offset by increases in depreciation, amortization and accretion expense, interest expense and income tax provision.

Adjusted EBITDA for the six months ended June 30, 2014 increased 26% to \$1,322.7 million. Adjusted EBITDA growth was primarily attributable to the increase in our gross margin of \$276.7 million, and was partially offset by an increase in SG&A of \$2.3 million, excluding the impact of stock-based compensation expense.

Net Income/NAREIT FFO/AFFO

	Six Months Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2014	2013		
Net income	\$414,972	\$245,061	\$169,911	69%
Real estate related depreciation, amortization and accretion	436,189	324,352	111,837	34
Losses from sale or disposal of real estate and real estate related impairment charges	2,229	2,670	(441)	(17)
Dividends declared on preferred stock	(4,375)	—	4,375	N/A
Adjustments for unconsolidated affiliates and noncontrolling interest	9,411	11,643	(2,232)	(19)
NAREIT FFO	\$858,426	\$583,726	\$274,700	47%
Straight-line revenue	(64,378)	(68,682)	(4,304)	(6)
Straight-line expense	17,350	15,026	2,324	15
Stock-based compensation expense	43,439	38,097	5,342	14
Non-cash portion of tax provision (benefit)	3,675	(9,378)	13,053	139
Non-real estate related depreciation, amortization and accretion	55,001	46,060	8,941	19
Amortization of deferred financing costs, capitalized interest, debt discounts and premiums and long-term deferred interest charges	6,593	14,922	(8,329)	(56)
Other expense (1)	20,206	119,369	(99,163)	(83)
Loss on retirement of long-term obligations	1,522	37,967	(36,445)	(96)
Other operating expenses (2)	24,419	17,547	6,872	39
Capital improvement capital expenditures	(34,456)	(42,324)	(7,868)	(19)
Corporate capital expenditures	(9,162)	(16,675)	(7,513)	(45)
Adjustments for unconsolidated affiliates and noncontrolling interest	(9,411)	(11,643)	(2,232)	(19)
AFFO	\$913,224	\$724,012	\$189,212	26%

(1) Primarily includes unrealized losses on foreign currency exchange rate fluctuations.

(2) Primarily includes acquisition related costs, integration costs and impairment charges.

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NAREIT FFO for the six months ended June 30, 2014 was \$858.4 million as compared to NAREIT FFO of \$583.7 million for the six months ended June 30, 2013. AFFO for the six months ended June 30, 2014 increased 26% to \$913.2 million as compared to \$724.0 million for the six months ended June 30, 2013. AFFO growth was primarily attributable to the increase in our operating profit and a decrease in capital improvement and corporate capital expenditures, partially offset by an increase in cash paid for interest and cash paid for taxes.

Liquidity and Capital Resources

The information in this section updates as of June 30, 2014 the “Liquidity and Capital Resources” section of our Annual Report on Form 10-K for the year ended December 31, 2013 and should be read in conjunction with that report.

Overview

As a holding company, our cash flows are derived primarily from the operations of, and distributions from, our operating subsidiaries or funds raised through borrowings under our credit facilities and debt offerings. As of June 30, 2014, we had approximately \$3.5 billion of total liquidity, comprised of approximately \$0.3 billion in cash and cash equivalents and the ability to borrow up to \$3.2 billion, net of any outstanding letters of credit, under our \$2.0 billion multi-currency senior unsecured revolving credit facility entered into in June 2013 (the “2013 Credit Facility”), our \$1.0 billion senior unsecured revolving credit facility entered into in January 2012 (the “2012 Credit Facility”) and our \$1.0 billion senior unsecured revolving credit facility entered into in September 2013 (the “Short-Term Credit Facility”).

Summary cash flow information for the six months ended June 30, 2014 and 2013 is set forth below (in thousands).

	Six months ended	
	June 30,	
	2014	2013
Net cash provided by (used for):		
Operating activities	\$1,072,382	\$ 784,521
Investing activities	(836,805)	(601,774)
Financing activities	(249,232)	(94,860)
Net effect of changes in exchange rates on cash and cash equivalents	3,038	(8,058)
Net (decrease) increase in cash and cash equivalents	<u>\$ (10,617)</u>	<u>\$ 79,829</u>

We use our cash flows to fund our operations and investments in our business, including tower maintenance and improvements, communications site construction and managed network installations, and tower and land acquisitions. Additionally, we use our cash flows to make distributions, including distributions of our REIT taxable income to maintain our REIT qualification under the Internal Revenue Code of 1986, as amended (the “Code”), and fund our stock repurchase program. We may also repurchase our existing indebtedness from time to time. We typically fund our international expansion efforts primarily through a combination of cash on hand, intercompany debt and equity contributions.

As of June 30, 2014, we had total outstanding indebtedness of approximately \$14.0 billion, with a current portion of \$1.2 billion. During the six months ended June 30, 2014, we generated sufficient cash flow from operations to fund our capital expenditures and debt service obligations, as well as our required REIT distributions. We believe the cash generated by operations during the next 12 months, together with our borrowing capacity under our credit facilities, will be sufficient to fund our REIT distribution requirements, 5.25% Mandatory Convertible Preferred Stock, Series A (the “Mandatory Convertible Preferred Stock”) dividend payments, capital expenditures, debt service (interest and principal repayments) obligations and pending

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acquisitions for the next 12 months. As of June 30, 2014, we had approximately \$171.1 million of cash and cash equivalents held by our foreign subsidiaries, of which \$61.4 million was held by our joint ventures. Historically, it has not been our practice to repatriate cash from our foreign subsidiaries primarily due to our ongoing expansion efforts and related capital needs. However, in the event that we do repatriate any funds, we may be required to accrue and pay taxes.

Cash Flows from Operating Activities

For the six months ended June 30, 2014, cash provided by operating activities was \$1,072.4 million, an increase of \$287.9 million as compared to the six months ended June 30, 2013. This increase was primarily due to an increase in the operating profit of our rental and management segments and cash provided by working capital as compared to the six months ended June 30, 2013, partially offset by an increase in cash paid for interest. Working capital was positively impacted by the receipt of capital contributions from tenants and a value added tax refund, partially offset by an increase in accounts receivable.

Cash Flows from Investing Activities

For the six months ended June 30, 2014, cash used for investing activities was \$836.8 million, an increase of \$235.0 million as compared to the six months ended June 30, 2013.

Our significant investing transactions during the six months ended June 30, 2014 included the following:

- We spent \$466.2 million for purchases of property and equipment and construction activities, including (i) \$266.6 million of capital expenditures for discretionary capital projects, including for the completion of the construction of approximately 1,325 communications sites and the installation of approximately 460 shared generators domestically, (ii) \$67.7 million spent to acquire land under our towers that was subject to ground agreements (including leases), (iii) \$43.6 million of capital expenditures related to capital improvements primarily attributable to our communications sites and corporate capital expenditures primarily attributable to information technology improvements, (iv) \$78.7 million for the redevelopment of existing communications sites to accommodate new tenant equipment and (v) \$9.6 million of capital expenditures related to start-up capital projects primarily attributable to acquisitions and new market launches and costs that are contemplated in the business cases for these investments.
- We spent \$315.5 million for the acquisition of communications sites in Brazil, Mexico and the United States, as well as obligations related to sites acquired during the year ended December 31, 2013 in Brazil, South Africa and the United States.

We plan to continue to allocate our available capital, after our REIT distribution requirements and Mandatory Convertible Preferred Stock dividend payments, among investment alternatives that meet our return on investment criteria. Accordingly, we expect to continue to deploy our capital through our annual capital expenditure program, including land purchases and new site construction, and through acquisitions. We expect that our 2014 total capital expenditures will be between approximately \$925 million and \$1,025 million, including (i) between \$115 million and \$125 million for capital improvements and corporate capital expenditures, (ii) between \$35 million and \$45 million for start-up capital projects, (iii) between \$180 million and \$190 million for the redevelopment of existing communications sites, (iv) between \$115 million and \$125 million for ground lease purchases and (v) between \$480 million and \$540 million for other discretionary capital projects, including the construction of approximately 2,250 to 2,750 new communications sites.

Cash Flows from Financing Activities

For the six months ended June 30, 2014, cash used for financing activities was \$249.2 million, as compared to \$94.9 million during the six months ended June 30, 2013.

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Our significant financing transactions during the six months ended June 30, 2014 included (x) the completion of a registered public offering through a reopening of our 3.40% senior unsecured notes due 2019 (the “3.40% Notes”), in an aggregate principal amount of \$250.0 million and 5.00% senior unsecured notes due 2024 (the “5.00% Notes”), in an aggregate principal amount of \$500.0 million, (y) a registered public offering of 6,000,000 shares of our Mandatory Convertible Preferred Stock and (z) borrowings of \$360.0 million under the 2013 Credit Facility and the repayment of (i) \$1.4 billion under the 2013 Credit Facility, (ii) \$196.5 million of secured debt assumed in connection with the acquisition from Richland, (iii) \$88.0 million under the 2012 Credit Facility, (iv) 1.1 billion MXN (approximately \$80.4 million on the date of repayment) under the 5.2 billion MXN denominated unsecured bridge loan entered into by one of our Mexican subsidiaries (the “Mexican Loan”) and (v) \$32.6 million of secured debt in Costa Rica (the “Costa Rica Loan”).

Mandatory Convertible Preferred Stock Offering. On May 12, 2014, we completed a registered public offering of 6,000,000 shares of our Mandatory Convertible Preferred Stock. The net proceeds of the offering were \$582.9 million after deducting commissions and estimated expenses. We used the net proceeds from this offering to fund recent acquisitions, including the Richland Acquisition, initially funded by indebtedness incurred under the 2013 Credit Facility.

Unless converted earlier, each share of the Mandatory Convertible Preferred Stock will automatically convert on May 15, 2017, into between 0.9174 and 1.1468 shares of common stock, depending on the applicable market value of the common stock and subject to anti-dilution adjustments. Subject to certain restrictions, at any time prior to May 15, 2017, holders of the Mandatory Convertible Preferred Stock may elect to convert all or a portion of their shares into common stock at the minimum conversion rate then in effect.

