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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 September 30, 2004.

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

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

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

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

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

As of November 4, 2004, there were 228,321,493 shares of Class A Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS–Unaudited
(In Thousands, Except Share Data)

	September 30, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 126,833	$ 105,465
Restricted cash and investments		170,036
Accounts receivable, net of allowances of $13,189 and $17,445, respectively	41,704	57,735
Prepaid and other current assets	42,529	34,105
Costs and earnings in excess of billings on uncompleted contracts and unbilled receivables	16,552	19,933
Deferred income taxes	14,122	14,122
Assets held for sale	3,389	10,119
Total current assets	245,129	411,515
PROPERTY AND EQUIPMENT, net	2,391,203	2,546,525
OTHER INTANGIBLE ASSETS, net	1,034,823	1,057,077
GOODWILL, net	592,683	592,683
DEFERRED INCOME TAXES	516,060	449,180
NOTES RECEIVABLE AND OTHER LONG-TERM ASSETS	288,536	275,508
TOTAL	$ 5,068,434	$ 5,332,488
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 104,833	$ 107,557
Accrued interest	31,162	59,734
Current portion of long-term obligations	6,722	77,622
Billings in excess of costs on uncompleted contracts and unearned revenue	33,154	41,449
Liabilities held for sale		8,416
Total current liabilities	175,871	294,778
LONG-TERM OBLIGATIONS	3,211,635	3,283,603
OTHER LONG-TERM LIABILITIES	47,037	23,961
Total liabilities	3,434,543	3,602,342
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARIES	11,863	18,599
STOCKHOLDERS' EQUITY:		
Preferred Stock: $.01 par value; 20,000,000 shares authorized; no shares issued or outstanding		
Class A Common Stock: $.01 par value; 500,000,000 shares authorized; 226,741,565 and 211,855,658 shares issued, 226,596,344 and 211,710,437 shares outstanding, respectively	2,267	2,119
Class B Common Stock: $.01 par value; 50,000,000 shares authorized; 0 and 6,969,529 shares issued and outstanding, respectively		70
Class C Common Stock: $.01 par value; 10,000,000 shares authorized; 0 and 1,224,914 shares issued and outstanding, respectively		12
Additional paid-in capital	3,973,893	3,910,879
Accumulated deficit	(2,349,766)	(2,190,447)
Note receivable		(6,720)
Treasury stock (145,221 shares at cost)	(4,366)	(4,366)
Total stockholders' equity	1,622,028	1,711,547
TOTAL	$ 5,068,434	$ 5,332,488

See notes to condensed consolidated financial statements.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS–Unaudited
(In Thousands, Except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
REVENUES:				
Rental and management	$ 174,946	$ 158,193	$ 507,109	$ 456,571
Network development services	24,242	28,681	71,230	67,052
Total operating revenues	199,188	186,874	578,339	523,623
OPERATING EXPENSES:				
Rental and management	56,969	56,758	168,186	165,659
Network development services	23,216	26,274	68,213	62,486
Depreciation, amortization and accretion	78,695	77,687	237,754	236,965
Corporate general, administrative and development expense	6,861	6,493	20,391	20,106
Impairments, net loss on sale of long-lived assets and restructuring expense	8,815	7,646	18,102	19,344
Total operating expenses	174,556	174,858	512,646	504,560
OPERATING INCOME FROM CONTINUING OPERATIONS	24,632	12,016	65,693	19,063
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of $373, $374, $1,124 and $1,121, respectively	3,584	3,523	10,776	10,553
Interest income	1,166	1,177	3,402	4,033
Interest expense	(65,653)	(68,906)	(202,870)	(211,849)
(Loss) gain on retirement of long-term obligations	(47,951)	3,255	(87,392)	(41,068)
Loss on investments and other expense	(1,787)	(1,449)	(3,886)	(27,050)
Minority interest in net earnings of subsidiaries	(271)	(907)	(2,184)	(2,270)
Total other expense	(110,912)	(63,307)	(282,154)	(267,651)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(86,280)	(51,291)	(216,461)	(248,588)
INCOME TAX BENEFIT	29,076	13,593	56,720	50,453
LOSS FROM CONTINUING OPERATIONS	(57,204)	(37,698)	(159,741)	(198,135)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX (PROVISION) BENEFIT OF $(700), $1,199, $(227) AND $5,404 RESPECTIVELY	1,300	(15,164)	422	(54,065)
NET LOSS	$ (55,904)	$ (52,862)	$(159,319)	$(252,200)
BASIC AND DILUTED LOSS PER COMMON SHARE AMOUNTS:				
Loss from continuing operations	$ (0.25)	$ (0.18)	$ (0.72)	$ (0.97)
Income (loss) from discontinued operations		(0.07)	0.01	(0.27)
NET LOSS PER COMMON SHARE	$ (0.25)	$ (0.25)	$ (0.71)	$ (1.24)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	224,839	213,788	222,948	204,201