Dividends on shares of Mandatory Convertible Preferred Stock are payable on a cumulative basis when, as and if declared by our Board of Directors (or an authorized committee thereof) at an annual rate of 5.25% on the liquidation preference of \$100.00 per share, on February 15, May 15, August 15 and November 15 of each year, commencing on August 15, 2014 to, and including, May 15, 2017. We may pay dividends in cash or, subject to certain limitations, in shares of common stock or any combination of cash and shares of common stock. The terms of the Mandatory Convertible Preferred Stock provide that, unless full cumulative dividends have been paid or set aside for payment on all outstanding Mandatory Convertible Preferred Stock for all prior dividend periods, no dividends may be declared or paid on our common stock.

Costa Rica Loan. In connection with our acquisition of MIPT, we assumed \$32.6 million of secured debt under the Costa Rica Loan, which we repaid in full in February 2014.

Colombian Bridge Loans. In connection with the acquisition of communications sites in Colombia, one of our Colombian subsidiaries entered into six Colombian Peso (“COP”) denominated bridge loans for an aggregate principal amount of 108.0 billion COP (approximately \$57.4 million). As of June 30, 2014, the interest rate was 7.86% and the maturity date of the loans was July 31, 2014. In July 2014, the maturity date of the loans was extended to August 31, 2014.

Mexican Loan. In connection with the acquisition of towers in Mexico from NII Holdings, Inc. (“NII”) during the fourth quarter of 2013, one of our Mexican subsidiaries entered into the Mexican Loan and subsequently borrowed approximately 4.9 billion MXN (approximately \$374.7 million at the date of borrowing). The Mexican subsidiary’s ability to draw down the remaining 0.3 billion MXN under the Mexican Loan expired in February 2014. During the six months ended June 30, 2014, the Mexican subsidiary repaid 1.1 billion MXN (approximately \$80.4 million on the date of repayment) of the outstanding indebtedness with cash on hand. As of June 30, 2014, we had 3.9 billion MXN (approximately \$298.6 million) outstanding under the Mexican Loan.

Colombian Loan. In connection with the establishment of our joint venture with Millicom International Cellular SA (“Millicom”) and the acquisition of certain communications sites in Colombia, ATC Colombia B.V., our majority owned subsidiary, entered into a U.S. Dollar-denominated shareholder loan agreement (the “Colombian Loan”), as the borrower, with our wholly owned subsidiary (the “ATC Colombian Subsidiary”), and

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a wholly owned subsidiary of Millicom (the “Millicom Subsidiary”), as the lenders. The portion of the Colombian Loan made by the ATC Colombian Subsidiary is eliminated in consolidation, and the portion of the Colombian Loan made by the Millicom Subsidiary is reported as outstanding debt. During the six months ended June 30, 2014, the joint venture borrowed an additional \$3.0 million under the Colombian Loan, which was subsequently converted from debt to equity, and the balance as of June 30, 2014 was \$35.1 million. In July 2014, we purchased Millicom’s interest in the joint venture and the Colombian Loan using proceeds from borrowings under the 2013 Credit Facility.

Richland Notes. In connection with the acquisition from Richland, we assumed approximately \$196.5 million of secured debt (the “Richland Notes”), which we repaid in full in June 2014.

2012 Credit Facility. During the six months ended June 30, 2014, we repaid \$88.0 million of outstanding indebtedness under the 2012 Credit Facility with net proceeds from a registered public offering of reopened 3.40% Notes and reopened 5.00% Notes. As of June 30, 2014, we had no amounts outstanding under the 2012 Credit Facility and \$7.5 million of undrawn letters of credit. We maintain the ability to draw down and repay amounts under the 2012 Credit Facility in the ordinary course.

The 2012 Credit Facility matures on January 31, 2017, does not require amortization of principal and may be paid prior to maturity in whole or in part at our option without penalty or premium. The current margin over the London Interbank Offered Rate (“LIBOR”) that we would incur (should we choose LIBOR) on borrowings is 1.625%, and the current commitment fee on the undrawn portion of the 2012 Credit Facility is 0.225%.

2013 Credit Facility. During the six months ended June 30, 2014, we repaid \$1.4 billion of outstanding indebtedness under the 2013 Credit Facility using (i) proceeds from the reopened 3.40% Notes and reopened 5.00% Notes, (ii) proceeds from the issuance of the Mandatory Convertible Preferred Stock and (iii) cash on hand. During the six months ended June 30, 2014, we borrowed an additional \$360.0 million under the 2013 Credit Facility, which was primarily used to fund recent acquisitions, including the acquisition from Richland, and the repayment of the Richland Notes.

As of June 30, 2014, we had \$783.0 million outstanding under the 2013 Credit Facility and \$3.2 million of undrawn letters of credit. In July 2014, we borrowed a net amount of \$140.0 million under the 2013 Credit Facility, a portion of which we used to purchase Millicom’s interest in the Colombian joint venture and the Colombian Loan. The 2013 Credit Facility includes an expansion option allowing us to request additional commitments of up to \$750.0 million, including in the form of a term loan. We maintain the ability to draw down and repay amounts under the 2013 Credit Facility in the ordinary course.

The 2013 Credit Facility matures on June 28, 2018 and includes two one-year renewal periods at our option. The 2013 Credit Facility does not require amortization of principal and may be paid prior to maturity in whole or in part at our option without penalty or premium. The current margin over LIBOR that we incur on borrowings is 1.250%, and the current commitment fee on the undrawn portion of the 2013 Credit Facility is 0.150%.

Short-Term Credit Facility. On September 20, 2013, we entered into the Short-Term Credit Facility. The Short-Term Credit Facility does not require amortization of principal and may be repaid prior to maturity in whole or in part at our option without penalty or premium. We may reduce or terminate the unutilized portion of the commitments under the Short-Term Credit Facility in whole or in part without penalty.

The Short-Term Credit Facility matures on September 19, 2014. The current margin over LIBOR that we would incur (should we choose LIBOR) on borrowings is 1.250%, and the current commitment fee on the undrawn portion is 0.150%. As of June 30, 2014, we had no amounts outstanding under the Short-Term Credit Facility and maintain the ability to draw down and repay amounts under the Short-Term Credit Facility in the ordinary course.

2013 Term Loan. On October 29, 2013, we entered into a \$1.5 billion unsecured term loan (the “2013 Term Loan”), which includes an expansion option allowing us to request additional commitments of up to \$500.0 million. The 2013 Term Loan matures on January 3, 2019, and the current interest rate is LIBOR plus 1.250%.

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Senior Notes Offering. On January 10, 2014, we completed a registered public offering of reopened 3.40% Notes and reopened 5.00% Notes in aggregate principal amounts of \$250.0 million and \$500.0 million, respectively. The net proceeds from the offering were approximately \$763.8 million, after deducting commissions and estimated expenses. As a result, the aggregate outstanding principal amount of each of the 3.40% Notes and the 5.00% Notes is \$1.0 billion.

We used a portion of the proceeds, together with cash on hand, to repay \$88.0 million of outstanding indebtedness under the 2012 Credit Facility and \$710.0 million of outstanding indebtedness under the 2013 Credit Facility.

The reopened 3.40% Notes issued on January 10, 2014 have identical terms as, are fungible with and are part of a single series of senior debt securities with the 3.40% Notes issued on August 19, 2013. The reopened 5.00% Notes issued on January 10, 2014 have identical terms as, are fungible with and are part of a single series of senior debt securities with the 5.00% Notes issued on August 19, 2013.

The 3.40% Notes mature on February 15, 2019 and bear interest at a rate of 3.40% per annum. The 5.00% Notes mature on February 15, 2024 and bear interest at a rate of 5.00% per annum. Accrued and unpaid interest on the 3.40% Notes and the 5.00% Notes is payable in U.S. Dollars semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2014. Interest on the 3.40% Notes and the 5.00% Notes accrues from August 19, 2013 and is computed on the basis of a 360-day year comprised of twelve 30-day months.

We may redeem the 3.40% Notes or the 5.00% Notes at any time at a redemption price equal to 100% of the principal amount, plus a make-whole premium, together with accrued interest to the redemption date. If we undergo a change of control and ratings decline, each as defined in the supplemental indenture, we may be required to repurchase all of the 3.40% Notes and the 5.00% Notes at a purchase price equal to 101% of the principal amount of the 3.40% Notes and the 5.00% Notes, plus accrued and unpaid interest (including additional interest, if any), up to but not including the repurchase date. The 3.40% Notes and the 5.00% Notes rank equally with all of our other senior unsecured debt and are structurally subordinated to all existing and future indebtedness and other obligations of our subsidiaries.

The supplemental indenture contains certain covenants that restrict our ability to merge, consolidate or sell assets and our (together with our subsidiaries') ability to incur liens. These covenants are subject to a number of exceptions, including that we, as well as our subsidiaries, may incur certain liens on assets, mortgages or other liens securing indebtedness, if the aggregate amount of such liens does not exceed 3.5x Adjusted EBITDA, as defined in the supplemental indenture.

Stock Repurchase Program. In March 2011, our Board of Directors approved a stock repurchase program, pursuant to which we are authorized to purchase up to \$1.5 billion of common stock (the "2011 Buyback"). On September 6, 2013, we temporarily suspended repurchases in connection with our acquisition of MIPT.

Under the 2011 Buyback, we are authorized to purchase shares from time to time through open market purchases or privately negotiated transactions at prevailing prices in accordance with securities laws and other legal requirements, and subject to market conditions and other factors. To facilitate repurchases, we make purchases pursuant to trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which allows us to repurchase shares during periods when we otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods.

We continue to manage the pacing of the remaining \$1.1 billion under the 2011 Buyback in response to general market conditions and other relevant factors, including our financial policies. We expect to fund any further repurchases of our common stock through a combination of cash on hand, cash generated by operations and borrowings under our credit facilities. Purchases under the 2011 Buyback are subject to us having available cash to fund repurchases.

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Sales of Equity Securities. We receive proceeds from sales of our equity securities pursuant to our employee stock purchase plan and upon exercise of stock options granted under our equity incentive plans. During the six months ended June 30, 2014, we received an aggregate of \$30.7 million in proceeds upon exercises of stock options and from our employee stock purchase plan.

Distributions. As a REIT, we must annually distribute to our stockholders an amount equal to at least 90% of our REIT taxable income (determined before the deduction for distributed earnings and excluding any net capital gain). Generally, we have distributed, and expect to continue to distribute, all or substantially all of our REIT taxable income after taking into consideration our utilization of NOLs. Since our conversion to a REIT in 2012, we have distributed an aggregate of approximately \$1.1 billion to our stockholders, which is typically taxed as ordinary income.

The amount, timing and frequency of future distributions, however, will be at the sole discretion of our Board of Directors and will be declared based upon various factors, a number of which may be beyond our control, including our financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that we otherwise would be required to pay, limitations on distributions in our existing and future debt and equity instruments, our ability to utilize NOLs to offset our distribution requirements, limitations on our ability to fund distributions using cash generated through our TRSs and other factors that our Board of Directors may deem relevant. See Item 5 of our Annual Report on Form 10-K for the year ended December 31, 2013 under the caption “Dividends” for discussion of the factors considered.

During the six months ended June 30, 2014, we declared an aggregate of \$261.2 million in regular cash distributions to our common stockholders, which included our second quarter distribution of \$0.34 per share (approximately \$134.6 million) to common stockholders of record at the close of business on June 17, 2014. During the six months ended June 30, 2014, we declared a dividend of \$1.3563 per share, or approximately \$8.1 million in the aggregate, payable on August 15, 2014 to preferred stockholders of record at the close of business on August 1, 2014.

We accrue distributions on unvested restricted stock unit awards granted subsequent to January 1, 2012, which are payable upon vesting. As of June 30, 2014, the amount accrued for distributions payable related to unvested restricted stock units was \$2.3 million. During the six months ended June 30, 2014, we paid \$0.6 million of distributions upon the vesting of restricted stock units.

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Contractual Obligations. The following table summarizes our contractual obligations, reflecting discounts and premiums, as of June 30, 2014 (in thousands):

Indebtedness	Balance Outstanding	Maturity Date
<i>American Tower subsidiary debt:</i>		
Secured Tower Revenue Securities, Series 2013-1A (1)	\$ 500,000	March 15, 2018
Secured Tower Revenue Securities, Series 2013-2A (1)	1,300,000	March 15, 2023
GTP Notes (2)	1,526,470	Various
Unison Notes, Series 2010-1 Class C, Series 2010-2 Class C and Series 2010-2 Class F notes (3)	204,559	Various
Colombian bridge loans (4)	57,418	July 31, 2014
Mexican Loan (5)	298,575	May 1, 2015
Ghana loan (6)	158,327	May 4, 2016
Uganda loan (6)	69,004	June 29, 2019
South African facility (7)	84,852	March 31, 2020
Colombian long-term credit facility (8)	71,399	November 30, 2020
Colombian Loan (6)(9)	35,095	February 22, 2022
Indian working capital facility	—	—
Other debt, including capital lease obligations	82,174	Various
Total American Tower subsidiary debt	4,387,873	
<i>American Tower Corporation debt:</i>		
2012 Credit Facility	—	January 31, 2017
2013 Credit Facility	783,000	June 28, 2018
Short-Term Credit Facility	—	September 19, 2014
2013 Term Loan	1,500,000	January 3, 2019
4.625% senior notes	599,875	April 1, 2015
7.00% senior notes	500,000	October 15, 2017
4.50% senior notes	999,575	January 15, 2018
3.40% Notes	1,006,137	February 15, 2019
7.25% senior notes	296,999	May 15, 2019
5.05% senior notes	699,454	September 1, 2020
5.90% senior notes	499,444	November 1, 2021
4.70% senior notes	698,928	March 15, 2022
3.50% senior notes	992,872	January 31, 2023
5.00% Notes	1,011,306	February 15, 2024
Total American Tower Corporation debt	9,587,590	
Total	\$ 13,975,463	

- (1) Issued in our March 2013 securitization transaction (the “Securitization”). Maturity date is the anticipated repayment date.
- (2) In connection with our acquisition of MIPT, we assumed approximately \$1.49 billion principal amount of existing indebtedness under six series, consisting of eleven separate classes, of Secured Tower Revenue Notes issued by certain subsidiaries of GTP in several securitization transactions (the “GTP Notes”). Anticipated repayment dates begin February 15, 2015.
- (3) Assumed by us in connection with the acquisition of certain legal entities holding a portfolio of property interests from Unison Holdings, LLC and Unison Site Management II, L.L.C. (the “Unison Acquisition”). Anticipated repayment dates begin April 15, 2017.
- (4) Denominated in COP. In July 2014, the maturity date of the loans was extended to August 31, 2014. The maturity date for the Colombian bridge loans may be extended from time to time.
- (5) Denominated in MXN.
- (6) Denominated in U.S. Dollars.
- (7) Denominated in South African Rand (ZAR) and amortizes through March 31, 2020.
- (8) Denominated in COP and amortizes through November 30, 2020.
- (9) In July 2014, we purchased Millicom’s interest in the Colombian Loan.

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A description of our contractual debt obligations is set forth under the caption “Quantitative and Qualitative Disclosures about Market Risk” in Part I, Item 3 of this Quarterly Report on Form 10-Q. We classify uncertain tax positions as non-current income tax liabilities. We expect the unrecognized tax benefits to change over the next twelve months if certain tax matters ultimately settle with the applicable taxing jurisdiction during this timeframe. However, based on the status of these items and the amount of uncertainty associated with the outcome and timing of audit settlements, we are currently unable to estimate the impact of the amount of such changes, if any, to previously recorded uncertain tax positions and have classified \$33.2 million as Other non-current liabilities in the condensed consolidated balance sheet as of June 30, 2014. We also classified \$34.8 million of accrued income tax related interest and penalties as Other non-current liabilities in the condensed consolidated balance sheet as of June 30, 2014.

Factors Affecting Sources of Liquidity

As discussed in the “Liquidity and Capital Resources” section of our Annual Report on Form 10-K for the year ended December 31, 2013, our liquidity is dependent on our ability to generate cash flow from operating activities, borrow funds under our credit facilities and maintain compliance with the contractual agreements governing our indebtedness. We believe that the debt agreements discussed below represent our material debt agreements that contain covenants, our compliance with which would be material to an investor’s understanding of our financial results and the impact of those results on our liquidity.

Restrictions Under Loan Agreements Relating to Our Credit Facilities. The loan agreements for the 2012 Credit Facility, the 2013 Credit Facility, the Short-Term Credit Facility and the 2013 Term Loan contain certain financial and operating covenants and other restrictions applicable to us and our subsidiaries that are not designated as unrestricted subsidiaries on a consolidated basis. These include limitations on additional debt, distributions and dividends, guaranties, sales of assets and liens. The loan agreements also contain covenants that establish three financial tests with which we and our restricted subsidiaries must comply related to total leverage, senior secured leverage and interest coverage, as set forth below. As of June 30, 2014, we were in compliance with each of these covenants.

Consolidated Total Leverage Ratio: This ratio requires that we not exceed a ratio of Total Debt to Adjusted EBITDA (each as defined in the loan agreements) of 6.50 to 1.00 through September 30, 2014, and of 6.00 to 1.00 thereafter. Based on our financial performance for the 12 months ended June 30, 2014, we could incur approximately \$3.0 billion of additional indebtedness and still remain in compliance with this ratio. In addition, if we maintain our existing debt levels and our expenses do not change materially from current levels, our revenues could decrease by approximately \$462 million and we would still remain in compliance with this ratio.

Consolidated Senior Secured Leverage Ratio: This ratio requires that we not exceed a ratio of Senior Secured Debt (as defined in the loan agreements) to Adjusted EBITDA of 3.00 to 1.00. Based on our financial performance for the 12 months ended June 30, 2014, we could incur approximately \$4.0 billion of additional Senior Secured Debt and still remain in compliance with the current ratio (effectively, however, this ratio would be limited to approximately \$3.0 billion to remain in compliance with other covenants). In addition, if we maintain our existing Senior Secured Debt levels and our expenses do not change materially from current levels, our revenues could decrease by approximately \$1.3 billion and we would still remain in compliance with the current ratio.

Interest Coverage Ratio: In the event our debt ratings fall below investment grade, we will be required to maintain a ratio of Adjusted EBITDA to Interest Expense (as defined in the loan agreements) of not less than 2.50 to 1.00. Based on our financial performance for the 12 months ended June 30, 2014, our interest expense, which was \$508 million for that period, could increase by approximately \$516 million and we would still remain in compliance with this ratio. In addition, if our interest expense does not change materially from current levels, our revenues could decrease by approximately \$1.3 billion and we would still remain in compliance with this ratio.

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The loan agreements for our credit facilities also contain reporting and information covenants that require us to provide financial and operating information within certain time periods. If we are unable to provide the required information on a timely basis, we would be in breach of these covenants.

Any failure to comply with the financial maintenance tests and operating covenants of the loan agreements for our credit facilities would not only prevent us from being able to borrow additional funds under these credit facilities, but would constitute a default under these credit facilities, which could result in, among other things, the amounts outstanding, including all accrued interest and unpaid fees, becoming immediately due and payable. If this were to occur, we may not have sufficient cash on hand to repay such indebtedness. The key factors affecting our ability to comply with the debt covenants described above are our financial performance relative to the financial maintenance tests defined in the loan agreements for these credit facilities and our ability to fund our debt service obligations. Based upon our current expectations, we believe our operating results during the next 12 months will be sufficient to comply with these covenants.

Restrictions Under Agreements Relating to the Securitization and the GTP Notes. The First Amended and Restated Loan and Security Agreement related to the Securitization (the “Loan Agreement”) and the indentures governing the GTP Notes (the “GTP Indentures”) include certain financial ratios and operating covenants and other restrictions customary for transactions subject to rated securitizations. Among other things, American Tower Asset Sub, LLC and American Tower Asset Sub II, LLC (the “Borrowers”), and the issuers of the GTP Notes (the “GTP Issuers”) are prohibited from incurring other indebtedness for borrowed money or further encumbering their assets subject to customary carve-outs for ordinary course trade payables and permitted encumbrances (as defined in the Loan Agreement and GTP Indentures).