See notes to condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS–Unaudited
(In Thousands)

	Nine Months Ended September 30,	
	2004	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (159,319)	$(252,200)
Non-cash items reflected in statements of operations	350,853	368,255
(Increase) decrease in assets	(132)	12,546
Decrease in liabilities	(42,239)	(48,576)
Cash provided by operating activities	149,163	80,025
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Payments for purchase of property and equipment and construction activities	(28,612)	(45,934)
Payments for acquisitions	(27,843)	(75,990)
Payments for acquisition of Mexico minority interest	(3,947)	
Proceeds from sale of businesses and other long-term assets	23,499	74,296
Deposits, investments and other long-term assets	325	(10,048)
Cash used for investing activities	(36,578)	(57,676)
CASH FLOWS USED FOR FINANCING ACTIVITIES:		
Proceeds from issuance of debt securities and notes payable	570,000	632,384
Net proceeds from equity offering, stock options and other	23,460	125,205
Repayment of notes payable, credit facility and capital leases	(1,523,835)	(528,745)
Borrowings under credit facility	700,000	
Restricted cash and investments	170,036	(283,722)
Deferred financing costs	(30,878)	(28,632)
Cash used for financing activities	(91,217)	(83,510)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,368	(61,161)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	105,465	127,292
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 126,833	$ 66,131
CASH PAID FOR INCOME TAXES	$ 1,902	$ 1,613
CASH PAID FOR INTEREST	$ 173,718	$ 198,658
NON-CASH TRANSACTIONS		
Issuance of common stock in exchange for acquisition of Mexico minority interest	$ 24,773	
Capital leases	2,996	
Change in fair value of cash flow hedges (net of tax)		$ 5,192
Convertible note repurchases (excluding gain (loss) on retirements)		52,356

See notes to condensed consolidated financial statements.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited

1. Basis of Presentation and Accounting Policies

The accompanying condensed consolidated financial statements have been prepared by American Tower Corporation (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The financial information included herein is unaudited; however, the Company believes such information and the disclosures herein are adequate to make the information presented not misleading and reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair presentation of the Company's financial position and results of operations for such periods. Results of interim periods may not be indicative of results for the full year. 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, 2003.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the 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.

Inventories—Inventories, which consist entirely of finished goods, are stated at the lower of cost or market, with cost being determined on the first-in, first-out (FIFO) basis. As of September 30, 2004 and December 31, 2003, inventories were approximately $3.6 million and $3.2 million, respectively, and are included in prepaid and other current assets in the accompanying condensed consolidated balance sheets.

Loss Per Common Share—Basic and diluted loss per common share have been computed by dividing the Company's loss by the weighted average number of common shares outstanding during the period. For the three and nine months ended September 30, 2004 and 2003, potential common shares, including options, warrants and shares issuable upon conversion of the Company's convertible notes, have been excluded from the computation of diluted loss per common share, as their effect is anti-dilutive. Potential common shares excluded from the calculation of loss per share were approximately 71.8 million and 68.3 million as of September 30, 2004 and 2003, respectively.

Sales of Subsidiary Stock—As described in note 11, during the nine months ended September 30, 2004, certain option holders exercised options to purchase a 3.2% interest in the subsidiary that conducts the Company's Mexico operations. As a result, the Company adopted the provisions of SEC Staff Accounting Bulletin (SAB) No. 51, "Accounting for Sales of Stock by a Subsidiary," and recorded the difference between the Company's carrying value of the interest in the subsidiary's equity that was sold over the proceeds received for that interest to additional paid-in-capital. The Company will record any gains or losses resulting from the future sale of stock by a subsidiary as a component of stockholders' equity.

Stock-Based Compensation—The Company continues to use Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to account for equity grants and awards to employees, officers and directors and has adopted the disclosure-only provisions of Statement of Financial Accounting Standard (SFAS) No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of SFAS No. 123."

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net loss as reported	$(55,904)	$(52,862)	$(159,319)	$(252,200)
Add: Stock-based employee compensation expense, net of related tax effect, included in net loss as reported	376		376	
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect	(3,983)	(7,878)	(16,823)	(21,613)
Pro-forma net loss	$(59,511)	$(60,740)	$(175,766)	$(273,813)
Basic and diluted net loss per share - as reported	$ (0.25)	$ (0.25)	$ (0.71)	$ (1.24)
Basic and diluted net loss per share pro-forma	$ (0.26)	$ (0.28)	$ (0.79)	$ (1.34)

Asset Retirement Obligations—The Company adopted the provisions of SFAS No. 143, “Accounting for Asset Retirement Obligations,” during 2003. During the three months ended June 30, 2004, the Company revised certain assumptions used in estimating its aggregate retirement obligation. The impact of these revisions resulted in an increase in depreciation, amortization and accretion expense of $4.5 million, an increase in tower assets of $12.0 million, and an increase in other long-term liabilities of approximately $16.0 million.