Under the terms of the agreements, amounts due will be paid from the cash flows generated by the assets securing the nonrecourse loan relating to the Securitization (the “Loan”) or the GTP Notes (as applicable), which must be deposited, and thereafter distributed, solely pursuant to the terms of the applicable agreement. On a monthly basis, after payment of all required amounts under the applicable agreement, the excess cash flows generated from the operation of the assets securing the Loan or the GTP Notes are released to the Borrowers or the applicable GTP Issuer, which can then be distributed to, and used by, us. During the six months ended June 30, 2014, the Borrowers distributed excess cash to us of \$369.8 million. During the six months ended June 30, 2014, the GTP Issuers distributed excess cash to us of \$91.2 million.

In order to distribute this excess cash flow to us, the Borrowers and the GTP Issuers must maintain a specified debt service coverage ratio (“DSCR”), calculated as the ratio of the net cash flow (as defined in the Loan Agreement or the applicable GTP Indenture) to the amount of interest required to be paid over the succeeding twelve months on the principal amount of the Loan or the principal amount of the GTP Notes that will be outstanding on the payment date following such date of determination, plus the amount of the payable trustee and servicing fees. If the DSCR with respect to the Secured Tower Revenue Securities, Series 2013-1A and Series 2013-2A issued in our Securitization (the “Securities”) or any series of GTP Notes issued by GTP Towers Issuer, LLC (“GTP Towers”) or GTP Acquisition Partners I, LLC (“GTP Partners”) is equal to or below 1.30x (the “Cash Trap DSCR”) at the end of any calendar quarter and it continues for two consecutive calendar quarters, or if the DSCR with respect to any series of GTP Notes issued by GTP Cellular Sites, LLC (“GTP Cellular Sites”) is equal to or below the Cash Trap DSCR at the end of any calendar month and it continues for two consecutive calendar months, then all cash flow in excess of amounts required to make debt service payments, fund required reserves, pay management fees and budgeted operating expenses and make other payments required with respect to the particular series of Securities or GTP Notes under the Loan Agreement or GTP Indentures, as applicable, will be deposited into reserve accounts instead of being released to the Borrowers or the GTP Issuers. The funds in the reserve accounts will not be released to the Borrowers, GTP Towers or GTP Partners for distribution to us unless the DSCR with respect to such series of Securities or GTP Notes exceeds the Cash Trap DSCR for two consecutive calendar quarters. Likewise, the funds in the reserve account will not be released to GTP Cellular Sites for distribution to us unless the DSCR with respect to such series of GTP Notes exceeds the Cash Trap DSCR for two consecutive calendar months.

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Additionally, an “amortization period,” commences as of the end of any calendar quarter with respect to the Securities and the series of GTP Notes issued by GTP Towers and GTP Partners, and as of the end of any calendar month with respect to the series of GTP Notes issued by GTP Cellular Sites, if the DSCR of such series equals or falls below 1.15x (the “Minimum DSCR”). The “amortization period” will continue to exist until the end of any calendar quarter with respect to the Securities and the series of GTP Notes issued by GTP Towers and GTP Partners for which the DSCR exceeds the Minimum DSCR for two consecutive calendar quarters. Similarly, the “amortization period” will continue to exist until the end of any calendar month with respect to the series of GTP Notes issued by GTP Cellular Sites, for which the DSCR exceeds the Minimum DSCR for two consecutive calendar months.

If on the anticipated repayment date, the outstanding principal amount with respect to any series of the GTP Notes or the component of the Loan corresponding to the applicable subclass of the Securities has not been paid in full, an “amortization period” will continue until such principal amount of the applicable series of GTP Notes or the component of the Loan corresponding to the applicable subclass of Securities is repaid in full.

During an amortization period, all excess cash flow and any amounts then in the reserve accounts because the Cash Trap DSCR was not met would be applied to pay principal of the applicable subclass of Securities or series of GTP Notes on each monthly payment date, and so would not be available for distribution to us. Further, additional interest will begin to accrue with respect to any subclass of the Securities or series of GTP Notes from and after the anticipated repayment date at a per annum rate determined in accordance with the Loan Agreement or the GTP Indentures, as applicable.

Consequently, a failure to meet the noted DSCR tests could prevent the Borrowers or GTP Issuers from distributing excess cash flow to us, which could affect our ability to fund our capital expenditures, including tower construction and acquisitions, meet REIT distribution requirements, make Mandatory Convertible Preferred Stock dividend payments and fund our stock repurchase program. If the Borrowers were to default on the Loan, the trustee could seek to foreclose upon or otherwise convert the ownership of the 5,195 wireless and broadcast communications towers that secure the Loan (the “Secured Towers”), in which case we could lose the Secured Towers and the revenue associated with the towers. In addition, upon occurrence and during an event of default, the trustee may, in its discretion or at direction of holders of more than 50% of the aggregate outstanding principal of any series of GTP Notes, declare such series of GTP Notes immediately due and payable, in which case any excess cash flow would need to be used to pay holders of such GTP Notes. Furthermore, if the GTP Issuers were to default on a series of the GTP Notes, the trustee may demand, collect, take possession of, receive, settle, compromise, adjust, sue for, foreclose or realize upon all or any portion of an aggregate of 3,979 sites and 1,320 property interests owned by subsidiaries of the GTP Issuers and other related assets that secure the GTP Notes (the “GTP Secured Towers”) securing such series, in which case we could lose the GTP Secured Towers and the revenue associated with those assets.

As of June 30, 2014, the Borrowers’ DSCR was 10.24x. Based on the Borrowers’ net cash flow for the calendar quarter ended June 30, 2014 and the amount of interest, servicing fees and trustee fees payable over the succeeding twelve months on the Loan, the Borrowers could endure a reduction of approximately \$430 million in net cash flow before triggering the Cash Trap DSCR, and approximately \$437 million in net cash flow before triggering the Minimum DSCR. As of June 30, 2014, the DSCR of GTP Towers, GTP Partners and GTP Cellular Sites were 3.64x, 2.83x, and 2.49x, respectively. Based on the net cash flow of GTP Towers, GTP Partners and GTP Cellular Sites for the calendar quarter ended June 30, 2014 and the amount of interest, servicing fees and trustee fees payable over the succeeding twelve months on the applicable series of GTP Notes, GTP Towers, GTP Partners and GTP Cellular Sites could endure a reduction of approximately \$30.5 million, \$66.5 million and \$15.8 million, respectively, in net cash flow before triggering the Cash Trap DSCR, and approximately \$32.5 million, \$73.0 million and \$17.7 million, respectively, in net cash flow before triggering the Minimum DSCR.

As discussed above, we use our available liquidity and seek new sources of liquidity to refinance and repurchase our outstanding indebtedness. In addition, in order to fund capital expenditures, future growth and expansion initiatives, satisfy our REIT distribution requirements and fund our stock repurchase program, we may

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need to raise additional capital through financing activities. If we determine that it is desirable or necessary to raise additional capital, we may be unable to do so, or such additional financing may be prohibitively expensive or restricted by the terms of our outstanding indebtedness. If we are unable to raise capital when our needs arise, we may not be able to fund capital expenditures, future growth and expansion initiatives, satisfy our REIT distribution requirements, pay Mandatory Convertible Preferred Stock dividends, refinance our existing indebtedness or fund our stock repurchase program.

In addition, our liquidity depends on our ability to generate cash flow from operating activities. As set forth under the caption “Risk Factors” in Part II, Item 1A. of this Quarterly Report on Form 10-Q, we derive a substantial portion of our revenues from a small number of tenants and, consequently, a failure by a significant tenant to perform its contractual obligations to us could adversely affect our cash flow and liquidity.

For more information regarding the terms of our outstanding indebtedness, please see note 8 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Critical Accounting Policies and Estimates

Management’s discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our policies and estimates on an ongoing basis, including those related to impairment of assets, asset retirement obligations, accounting for acquisitions, revenue recognition, rent expense, stock-based compensation and income taxes, which we discussed in our Annual Report on Form 10-K for the year ended December 31, 2013. Management bases its estimates on historical experience and other various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have reviewed our policies and estimates to determine our critical accounting policies for the six months ended June 30, 2014. We have made no material changes to the critical accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2013.

Accounting Standards Updates

In April 2014, the Financial Accounting Standards Board (the “FASB”) issued additional guidance on reporting discontinued operations. Under this guidance, only disposals representing a strategic shift in operations would be presented as discontinued operations. This guidance requires expanded disclosure that provides information about the assets, liabilities, income and expenses of discontinued operations. Additionally, the guidance requires additional disclosure for a disposal of a significant part of an entity that does not qualify for discontinued operations reporting. This guidance will be effective for reporting periods beginning on or after December 15, 2014 with early adoption permitted for disposals or classifications as held-for-sale that have not been reported in financial statements previously issued or available for issuance. We adopted this guidance during the six months ended June 30, 2014, and the adoption did not have a material effect on our financial statements.

In May 2014, the FASB issued new revenue recognition guidance, which requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in GAAP. The amendment will become effective on January 1, 2017, and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. Leases are not included in the scope of this standard. We are evaluating the impact this standard will have on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following table provides information as of June 30, 2014 about our market risk exposure associated with changing interest rates. For long-term debt obligations, the table presents principal cash flows by maturity date and average interest rates related to outstanding obligations. For interest rate swaps, the table presents notional principal amounts and weighted-average interest rates (in thousands, except percentages).

Long-Term Debt	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value
Fixed Rate Debt (a)	\$64,235	\$859,392	\$883,221	\$664,464	\$1,748,713	\$6,897,464	\$11,117,489	\$11,733,565
Average Interest Rate (a)	7.71%	4.79%	5.74%	6.38%	3.44%	4.42%		
Variable Rate Debt (b)	\$ 3,482	\$311,722	\$ 24,345	\$ 27,568	\$ 815,050	\$1,624,663	\$ 2,806,830	\$ 2,792,457
Average Interest Rate (b)(c)	9.53%	4.29%	9.39%	9.39%	1.71%	1.86%		
Interest Rate Swaps	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value
Notional Amount	\$ 1,853	\$ 7,357	\$ 14,776	\$ 16,757	\$ 19,901	\$ 35,878	\$ 96,522	\$ (509)
Fixed Rate Debt Rate (d)							10.79%	

- (a) Fixed rate debt consisted of: Securities issued in the Securitization (\$1.8 billion); Unison Notes acquired in connection with the Unison Acquisition (\$196.0 million principal amount due at maturity, the balance as of June 30, 2014 was \$204.6 million); GTP Notes acquired in connection with our acquisition of MIPT (\$1.5 billion principal amount due at maturity, the balance as of June 30, 2014 was \$1.5 billion); the 3.40% Notes (\$1.0 billion principal amount due at maturity, the balance as of June 30, 2014 was \$1.0 billion); the 5.00% Notes (\$1.0 billion principal amount due at maturity, the balance as of June 30, 2014 was \$1.0 billion); the 7.25% senior notes due 2019 (\$300.0 million principal amount due at maturity, the balance as of June 30, 2014 was \$297.0 million); the 7.00% senior notes due 2017 (\$500.0 million principal due at maturity); the 4.625% senior notes due 2015 (\$600.0 million principal amount due at maturity, the balance as of June 30, 2014 was \$599.9 million); the 5.05% senior notes due 2020 (\$700.0 million principal amount due at maturity, the balance as of June 30, 2014 was \$699.5 million); the 4.50% senior notes due 2018 (\$1.0 billion principal amount due at maturity, the balance as of June 30, 2014 was \$1.0 billion); the 5.90% senior notes due 2021 (\$500.0 million principal amount due at maturity, the balance as of June 30, 2014 was \$499.4 million); the 4.70% senior notes due 2022 (\$700.0 million principal amount due at maturity, the balance as of June 30, 2014 was \$698.9 million); the 3.50% senior notes due 2023 (\$1.0 billion principal amount due at maturity, the balance as of June 30, 2014 was \$1.0 billion); and other debt of \$333.0 million (including the Colombian bridge loans, Colombian Loan, Ghana loan and other debt including capital leases).
- (b) Variable rate debt included the 2013 Credit Facility (\$783.0 million), which matures on June 28, 2018 and the 2013 Term Loan (\$1.5 billion), which matures on January 3, 2019. Variable rate debt also included \$84.9 million of indebtedness outstanding under the South African facility, which amortizes through March 31, 2020, \$69.0 million of indebtedness under the Uganda loan, which matures on June 29, 2019, \$71.4 million of indebtedness under the Colombian long-term credit facility, which amortizes through November 30, 2020 and \$298.6 million of indebtedness under the Mexican Loan, which matures on May 1, 2015. Interest on the 2013 Credit Facility and the 2013 Term Loan is payable in accordance with the applicable LIBOR agreement or quarterly and accrues at our option either at LIBOR plus margin (as defined) or the base rate plus margin (as defined). The interest rate in effect at June 30, 2014 for the 2013 Credit Facility and the 2013 Term Loan was 1.40%. For the six months ended June 30, 2014, the weighted average interest rate under the 2012 Credit Facility, the 2013 Credit Facility and the 2013 Term Loan was 1.42%. Interest on the South African facility is payable in accordance with the applicable Johannesburg Interbank Agreed Rate ("JIBAR") agreement and accrues at JIBAR plus margin (as defined). The weighted average interest rate at June 30, 2014, after giving effect to our interest rate swap agreements in South Africa, was 10.19%. Interest on the Uganda loan is payable in accordance with the applicable LIBOR plus margin (as defined). The Uganda loan accrued interest at 5.84% at June 30, 2014. Interest on the Colombian long-term credit facility is payable in accordance with the applicable Inter-bank Rate ("IBR") agreement and accrues at IBR plus margin (as defined). The weighted average interest rate at June 30, 2014, after giving effect to our interest rate swap agreement in Colombia, was 10.37%. Interest on the Mexican Loan is payable in accordance with the applicable Equilibrium Interbank Interest Rate plus margin (as defined). The Mexican Loan accrued interest at 4.06% at June 30, 2014.
- (c) Based on rates effective as of June 30, 2014.
- (d) Represents the weighted average fixed rate of interest based on contractual notional amount as a percentage of total notional amounts.

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We have entered into interest rate swap agreements to manage our exposure to variability in interest rates on debt in Colombia and South Africa. All of our interest rate swap agreements have been designated as cash flow hedges and have an aggregate notional amount of \$96.5 million, interest rates ranging from 5.78% to 7.83% and expiration dates through November 30, 2020.

Changes in interest rates can cause interest charges to fluctuate on our variable rate debt. Variable rate debt as of June 30, 2014, was comprised of \$783.0 million under the 2013 Credit Facility, \$1,500.0 million under the 2013 Term Loan, \$298.6 million under the Mexican Loan, \$69.0 million under the Uganda loan, \$41.9 million under the South African facility after giving effect to our interest rate swap agreements and \$17.8 million under the Colombian long-term credit facility after giving effect to our interest rate swap agreement. A 10% increase in current interest rates would result in an additional \$2.7 million of interest expense for the six months ended June 30, 2014.

We are exposed to market risk from changes in foreign currency exchange rates primarily in connection with our foreign subsidiaries and joint ventures internationally. Any transaction denominated in a currency other than the U.S. Dollar is reported in U.S. Dollars at the applicable exchange rate. All assets and liabilities are translated into U.S. Dollars at exchange rates in effect at the end of the applicable fiscal reporting period and all revenues and expenses are translated at average rates for the period. The cumulative translation effect is included in equity as a component of Accumulated other comprehensive income (loss). We may enter into additional foreign currency financial instruments in anticipation of future transactions in order to minimize the risk of currency fluctuations. For the six months ended June 30, 2014, approximately 33% of our revenues and approximately 40% of our total operating expenses were denominated in foreign currencies.

We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates from the quoted foreign currency exchange rates at June 30, 2014. As of June 30, 2014, the analysis indicated that such an adverse movement would cause our revenues, operating results and cash flows to fluctuate by approximately 3%.

As of June 30, 2014, we have incurred intercompany debt, which is not considered to be permanently reinvested, and similar unaffiliated balances that were denominated in a currency other than the functional currency of the subsidiary in which it is recorded. As this debt had not been designated as being of long-term investment in nature, any changes in the foreign currency exchange rates will result in unrealized gains or losses, which will be included in our determination of net income. An adverse change of 10% in the underlying exchange rates of our unsettled intercompany debt and similar unaffiliated balances would result in approximately \$17.4 million of unrealized gains or losses that would be included in Other expense in our condensed consolidated statements of operations for the six months ended June 30, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that these disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the three months ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As permitted by the rules and regulations of the Securities and Exchange Commission, we excluded from our assessment the internal control over financial reporting at MIPT for the year ended December 31, 2013. We consider the acquisition of MIPT material to our results of operations, financial position and cash flows, and we are in the process of integrating the internal control procedures of MIPT into our internal control structure.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We were involved in several lawsuits against TriStar Investors LLP and its affiliates (“TriStar”) in various states regarding single tower sites where TriStar had taken land interests under our owned or managed sites and we believe TriStar induced the landowner to breach obligations to us. In addition, on February 16, 2012, TriStar brought a federal action against us in the United States District Court for the Northern District of Texas (the “District Court”), in which TriStar principally alleged that we made misrepresentations to landowners when competing with TriStar for land under our owned or managed sites. On January 22, 2013, we filed an amended answer and counterclaim against TriStar and certain of its employees, denying TriStar’s claims and asserting that TriStar engaged in a pattern of unlawful activity, including: (i) entering into agreements not to compete for land under certain towers; and (ii) making widespread misrepresentations to landowners regarding both TriStar and us. Both parties sought injunctive relief that would prohibit the other party from making certain statements when interacting with landowners, as well as significant damages. On April 3, 2014, the District Court ruled on the parties’ cross-motions for summary judgment, permitting both parties’ claims of misrepresentation to proceed to trial, as well as related state law actions, and dismissing certain of the parties’ other claims. Pursuant to a Settlement Agreement dated July 9, 2014, all pending state and federal actions between TriStar and us were dismissed with prejudice and without payment of damages.

We periodically become involved in various claims and lawsuits that are incidental to our business. In the opinion of management, after consultation with counsel, there are no matters currently pending that would, in the event of an adverse outcome, have a material impact on our consolidated financial position, results of operations or liquidity.

ITEM 1A. RISK FACTORS

Decrease in demand for our communications sites would materially and adversely affect our operating results, and we cannot control that demand.

Factors affecting the demand for our communications sites and, to a lesser extent, our network development services, could materially and adversely affect our operating results. Those factors include:

- increased use of network sharing, roaming or resale arrangements by wireless service providers;
- mergers or consolidations among wireless service providers;
- governmental licensing of spectrum or restricting or revoking spectrum licenses;
- zoning, environmental, health or other government regulations or changes in the application and enforcement thereof;
- a decrease in consumer demand for wireless services due to general economic conditions or other factors, including inflation;
- the ability and willingness of wireless service providers to maintain or increase capital expenditures on network infrastructure;
- the financial condition of wireless service providers;
- delays or changes in the deployment of next generation wireless technologies; and
- technological changes.

Any downturn in the economy or disruption in the financial and credit markets could impact consumer demand for wireless services. If wireless service subscribers significantly reduce their minutes of use, or fail to widely adopt and use wireless data applications, our wireless service provider tenants could experience a decrease in demand for their services. As a result, our tenants may scale back their capital expenditure plans,

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which could materially and adversely affect leasing demand for our communications sites and our network development services business, which could have a material adverse effect on our business, results of operations or financial condition.