Recent Accounting Pronouncements—In December 2003, the FASB issued Interpretation (FIN) No. 46-R, a revision of FIN 46, “Consolidation of Variable Interest Entities.” FIN 46-R addresses the consolidation of entities whose equity holders have either not provided sufficient equity at risk to allow the entity to finance its own activities or do not possess certain characteristics of a controlling financial interest. FIN 46-R was applicable for financial statements of public entities that have interests in variable interest entities (VIEs) or potential VIEs referred to as special purpose entities for periods ending after December 15, 2003, of which the Company had none. Application by public entities for all other types of entities was required in financial statements for periods ending after March 15, 2004. The Company adopted the remaining provisions of FIN 46-R in the first quarter of 2004 and such adoption was not material to the Company’s consolidated financial position and results of operations.

Reclassifications—Certain reclassifications have been made to the accompanying 2003 condensed consolidated financial statements and related notes to conform to the 2004 presentation.

2. 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 rate is determined.

During the three months ended September 30, 2004, the Company revised its annual effective tax rate from 21.2% for the six months ended June 30, 2004 to 26.2% for the nine months ended September 30, 2004. Such revision was attributable to an increase in the Company’s estimated annual net loss, and a change in projected taxable income related to its foreign subsidiaries.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

3. Pending Sale of Tower Construction Services Unit

In August 2004, the Company announced that it was considering strategic alternatives for its tower construction services unit, including a potential sale of all of its tower construction service capabilities. In October 2004, the Company entered into an agreement to sell its tower construction services unit for total consideration of approximately $10.0 million, consisting of cash and the assumption of certain capital lease obligations by the purchaser. As a result of the anticipated disposal, the Company recorded an impairment charge of approximately $2.3 million in the third quarter of 2004 to reduce the carrying value of the net assets of its tower construction services unit to the estimated proceeds expected upon disposal. The Company will report its tower construction services unit as a discontinued operation commencing in the fourth quarter of 2004. The sale is expected to close during the fourth quarter of 2004, subject to satisfaction of customary closing conditions. After the sale, the Company's network development services segment will continue to provide complementary non-construction services to the rental and management segment including site acquisition, zoning and permitting, and structural analysis.

As of September 30, 2004, the tower construction services unit was included in the network development services segment and had revenues of $18.3 million and $25.3 million for the three months ended September 30, 2004 and 2003, respectively, and $56.4 million and $57.3 million for the nine months ended September 30, 2004 and 2003, respectively. The tower construction services unit had pre-tax (loss) income of $(1.0) million and $0.6 million for the three months ended September 30, 2004 and 2003 and $(4.2) million and $(2.5) million for the nine months ended September 30, 2004 and 2003, respectively.

4. Discontinued Operations

During the nine months ended September 30, 2004 and the year ended December 31, 2003, in connection with the Company's plan to focus on its core tower business, the Company sold or committed to sell several non-core businesses. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company classified the operating results of these businesses as discontinued operations in the accompanying condensed consolidated statements of operations. In addition, the assets and liabilities of the discontinued operations not disposed of as of September 30, 2004 and December 31, 2003 have been reflected as assets held for sale and liabilities held for sale in the accompanying condensed consolidated balance sheets.

The following businesses have been reflected as discontinued operations in the accompanying condensed consolidated statements of operations:

Verestar—In December 2002, the Company committed to a plan to sell Verestar, Inc., a wholly owned subsidiary, by December 31, 2003. On December 22, 2003, Verestar and its subsidiaries (collectively, Verestar) filed for protection under Chapter 11 of the federal bankruptcy laws. Verestar was reported as a discontinued operation through the date of the bankruptcy filing, and, as of that date forward, the Company ceased to consolidate Verestar's financial results. (See note 10.)

Kline—In June 2003, the Company committed to a plan to sell Kline Iron & Steel Co., Inc. (Kline). During 2004, the Company sold substantially all the assets of Kline for approximately $4.0 million in cash and up to an additional $2.0 million in cash payable in 2006 based on future revenues generated by Kline. Kline was previously included in the Company's network development services segment.