Furthermore, the demand for broadcast space in the United States and Mexico depends on the needs of television and radio broadcasters. Among other things, technological advances, including the development of satellite-delivered radio and video services, may reduce the need for tower-based broadcast transmission. In addition, any significant increase in attrition rate or decrease in overall demand for broadcast space could have a material adverse effect on our business, results of operations or financial condition.

If our tenants share site infrastructure to a significant degree or consolidate or merge, our growth, revenue and ability to generate positive cash flows could be materially and adversely affected.

Extensive sharing of site infrastructure, roaming or resale arrangements among wireless service providers as an alternative to leasing our communications sites or without compensation to us may cause new lease activity to slow if carriers utilize shared equipment rather than deploy new equipment, or may result in the decommissioning of equipment on certain existing sites because portions of the tenants' networks may become redundant. In addition, significant consolidation among our tenants may materially adversely affect our growth and revenues. For example, in the United States, recently combined companies have either rationalized or announced plans to rationalize duplicative parts of their networks, which may result in the decommissioning of certain equipment on our communications sites. We would expect a similar outcome in certain other countries where we do business if consolidation of certain tenants occurs. In addition, certain combined companies have modernized or are currently modernizing their networks, and these and other tenants could determine not to renew leases with us as a result. Our ongoing contractual revenues and our future results may be negatively impacted if a significant number of these leases are not renewed.

Our business is subject to government regulations and changes in current or future laws or regulations could restrict our ability to operate our business as we currently do.

Our business and that of our tenants are subject to federal, state, local and foreign regulations. In certain jurisdictions, these regulations could be applied or enforced retroactively. Zoning authorities and community organizations are often opposed to the construction in their communities, which can delay, prevent or increase the cost of new tower construction, modifications, additions of new antennas to a site or site upgrades, thereby limiting our ability to respond to tenant demands and requirements. In addition, in certain foreign jurisdictions, we are required to pay annual license fees, and these fees may be subject to substantial increases by the government. Foreign jurisdictions in which we operate and currently are not required to pay license fees may enact license fees, which may apply retroactively. In certain foreign jurisdictions, there may be changes to zoning regulations or construction laws based on site location which may result in increased costs to modify certain of our existing towers or decreased revenue due to the removal of certain towers to ensure compliance with such changes. Existing regulatory policies may materially and adversely affect the associated timing or cost of such projects and additional regulations may be adopted that increase delays or result in additional costs to us, or that prevent such projects in certain locations. Furthermore, the tax laws, regulations and interpretations governing REITs may change at any time, perhaps with retroactive effect. In addition, some of these changes could have a more significant impact on us as compared to other REITs due to the nature of our business and our use of TRSs. These factors could materially and adversely affect our business, results of operations or financial condition.

Our leverage and debt service obligations may materially and adversely affect us.

As of June 30, 2014, we had approximately \$14.0 billion of consolidated debt and the ability to borrow additional amounts of approximately \$3.2 billion under our credit facilities, net of any outstanding letters of credit. Our leverage could render us unable to generate cash sufficient to pay when due the principal of, interest on, or other amounts due with respect to, our indebtedness. We are also permitted, subject to certain restrictions under our existing indebtedness, to draw down on our credit facilities and obtain additional long-term debt and working capital lines of credit to meet future financing needs.

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Our leverage could have significant negative consequences on our business, results of operations or financial condition, including:

- impairing our ability to meet one or more of the financial ratio covenants contained in our debt agreements or to generate cash sufficient to pay interest or principal due under those agreements, which could result in an acceleration of some or all of our outstanding debt and the loss of the towers securing such debt if an uncured default occurs;
- increasing our borrowing costs if our current investment grade debt ratings decline;
- placing us at a possible competitive disadvantage to less leveraged competitors and competitors that may have better access to capital resources, including with respect to acquiring assets;
- limiting our ability to obtain additional debt or equity financing, thereby increasing our vulnerability to general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to service our debt, thereby reducing the amount of our cash flow available for other purposes, including capital expenditures, REIT distributions and Mandatory Convertible Preferred Stock dividends;
- requiring us to issue debt or equity securities or to sell some of our core assets, possibly on unfavorable terms, to meet payment obligations;
- limiting our flexibility in planning for, or reacting to, changes in our business and the markets in which we compete; and
- limiting our ability to repurchase our common stock or make distributions to our stockholders.

In addition, to meet the REIT distribution requirements and maintain our qualification and taxation as a REIT, we may need to borrow funds, even if the then-prevailing market conditions are not favorable, and the REIT distribution requirements may increase the financing we need to fund capital expenditures, future growth and expansion initiatives. This would increase our total leverage.

If we fail to pay scheduled dividends on our preferred stock, in cash or common stock, we will be prohibited from paying dividends on our common stock, which may jeopardize our status as a REIT.

The terms of our preferred stock provide that, unless full cumulative dividends have been paid or set aside for payment on all outstanding preferred stock for all prior dividend periods, no dividends may be declared or paid on our common stock. A failure to pay dividends on both our preferred stock and common stock might jeopardize our status as a REIT for federal income tax purposes. For more information on the terms of our preferred stock, see note 11 to our condensed consolidated financial statements included in this Quarterly Report.

Increasing competition in the tower industry may materially and adversely affect us.

We may experience increased competition, which could make the acquisition of high quality assets significantly more costly. Some of our competitors, such as wireless carriers that allow collocation on their towers, are larger and may have greater financial resources than we do, while other competitors may have lower return on investment criteria than we do.

Our industry is highly competitive and our tenants have numerous alternatives in leasing antenna space. Competitive pricing for tenants on towers from competitors could materially and adversely affect our lease rates and services income. In addition, we may not be able to renew existing tenant leases or enter into new tenant leases, resulting in a material adverse impact on our results of operations and growth rate.

The higher prices for assets, combined with the competitive pricing pressure on tenant leases, could make it more difficult to achieve our return on investment criteria. Increasing competition for either tower assets or tenants could materially and adversely affect our business, results of operations or financial condition.

Our expansion initiatives involve a number of risks and uncertainties that could adversely affect our operating results, disrupt our operations or expose us to additional risk if we are not able to successfully integrate operations, assets and personnel.

As we continue to acquire communications sites in our existing markets and expand into new markets, we are subject to a number of risks and uncertainties, including not meeting our return on investment criteria and financial objectives, increased costs, assumed liabilities and the diversion of managerial attention due to acquisitions. Achieving the benefits of acquisitions depends in part on timely and efficiently integrating operations, communications tower portfolios and personnel. Integration may be difficult and unpredictable for many reasons, including, among other things, differing systems and processes, cultural differences, customary business practices and conflicting policies, procedures and operations. In addition, integrating businesses may significantly burden management and internal resources, including the potential loss or unavailability of key personnel.

Furthermore, our international expansion initiatives are subject to additional risks such as complex laws, regulations and business practices that may require additional resources and personnel, and the other risks described immediately below in “—Our foreign operations are subject to economic, political and other risks that could materially and adversely affect our revenues or financial position, including risks associated with fluctuations in foreign currency exchange rates.” As a result, our foreign operations and expansion initiatives may not succeed and may materially and adversely affect our business, results of operations or financial condition.

Our foreign operations are subject to economic, political and other risks that could materially and adversely affect our revenues or financial position, including risks associated with fluctuations in foreign currency exchange rates.

Our international business operations and our expansion into new markets in the future could result in adverse financial consequences and operational problems not typically experienced in the United States. For the six months ended June 30, 2014, approximately 33% of our consolidated revenue was generated by our international operations. We anticipate that our revenues from our international operations will continue to grow. Accordingly, our business is subject to risks associated with doing business internationally, including:

- changes to existing or new tax laws, methodologies impacting our international operations, or fees directed specifically at the ownership and operation of communications sites or our international acquisitions, which may be applied or enforced retroactively;
- laws or regulations that tax or otherwise restrict repatriation of earnings or other funds or otherwise limit distributions of capital;
- changes in a specific country’s or region’s political or economic conditions, including inflation or currency devaluation;
- changes to zoning regulations or construction laws, which could retroactively be applied to our existing communications sites;
- expropriation or governmental regulation restricting foreign ownership or requiring reversion or divestiture;
- actions restricting or revoking spectrum licenses or suspending business under prior licenses;
- failure to comply with anti-bribery laws such as the Foreign Corrupt Practices Act or similar local anti-bribery laws, or Office of Foreign Assets Control requirements;
- material site security issues;
- significant license surcharges;
- increases in the cost of labor (as a result of unionization or otherwise), power and other goods and services required for our operations;

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- price setting or other similar laws for the sharing of passive infrastructure; and
- uncertain rulings or results from legal or judicial systems, including inconsistencies among and within laws, regulations and decrees, and judicial application thereof, which may be enforced retroactively, and delays in the judicial process.

We also face risks associated with changes in foreign currency exchange rates, including those arising from our operations, investments and financing transactions related to our international business. Volatility in foreign currency exchange rates can also affect our ability to plan, forecast and budget for our international operations and expansion efforts. Our revenues earned from our international operations are primarily denominated in their respective local currencies. We have not historically engaged in significant currency hedging activities relating to our non-U.S. Dollar operations, and a weakening of these foreign currencies against the U.S. Dollar would negatively impact our reported revenues, operating profits and income.

In our international operations, many of our tenants are subsidiaries of global telecommunications companies. These subsidiaries may not have the explicit or implied financial support of their parent entities.

In addition, as we continue to invest in joint venture opportunities internationally, our partners may have business or economic goals that are inconsistent with ours, be in positions to take action contrary to our interests, policies or objectives, have competing interests in our, or other, markets that could create conflict of interest issues, withhold consents contrary to our requests or become unable or unwilling to fulfill their commitments, any of which could expose us to additional liabilities or costs, including requiring us to assume and fulfill the obligations of that joint venture.

A substantial portion of our revenue is derived from a small number of tenants, and we are sensitive to changes in the creditworthiness and financial strength of our tenants.

A substantial portion of our total operating revenues is derived from a small number of tenants. For the six months ended June 30, 2014, four tenants accounted for approximately 84% of our domestic rental and management segment revenue; and five tenants accounted for approximately 58% of our international rental and management segment revenue. If any of these tenants is unwilling or unable to perform its obligations under our agreements with it, our revenues, results of operations, financial condition and liquidity could be materially and adversely affected. In the ordinary course of our business, we do occasionally experience disputes with our tenants, generally regarding the interpretation of terms in our leases. We have historically resolved these disputes in a manner that did not have a material adverse effect on us or our tenant relationships. However, it is possible that such disputes could lead to a termination of our leases with tenants or a material modification of the terms of those leases, either of which could have a material adverse effect on our business, results of operations or financial condition. If we are forced to resolve any of these disputes through litigation, our relationship with the applicable tenant could be terminated or damaged, which could lead to decreased revenue or increased costs, resulting in a corresponding adverse effect on our business, results of operations or financial condition.

Additionally, due to the long-term nature of our tenant leases, we depend on the continued financial strength of our tenants. Many wireless service providers operate with substantial leverage. Sometimes our tenants face financial difficulty or file for bankruptcy. For example, NII, a U.S. corporation, recently received a going concern opinion from its auditors. NII is the ultimate parent company of certain operating subsidiaries in Brazil, Chile and Mexico, which collectively represented 6% of our consolidated revenues for the six months ended June 30, 2014. In addition, many of our tenants and potential tenants rely on capital raising activities to fund their operations and capital expenditures. Downturns in the economy and disruptions in the financial and credit markets have periodically made it more difficult and more expensive to raise capital. If our tenants or potential tenants are unable to raise adequate capital to fund their business plans, they may reduce their spending, which could materially and adversely affect demand for our communications sites and our network development services business. If, as a result of a prolonged economic downturn or otherwise, one or more of our significant tenants experienced financial difficulties or filed for bankruptcy, it could result in uncollectible accounts

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receivable and an impairment of our deferred rent asset, tower asset, network location intangible asset or customer-related intangible asset. The loss of significant tenants, or the loss of all or a portion of our anticipated lease revenues from certain tenants, could have a material adverse effect on our business, results of operations or financial condition.

We may fail to realize the growth prospects and cost savings anticipated as a result of our acquisition of MIPT.

The success of the acquisition of MIPT will depend, in part, on our ability to realize the anticipated business opportunities and growth prospects from combining our businesses with those of MIPT. We may never realize these business opportunities and growth prospects, or we may encounter unanticipated accounting, internal control, regulatory or compliance problems.

In addition, we and MIPT have operated independently. As a result, there may be a disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with tenants, employees or other third parties or our ability to achieve the anticipated benefits of the acquisition and could harm our financial performance. In that regard, because MIPT was a private company, we may be required to improve MIPT's internal controls, procedures and policies to meet standards applicable to public companies, which may be time-consuming and more expensive than anticipated.

New technologies or changes in a tenant's business model could make our tower leasing business less desirable and result in decreasing revenues.

The development and implementation of new technologies designed to enhance the efficiency of wireless networks or changes in a tenant's business model could reduce the need for tower-based wireless services, decrease demand for tower space or reduce previously obtainable lease rates. In addition, tenants may have less of their budgets allocated to lease space on our towers, as the industry is trending towards deploying increased capital to the development and implementation of new technologies. Examples of these technologies include spectrally efficient technologies, which could relieve a portion of our tenants' network capacity needs and as a result, could reduce the demand for tower-based antenna space. Additionally, certain small cell complementary network technologies could shift a portion of our tenants' network investments away from the traditional tower-based networks, which may reduce the need for carriers to add more equipment at certain communications sites. Moreover, the emergence of alternative technologies could reduce the need for tower-based broadcast services transmission and reception. For example, the growth in the delivery of wireless communications, radio and video services by direct broadcast satellites could materially and adversely affect demand for our tower space. Further, a tenant may decide to no longer outsource tower infrastructure or otherwise change its business model, which would result in a decrease in our revenue. The development and implementation of any of these and similar technologies to any significant degree or changes in a tenant's business model could have a material adverse effect on our business, results of operations or financial condition.

If we fail to remain qualified as a REIT, we will be subject to tax at corporate income tax rates, which may substantially reduce funds otherwise available.

Effective for the taxable year beginning January 1, 2012, we began operating as a REIT for federal income tax purposes. If we fail to remain qualified as a REIT, we will be taxed at corporate income tax rates unless certain relief provisions apply.

Qualification as a REIT requires application of certain highly technical and complex provisions of the Code, which provisions may change from time to time, to our operations as well as various factual determinations concerning matters and circumstances not entirely within our control. Further, current proposals, if enacted, may adversely affect our ability to remain qualified as a REIT or the benefits of remaining so qualified. There are limited judicial or administrative interpretations of the relevant provisions of the Code.

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If, in any taxable year, we fail to qualify for taxation as a REIT, and are not entitled to relief under the Code:

- we will not be allowed a deduction for distributions to stockholders in computing our taxable income;
- we will be subject to federal and state income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate tax rates; and
- we will be disqualified from REIT tax treatment for the four taxable years immediately following the year during which we were so disqualified.

Any corporate tax liability could be substantial and would reduce the amount of cash available for other purposes. If we fail to qualify for taxation as a REIT, we may need to borrow additional funds or liquidate some investments to pay any additional tax liability. Accordingly, funds available for investment and operations would be reduced.

Furthermore, as a result of our acquisition of MIPT, we own an interest in a subsidiary REIT. The subsidiary REIT is independently subject to, and must comply with, the same REIT requirements that we must satisfy in order to qualify as a REIT, together with all other rules applicable to REITs. If the subsidiary REIT fails to qualify as a REIT, and certain relief provisions do not apply, then (i) the subsidiary REIT would become subject to federal income tax, (ii) the subsidiary REIT will be disqualified from treatment as a REIT for the four taxable years immediately following the year during which qualification was lost, (iii) our ownership of shares in such subsidiary REIT will cease to be a qualifying asset for purposes of the asset tests applicable to REITs and any dividend income or gains derived by us from such subsidiary REIT may cease to be treated as income that qualifies for purposes of the 75% gross income test and (iv) we may fail certain of the asset tests applicable to REITs, in which event we will fail to qualify as a REIT unless we are able to avail ourselves of certain relief provisions.

We may be limited in our ability to fund required distributions using cash generated through our TRSs.

As a REIT, we must distribute to our stockholders an amount equal to at least 90% of the REIT taxable income (determined before the deduction for distributed earnings and excluding any net capital gain). Our ability to receive distributions from our TRSs to fund these distributions is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75% of our gross income for each taxable year as a REIT must be derived from real estate, which principally includes gross income from the leasing of our communications sites and qualified rental-related services. Consequently, no more than 25% of our gross income may consist of dividend income from our TRSs and other non-qualifying types of income. Thus, our ability to receive distributions from our TRSs may be limited and may impact our ability to fund distributions to our stockholders.

In addition, the majority of our income and cash flows from our TRSs are generated from our international operations. In many cases, there are local withholding taxes and currency controls that may impact our ability or willingness to repatriate funds to the United States to help satisfy REIT distribution requirements.

Complying with REIT requirements may limit our flexibility or cause us to forego otherwise attractive opportunities.

Our use of TRSs enables us to engage in non-REIT qualifying business activities. Under the Code, no more than 25% of the value of the assets of a REIT may be represented by securities of one or more TRSs and other non-qualifying assets. This limitation may hinder our ability to make certain attractive investments, including the purchase of non-qualifying assets, the expansion of non-real estate activities, and investments in the businesses to be conducted by our TRSs, and to that extent limit our opportunities and our flexibility to change our business strategy.

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Specifically, this limitation may affect our ability to make additional investments in our managed networks business or network development services segment as currently structured and operated, in other non-REIT qualifying operations or assets, or in international operations conducted through TRSs that we do not elect to bring into the REIT structure. Further, acquisition opportunities in domestic and international markets may be adversely affected if we need or require the target company to comply with certain REIT requirements prior to closing.

In addition, to meet our annual distribution requirements, we may be required to distribute amounts that may otherwise be used for our operations, including amounts that may otherwise be invested in future acquisitions, capital expenditures or repayment of debt, and it is possible that we might be required to borrow funds, sell assets or raise equity to fund these distributions, even if the then-prevailing market conditions are not favorable for these borrowings, sales or offerings.

Certain of our business activities may be subject to corporate level income tax and foreign taxes, which reduce our cash flows and may create deferred and contingent tax liabilities.

We are subject to certain federal, state, local and foreign taxes on our income and assets, including alternative minimum taxes, taxes on any undistributed income and state, local or foreign income, franchise, property and transfer taxes. Any of these taxes would decrease our earnings and our available cash.

Our TRS assets and operations will continue to be subject, as applicable, to federal and state corporate income taxes and to foreign taxes in the jurisdictions in which those assets and operations are located.

We may need additional financing to fund capital expenditures, future growth and expansion initiatives and to satisfy our REIT distribution requirements.

To fund capital expenditures, future growth and expansion initiatives and to satisfy our REIT distribution requirements, we may need to raise additional capital through financing activities, sell assets or raise equity. We believe our cash provided by operations for the year ending December 31, 2014 will sufficiently fund our cash needs for operations, capital expenditures, required REIT distribution payments and cash debt service (interest and principal repayments) obligations through 2014. However, we anticipate that we may need to obtain additional sources of capital in the future to fund capital expenditures, future growth and expansion initiatives and satisfy our REIT distribution requirements. Depending on market conditions, we may seek to raise capital through credit facilities or debt or equity offerings. An increase in our outstanding debt could lead to a downgrade of our credit rating. A downgrade of our credit rating below investment grade could negatively impact our ability to access credit markets or preclude us from obtaining funds on investment grade terms and conditions. Further, certain of our current debt instruments limit the amount of indebtedness we and our subsidiaries may incur. Additional financing, therefore, may be unavailable, more expensive or restricted by the terms of our outstanding indebtedness. If we are unable to raise capital when our needs arise, we may not be able to fund our capital expenditures, future growth and expansion initiatives or satisfy our REIT distribution requirements.