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

The following table presents summary operating results of the Company’s discontinued operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003(1)	2004	2003(1)
Revenue		$ 45,761	$ 3,857	$159,174
Loss from discontinued operations		(2,219)	(1,014)	(13,609)
Income tax benefit on loss from discontinued operations		455	355	1,642
Net income (loss) on disposal of discontinued operations, net of tax (provision) benefit of $(700), $744, $(582) and $3,762 respectively	1,300	(13,400)	1,081	(42,098)
Income (loss) from discontinued operations, net	$1,300	$(15,164)	$ 422	$ (54,065)

(1) In addition to the businesses described above, loss from discontinued operations, net for the periods ended September 30, 2003 includes the results of operations of the following: Flash Technologies, sold in January 2003; Maritime Telecommunications Network, sold in February 2003; an office building in Schaumburg, Illinois, sold in March 2003; an office building in Westwood, Massachusetts, sold in May 2003; and Galaxy Engineering, sold in August 2003. Loss from discontinued operations, net for the nine months ended September 30, 2003 primarily includes estimated net losses on the disposal of Verestar, Kline, Galaxy and a net loss on the disposal of an office building in Westwood, Massachusetts.

As of September 30, 2004 and December 31, 2003, the Company held for sale the following assets and liabilities (in thousands):

	September 30, 2004	December 31, 2003
Accounts receivable, net		$ 2,982
Prepaid and other current assets		1,554
Property and equipment, net	$ 3,389	5,532
Other long-term assets		51
Assets held for sale	$ 3,389	$ 10,119
Accounts payable, accrued expenses and other current liabilities		$ 8,416
Liabilities held for sale		$ 8,416

5. Goodwill and Other Intangible Assets

The Company's net carrying amount of goodwill as of September 30, 2004 and December 31, 2003 was approximately $592.7 million, all of which related to its rental and management segment.

The following table presents summary information about the Company's acquired intangible assets subject to amortization (in thousands):

	September 30, 2004	December 31, 2003
Acquired customer base and network location intangibles	$ 1,351,682	$ 1,299,708
Deferred financing costs	95,266	111,484
Acquired licenses and other intangibles	43,326	43,125
Subtotal	1,490,274	1,454,317
Less accumulated amortization	(455,451)	(397,240)
Other intangible assets, net	$ 1,034,823	$ 1,057,077

The Company amortizes its intangible assets over periods ranging from three to fifteen years. Amortization of intangible assets for the three and nine months ended September 30, 2004 was approximately $23.6 million and $69.3 million, respectively (excluding amortization of deferred financing costs, which is included in interest expense). The Company expects to record estimated amortization expense of $92.4 million for the year ended December 31, 2004, $92.6 million for the years ended December 31, 2005 and 2006, and $90.2 million for the years ended December 31, 2007, 2008 and 2009.

6. Financing Transactions

3.00% Convertible Notes Offering—In August 2004, the Company sold $345.0 million principal amount of 3.00% convertible notes due August 15, 2012 (3.00% Notes) through an institutional private placement. The net proceeds were approximately $335.9 million, after deducting the commissions payable to the initial purchaser and other expenses related to the offering. The net proceeds were used to redeem a portion of the Company's 9 3/8% senior notes due 2009 (9 3/8% Notes), as described below.

The 3.00% Notes mature on August 15, 2012 and interest is payable semi-annually in arrears on February 15 and August 15 of each year, beginning February 15, 2005. The Company may redeem the 3.00% notes after August 20, 2009 at an initial redemption price of 101.125% of the principal amount, subject to a ratable decline after August 15 of the following year to 100% of the principal amount in 2012. The 3.00% Notes rank equally with the Company's other convertible notes, the 7.50% senior notes due 2012 (7.50% Notes) and the 9 3/8% Notes and are structurally and effectively junior to indebtedness outstanding under the credit facility, the 12.25% senior subordinated discount notes due 2008 issued by American Towers, Inc. (ATI), a wholly owned subsidiary of the Company (ATI 12.25% Notes), and the 7.25% senior subordinated notes due 2011 issued by ATI (ATI 7.25% Notes). The 3.00% Notes also rank equally with the Company's 7.125% senior notes due 2012 (7.125% Notes), issued in October 2004. (See note 13.)

The 3.00% Notes are convertible at any time prior to maturity, subject to their prior redemption or repurchase, into shares of the Company's Class A common stock at a conversion price of approximately $20.50 per share, subject to adjustment in certain events. Upon a fundamental change of control as defined in the notes indenture, the holders of the 3.00% Notes may require the Company to repurchase all or part of the 3.00% Notes for a cash purchase price equal to 100% of the principal amount. In addition, upon a fundamental change in control, the holders may elect to convert their notes based on a conversion rate adjustment that entitles the holders to receive additional shares of the Company's Class A common stock upon conversion depending on the terms and timing of the change of control.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

New Credit Facility—In May 2004, the Company refinanced its previous credit facility with a new $1.1 billion senior secured credit facility. At closing, the Company received $685.5 million of net proceeds from the borrowings under the new facility, after deducting related expenses and fees. Approximately $670.0 million of the net proceeds were used to repay principal and interest on the previous credit facility. The Company used the remaining net proceeds of $15.5 million for general corporate purposes, including the repurchase of other outstanding debt securities. The Company recorded a charge of $11.7 million related to the write-off of deferred financing fees associated with its previous credit facility, which is reflected in loss on retirement of long-term obligations in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2004.

As of September 30, 2004, the new credit facility consists of the following:

- $400.0 million in undrawn revolving loan commitments, against which approximately $26.7 million of undrawn letters of credit were outstanding at September 30, 2004, maturing on February 28, 2011;
- a $300.0 million term loan A, which is fully drawn, maturing on February 28, 2011; and
- a $399.0 million term loan B, which is fully drawn, maturing on August 31, 2011.

The new credit facility extends the previous credit facility maturity dates from 2007 to 2011 for a majority of the borrowings outstanding under the new credit facility, subject to certain conditions described below, and permits the Company to use borrowings under the new credit facility and internally generated funds to repurchase other indebtedness without additional lender approval. The new credit facility is guaranteed by the Company and its subsidiaries and secured by a pledge of substantially all of the Company’s assets. The new credit facility also contains certain financial ratios and operating covenants and other restrictions similar to the previous credit facility (including limitations on additional debt, guarantees, use of proceeds from asset sales, dividends and distributions, investments and liens) with which the Company’s borrower and restricted subsidiaries must comply.

The maturity date for term loan A and any outstanding revolving loans will be accelerated to August 15, 2008 and the maturity date for term loan B will be accelerated to October 31, 2008 if (1) on or prior to August 1, 2008, the Company’s 9 $^{3}/_{8}$% Notes have not been (a) refinanced with parent company indebtedness having a maturity date of February 28, 2012 or later or with loans under the new credit facility, or (b) repaid, prepaid, redeemed, repurchased or otherwise retired; and (2) the Company’s consolidated leverage ratio (total parent company debt to annualized operating cash flow) at June 30, 2008 exceeds 4.50 to 1.00. If this were to occur, the payments due in 2008 for term loan A and term loan B would be $225.0 million and $386.0 million, respectively.

7.50% Senior Notes Offering—In February 2004, the Company sold $225.0 million principal amount of 7.50% senior notes due 2012 (7.50% Notes) through an institutional private placement. The net proceeds of the offering were approximately $221.7 million, after deducting the commissions payable to the initial purchasers and other expenses related to the offering. The net proceeds were used to redeem all of the Company’s outstanding 6.25% convertible notes due 2009 (6.25% Notes) and repurchase a portion of the Company’s outstanding 5.0% convertible notes due 2010 (5.0% Notes), as discussed below.

The 7.50% Notes mature on May 1, 2012 and interest is payable semiannually in arrears on May 1 and November 1 beginning May 1, 2004. The Company may redeem the 7.50% Notes after May 1, 2008. The initial redemption price on the 7.50% Notes is 103.750% of the principal amount, subject to a ratable decline after May 1 of the following year to 100% of the principal amount in 2010 and thereafter. The 7.50% Notes rank equally with the Company’s convertible notes and the 9 $^{3}/_{8}$% Notes and are structurally and effectively junior to indebtedness outstanding under the credit facility, the ATI 12.25% Notes, and the ATI 7.25% Notes. The 7.50% Notes also rank equally with the Company’s 7.125% Notes, issued in October 2004. (See note 13.) The indenture

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

for the 7.50% Notes contains certain covenants that restrict the Company's ability to incur more debt; guarantee indebtedness; issue preferred stock; pay dividends; make certain investments; merge, consolidate or sell assets; enter into transactions with affiliates; and enter into sale leaseback transactions.

6.25% Convertible Notes Redemption—In February 2004, the Company redeemed all of its outstanding $212.7 million principal amount of 6.25% Notes pursuant to the terms of the indenture at a purchase price equal to 102.083% of the principal amount, plus accrued interest. The total aggregate redemption price was $221.9 million, including $4.8 million in accrued interest. As a result of the redemption, the Company recorded a charge of $7.2 million. Such charge is reflected in loss on retirement of long-term obligations in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2004.