If we are unable to protect our rights to the land under our towers, it could adversely affect our business and operating results.

Our real property interests relating to our towers consist primarily of leasehold and sub-leasehold interests, fee interests, easements, licenses and rights-of-way. A loss of these interests at a particular tower site may interfere with our ability to operate a tower and generate revenues. For various reasons, we may not always have the ability to access, analyze and verify all information regarding titles and other issues prior to completing an acquisition of communications sites, which can affect our rights to access and operate a site. From time to time we also experience disputes with landowners regarding the terms of ground agreements for land under towers, which can affect our ability to access and operate tower sites. Further, for various reasons, landowners may not want to renew their ground agreements with us, they may lose their rights to the land, or they may transfer their

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land interests to third parties, including ground lease aggregators, which could affect our ability to renew ground agreements on commercially viable terms. Approximately 88% of the communications sites in our portfolio as of June 30, 2014 are located on land we lease pursuant to operating leases. Approximately 73% of the ground leases for these sites have a final expiration date of 2023 and beyond. Further, for various reasons, title to property interests in some of the foreign jurisdictions in which we operate may not be as certain as title to our property interests in the United States. Our inability to protect our rights to the land under our towers may have a material adverse effect on our business, results of operations or financial condition.

If we are unable or choose not to exercise our rights to purchase towers that are subject to lease and sublease agreements at the end of the applicable period, our cash flows derived from such towers will be eliminated.

Our communications real estate portfolio includes towers that we operate pursuant to lease and sublease agreements that include a purchase option at the end of each lease period. We may not have the required available capital to exercise our right to purchase leased or subleased towers at the end of the applicable period, or we may choose, for business or other reasons not to exercise our right to purchase such towers. In the event that we do not exercise these purchase rights, or are otherwise unable to acquire an interest that would allow us to continue to operate these towers after the applicable period, we will lose the cash flows derived from such towers. In the event that we decide to exercise these purchase rights, the benefits of the acquisitions of a significant number of towers may not exceed the associated acquisition, compliance and integration costs, which could have a material adverse effect on our business, results of operations or financial condition.

Restrictive covenants in the agreements related to our securitization transactions, our credit facilities and our debt securities could materially and adversely affect our business by limiting flexibility.

The agreements related to our securitization transactions include operating covenants and other restrictions customary for loans subject to rated securitizations. Among other things, the borrowers under the agreements are prohibited from incurring other indebtedness for borrowed money or further encumbering their assets. A failure to comply with the covenants in the agreements could prevent the borrowers from taking certain actions with respect to the secured assets and could prevent the borrowers from distributing any excess cash from the operation of such assets to us. If the borrowers were to default on any of the loans, the servicer on such loan could seek to foreclose upon or otherwise convert the ownership of the secured assets, in which case we could lose such assets and the cash flow associated with such assets.

The agreements for our credit facilities contain restrictive covenants, as well as requirements to comply with certain leverage and other financial maintenance tests, and could thus limit our ability to take various actions, including incurring additional debt, guaranteeing indebtedness or making distributions to stockholders, and engaging in various types of transactions, including mergers, acquisitions and sales of assets. Additionally, our debt agreements restrict our and our subsidiaries' ability to incur liens securing our or their indebtedness. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, new tower development, mergers and acquisitions or other opportunities. Further, if these limits prevent us from satisfying our REIT distribution requirements, we could fail to qualify for taxation as a REIT. If these limits do not jeopardize our qualification for taxation as a REIT but nevertheless prevent us from distributing 100% of our REIT taxable income, we will be subject to federal corporate income tax, and potentially a nondeductible excise tax, on the retained amounts.

In addition, reporting and information covenants in our credit agreements and indentures require that we provide financial and operating information within certain time periods. If we are unable to timely provide the required information, we would be in breach of these covenants. For more information regarding the covenants and requirements discussed above, please see Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2013 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Factors Affecting Sources of Liquidity" and note 8 to our consolidated financial statements included in our Annual Report.

We may incur goodwill and other intangible asset impairment charges, which could result in a significant reduction to our earnings.

In accordance with GAAP, we are required to assess our goodwill and other intangible assets annually or more frequently in the event of circumstances indicating potential impairment to determine if they are impaired. These circumstances could include a decline in our actual or expected future cash flows or income, a significant adverse change in the business climate, a decline in market capitalization, or slower growth rates in our industry, among others. If the testing performed indicates that an asset may not be recoverable, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets and the implied fair value of the goodwill or other intangible assets in the period the determination is made.

It is possible that in the future, we may be required to record impairment charges for our goodwill or for other intangible assets. These charges could be significant, which could have a material adverse effect on our business, results of operations or financial condition.

Our costs could increase and our revenues could decrease due to perceived health risks from radio emissions, especially if these perceived risks are substantiated.

Public perception of possible health risks associated with cellular and other wireless communications technology could slow the growth of wireless companies, which could in turn slow our growth. In particular, negative public perception of, and regulations regarding, these perceived health risks could undermine the market acceptance of wireless communications services and increase opposition to the development and expansion of tower sites. The potential connection between radio frequency emissions and certain negative health or environmental effects has been the subject of substantial study by the scientific community in recent years and numerous health-related lawsuits have been filed against wireless carriers and wireless device manufacturers. If a scientific study or court decision resulted in a finding that radio frequency emissions pose health risks to consumers, it could negatively impact our tenants and the market for wireless services, which could materially and adversely affect our business, results of operations or financial condition. We do not maintain any significant insurance with respect to these matters.

We could have liability under environmental and occupational safety and health laws.

Our operations are subject to the requirements of various federal, state, local and foreign environmental and occupational safety and health laws and regulations, including those relating to the management, use, storage, disposal, emission and remediation of, and exposure to, hazardous and non-hazardous substances, materials and wastes. As the owner, lessee or operator of real property and facilities, we may be liable for substantial costs of investigation, removal or remediation of soil and groundwater contaminated by hazardous materials, and for damages and costs relating to off-site migration of hazardous materials, without regard to whether we, as the owner, lessee or operator, knew of, or were responsible for, the contamination. We may also be liable for certain costs of remediating contamination at third-party sites to which we sent waste for disposal, even if the original disposal may have complied with all legal requirements at the time. Many of these laws and regulations contain information reporting and record keeping requirements. We cannot assure you that we are at all times in complete compliance with all environmental requirements. We may be subject to potentially significant fines or penalties if we fail to comply with any of these requirements. The requirements of these laws and regulations are complex, change frequently and could become more stringent in the future. In certain jurisdictions these laws and regulations could be applied or enforced retroactively. It is possible that these requirements will change or that liabilities will arise in the future in a manner that could have a material adverse effect on our business, results of operations or financial condition.

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Our towers or data centers may be affected by natural disasters and other unforeseen events for which our 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 events. Any damage or destruction to our towers or data centers, or certain unforeseen events, may impact our ability to provide services to our tenants. While we maintain insurance coverage for natural disasters, we may not have adequate insurance to cover the associated costs of repair or reconstruction for a major future event. Further, we carry business interruption insurance, but our insurance may not adequately cover all of our lost revenues, including potential revenues from new tenants that could have been added to our towers but for the event. If we are unable to provide services to our tenants, it could lead to tenant loss, resulting in a corresponding material adverse effect on our business, results of operations or financial condition.

ITEM 6. EXHIBITS

See the Exhibit Index on Page EX-1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition

AMERICAN TOWER CORPORATION

STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table reflects the computation of the ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends for the periods presented (in thousands):

	2009	2010	2011	2012	2013	Six Months Ended June 30, 2014
Computation of Earnings:						
Income from continuing operations before income taxes and income on equity method investments	\$421,487	\$556,025	\$506,895	\$ 701,294	\$ 541,749	\$454,423
Add:						
Interest expense (1)	251,291	247,504	313,328	403,150	459,779	290,282
Operating leases	82,522	90,001	109,817	125,706	148,573	96,554
Amortization of interest capitalized	2,751	2,819	2,218	2,315	2,406	1,235
Earnings as adjusted	<u>758,051</u>	<u>896,349</u>	<u>932,258</u>	<u>1,232,465</u>	<u>1,152,507</u>	<u>842,494</u>
Computation of fixed charges and combined fixed charges and preferred stock dividends:						
Interest expense (1)	251,291	247,504	313,328	403,150	459,779	290,282
Interest capitalized	495	1,011	2,096	1,926	1,817	1,272
Operating leases	82,522	90,001	109,817	125,706	148,573	96,554
Fixed charges	<u>334,308</u>	<u>338,516</u>	<u>425,241</u>	<u>530,782</u>	<u>610,169</u>	<u>388,108</u>
Dividends declared on preferred stock	—	—	—	—	—	4,375
Combined fixed charges and preferred stock dividends	<u>334,308</u>	<u>338,516</u>	<u>425,241</u>	<u>530,782</u>	<u>610,169</u>	<u>392,483</u>
Excess in earnings required to cover fixed charges	<u>\$423,743</u>	<u>\$557,833</u>	<u>\$507,017</u>	<u>\$ 701,683</u>	<u>\$ 542,338</u>	<u>\$454,386</u>
Ratio of earnings to fixed charges (2)	2.27	2.65	2.19	2.32	1.89	2.17
Excess in earnings required to cover combined fixed charges and preferred stock dividends	<u>\$423,743</u>	<u>\$557,833</u>	<u>\$507,017</u>	<u>\$ 701,683</u>	<u>\$ 542,338</u>	<u>\$450,011</u>
Ratio of earnings to combined fixed charges and preferred stock dividends	2.27	2.65	2.19	2.32	1.89	2.15

(1) Interest expense includes amortization of deferred financing costs. Interest expense also includes an amount related to our capital lease with TV Azteca.

(2) For the purposes of this calculation, "earnings" consists of income from continuing operations before income taxes, income on equity method investments, fixed charges (excluding interest capitalized and amortization of interest capitalized). "Fixed charges" consists of interest expensed and capitalized, amortization of debt discounts and premiums and related issuance costs and the component of rental expense associated with operating leases believed by management to be representative of the interest factor thereon.