9 3/8% Senior Notes Redemption—In September 2004, the Company redeemed $337.0 million principal amount of its 9 3/8% Notes pursuant to the terms of the indenture at a purchase price equal to 107.07% of the principal amount, plus accrued interest. The Company used the $335.9 million in net proceeds from the 3.00% Notes offering and $29.2 million in cash on hand to pay the aggregate redemption price of $365.1 million, including $4.3 million in accrued interest. As a result of the redemption, the Company recorded a charge of $30.2 million. Such charge is reflected in loss on retirement of long-term obligations in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2004. In November 2004, the Company redeemed an additional $276.0 million principal amount of its 9 3/8% Notes. (See note 13.)

Other Debt Repurchases—During the nine months ended September 30, 2004, in addition to the redemptions discussed above, the Company repurchased in privately negotiated transactions an aggregate of $184.2 million face amount of its ATI 12.25% Notes ($104.6 million accreted value, net of $9.0 million fair value discount allocated to warrants) for approximately $136.2 million in cash; repurchased $26.9 million principal amount of its 9 3/8% Notes for $28.8 million in cash; and repurchased $73.7 million principal amount of its 5.0% Notes for approximately $73.3 million in cash. As a result of these transactions, the Company recorded an aggregate charge of $38.1 million related to the write-off of deferred financing fees and amounts paid in excess of or below carrying value. Such loss is reflected in loss on retirement of long-term obligations in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2004.

7. Restructuring

During the nine months ended September 30, 2004, the Company incurred certain employee separation costs and made cash payments against its accrued restructuring liability. The following table presents the activity for the accrued restructuring liability for the nine months ended September 30, 2004 (in thousands):

	Liability as of January 1, 2004	Restructuring Expense	Cash Payments	Liability as of September 30, 2004
Employee separations	$ 2,239	$ 340	$ (2,109)	$ 470
Lease terminations and other facility closing costs	1,450	(95)	(478)	877
Total	$ 3,689	$ 245	$ (2,587)	$ 1,347

There were no material changes in estimates related to the Company's accrued restructuring liability during the nine months ended September 30, 2004. The Company expects to pay the balance of the employee separation liabilities during the remainder of 2004 or first quarter of 2005. Additionally, the Company continues to negotiate certain lease terminations associated with its restructuring liability. Such liability is reflected in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

8. Business Segments

The Company operates in two business segments: rental and management (RM) and network development services (Services). The RM segment provides for the leasing and subleasing of antennae sites on multi-tenant towers and other properties for a diverse range of customers primarily in the wireless communication and broadcast industries. The Services segment offers a broad range of services, including antenna and line installation, maintenance, construction, site acquisition and zoning.

The accounting policies applied in compiling segment information below are similar to those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. In evaluating financial performance, management focuses on operating profit (loss), excluding depreciation, amortization and accretion; corporate general, administrative and development expense; and impairments, net loss on sale of long-lived assets and restructuring expense. This measure of operating profit (loss) is also before interest income, interest expense, (loss) gain on retirement of long-term obligations, loss on investments and other expense, minority interest in net earnings of subsidiaries, income taxes and discontinued operations. For reporting purposes, the RM segment includes interest income, TV Azteca, net.

The Company's reportable segments are strategic business units that offer different services. They are managed separately because each segment requires different resources, skill sets and marketing strategies. Summarized financial information concerning the Company's reportable segments as of and for the three and nine months ended September 30, 2004 and 2003 is shown in the following table. The Other column below represents amounts excluded from specific segments, such as depreciation, amortization and accretion; corporate general, administrative and development expense; impairments, net loss on sale of long-lived assets and restructuring expense; interest income; interest expense; (loss) gain on retirement of long-term obligations; loss on investments and other expense; and minority interest in net earnings of subsidiaries. In addition, the Other column also includes corporate assets such as cash and cash equivalents, certain tangible and intangible assets and income tax accounts that have not been allocated to specific segments, as well as assets held for sale.

Three months ended September 30, (in thousands)	RM	Services	Other	Total
2004				
Revenues	$ 174,946	$ 24,242		$ 199,188
Operating profit (loss)	121,561	1,026	$(208,867)	(86,280)
Assets	4,219,361	63,527	785,546	5,068,434
2003				
Revenues	$ 158,193	$ 28,681		$ 186,874
Operating profit (loss)	104,958	2,407	$(158,656)	(51,291)
Assets	4,510,864	101,365	978,078	5,590,307

Nine months ended September 30, (in thousands)	RM	Services	Other	Total
2004				
Revenues	$ 507,109	$ 71,230		$ 578,339
Operating profit (loss)	349,699	3,017	$(569,177)	$ (216,461)
Assets	4,219,361	63,527	785,546	5,068,434
2003				
Revenues	$ 456,571	$ 67,052		$ 523,623
Operating profit (loss)	301,465	4,566	$(554,619)	(248,588)
Assets	4,510,864	101,365	978,078	5,590,307

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9. Acquisitions

During the three and nine months ended September 30, 2004, the Company acquired 49 and 187 communications sites for approximately $9.4 million and $27.8 million in cash. The Company has accounted for the acquisition of these towers under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired (principally tangible assets). The allocation is preliminary as an appraisal of the assets acquired has not been finalized. The Company does not expect changes in depreciation and amortization from the finalization of the purchase price allocation to be material to its consolidated results of operations.

Unaudited Pro Forma Operating Results—The unaudited pro forma results of operations for the three and nine months ended September 30, 2004 and 2003 are not presented for comparative purposes due to the insignificant impact of the communications sites acquired in 2004 (as described above) on the Company's condensed consolidated results of operations.

10. Commitments and Contingencies

Verestar—As discussed in note 4, Verestar filed for protection under Chapter 11 of the federal bankruptcy laws on December 22, 2003. If Verestar fails to honor certain of its contractual obligations because of its bankruptcy filing or otherwise, claims may be made against the Company for breaches by Verestar of those contracts as to which the Company is primarily or secondarily liable as a guarantor. The Company accrued its estimate of costs to settle these obligations as of December 31, 2003 and adjusted such estimate to reflect actual payments made during the nine months ended September 30, 2004. In addition, Verestar's bankruptcy estate may bring certain claims against the Company or seek to hold the Company liable for certain transfers made by Verestar to the Company and/or for Verestar's obligations to creditors under various equitable theories recognized under bankruptcy law. The Official Committee of Unsecured Creditors appointed in the Verestar bankruptcy proceeding (the Committee) has requested, and the Company has agreed to produce, certain documents in connection with a subpoena for Rule 2004 Examination (as defined under federal bankruptcy laws) issued by the Committee. The Bankruptcy Court also entered an order approving a stipulation between Verestar and the Committee that permits the Committee to file claims against the Company and/or its affiliates on behalf of Verestar. The Committee has not filed any claims against the Company or its affiliates. In the opinion of management, the resolution of any claims that may be made against the Company by Verestar's bankruptcy estate will not have a material impact on the Company's consolidated financial position, results of operations or liquidity. Finally, the Company will incur additional costs in connection with its involvement in the reorganization or liquidation of Verestar's business.

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

Acquisition Commitments—As of September 30, 2004, the Company was party to agreements relating to the acquisition of 33 tower assets from Iusacell Celular (Iusacell) for an aggregate remaining purchase price of approximately $6.9 million. The Company may pursue the acquisitions of other properties and businesses in new and existing locations, although there are no definitive material agreements with respect thereto.

Build-to-Suit Agreements—As of September 30, 2004, the Company was party to various arrangements relating to the construction of tower sites under existing build-to-suit agreements. Under the terms of the agreements, the Company may be obligated to construct up to 750 towers (400 towers in Mexico and 350 towers in Brazil) over a three-year period. During the nine months ended September 30, 2004, the Company constructed 29 towers in Mexico and 0 towers in Brazil.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

11. ATC International Transactions

ATC Mexico Holding—In April 2004, the Company repurchased an 8.8% interest in ATC Mexico Holding Corp., the subsidiary through which the Company conducts its Mexico operations (ATC Mexico) from J. Michael Gearon, Jr. (Mr. Gearon), an executive officer of the Company. Mr. Gearon had exercised his previously disclosed put right in January 2004 requiring the Company to purchase his interest in ATC Mexico. The net aggregate consideration paid for Mr. Gearon's interest was $35.9 million. The Company issued Mr. Gearon 2,203,968 shares of its Class A common stock valued at $24.8 million and paid $3.9 million in cash in satisfaction of 80% of the net consideration due to him. Payment of the remaining 20% of the purchase price of $7.3 million is contingent upon ATC Mexico satisfying certain performance criteria and will be paid in cash, if at all, in January 2005. The Company's board of directors approved the determination of the fair market value of Mr. Gearon's interest with the assistance of an independent financial advisor.

In accordance with FASB No. 141 "Business Combinations" the acquisition has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the net assets acquired (principally intangible assets). The allocation is preliminary as an appraisal of the net assets acquired has not been finalized. The Company does not expect changes in depreciation and amortization from the finalization of the purchase price allocation to be material to its consolidated results of operations.

As of September 30, 2004, the Company owned a 96.8% interest in ATC Mexico. The remaining 3.2% minority interest in ATC Mexico was held by ATC Mexico employees and an executive officer of the Company. In the first quarter of 2004, 318 options held by ATC Mexico employees and an executive officer of the Company under the ATC Mexico Stock Option Plan were exercised. In connection with the issuance of these shares, the Company adopted the provisions of SEC SAB No. 51 and recorded a $1.8 million reduction to stockholders' equity in the accompanying condensed consolidated balance sheet. Such adjustment reflected the difference in the Company's carrying value of the interest in ATC Mexico's equity that was sold over the proceeds received for that interest. (See note 1.) The employees holding these shares had the right to require the Company to purchase their interests in ATC Mexico six months following their issuance at the then fair market value, which date occurred in the fourth quarter of 2004. The employees exercised this put right in October 2004. (See note 13.) As of September 30, 2004, William H. Hess, an executive officer of the Company, owned a 1.4% interest in ATC Mexico as a result of his exercise of options granted to him under the ATC Mexico Stock Option Plan. Mr. Hess exercised his put right with respect to such shares in October 2004, and as of such exercise, no longer owned an interest in ATC Mexico. (See note 13.)

ATC South America—During the nine months ended September 30, 2004, the Company consummated a previously disclosed arrangement with Mr. Gearon pursuant to which he would purchase an equity interest in certain of the Company's international subsidiaries, including ATC South America Holding Corp., the subsidiary through which the Company conducts its Brazilian operations (ATC South America). On March 31, 2004, ATC South America issued to Mr. Gearon stock representing a 1.68% interest for approximately $1.0 million in cash. The Company's carrying value of the equity interest that was sold approximated the fair value. Accordingly, the Company recorded no gain or loss in accordance with SEC SAB No. 51. The purchase price represented the fair market value of a 1.68% interest in ATC South America on the date of the sale, as determined by an independent appraiser. Mr. Gearon may require the Company to purchase his interest in ATC South America, for its then fair market value, at any time after the earliest to occur of December 31, 2004 or Mr. Gearon's death or disability, and the Company has the right to purchase Mr. Gearon's interest in ATC South America, for its then fair market value, at any time after the earliest to occur of December 31, 2005, Mr. Gearon's death or disability, or the occurrence of either a Gearon Termination Event or a Forfeiture Event (each as defined in the Company's stockholder agreement with Mr. Gearon).

As part of Mr. Gearon's investment, ATC South America's Board of Directors also approved the formation of the ATC South America Stock Option Plan that provides for the issuance of options to officers, employees,

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

directors and consultants of ATC South America, including Mr. Gearon, to purchase up to an aggregate 10.32% interest in ATC South America. During the nine months ended September 30, 2004, ATC South America granted 6,027 options to purchase shares of ATC South America common stock to officers and employees, including Messrs. Gearon and Hess, who received options to purchase shares representing a 6.72% and 1.6% interest, respectively. The exercise price is $1,000 per share, which was the fair market value per share on the date of grant based on an independent appraisal performed at the Company's request. Options granted vest upon the earlier to occur of: the exercise by or on behalf of Mr. Gearon of his right to require the Company to purchase his interest in ATC South America; the exercise by the Company of its right to acquire Mr. Gearon's interest in ATC South America; or July 1, 2006. These options expire ten years from the date of grant. The employees holding these options may also require the Company to purchase their interests in ATC South America six months following the exercise of their options at the then fair market value.

12. Common Stock Conversions

In February 2004, Steven B. Dodge, the Company's former Chairman and Chief Executive Officer, retired from the Company's Board of Directors and elected to convert all of his shares of the Company's Class B common stock, which triggered the Dodge Conversion Event as defined in the Company's charter. Accordingly, all outstanding shares of Class B common stock were converted into shares of Class A common stock on a one-for-one basis. In addition, in February 2004, all outstanding shares of the Company's Class C common stock were converted into shares of its Class A common stock on a one-for-one basis. The Company's charter prohibits the future issuance of shares of Class B common stock, but permits the future issuance of shares of Class C common stock.

13. Subsequent Events

7.125% Senior Notes Offering—In October 2004, the Company sold $300.0 million principal amount of 7.125% senior notes due 2012 (7.125% Notes) through an institutional private placement. The net proceeds were approximately $292.8 million, after deducting the commissions payable to the initial purchasers and other expenses related to the offering. The net proceeds were used to redeem a portion of the Company's 9 3/8% Notes, as described below.

The 7.125% Notes mature on October 15, 2012 and interest is payable semi-annually in arrears on April 15 and October 15 of each year, beginning April 15, 2005. The Company may redeem up to 35% of the 7.125% Notes prior to October 15, 2007 at a price equal to 107.125% of the principal amount of the notes, plus accrued and unpaid interest thereon (and additional interest, if any), with the net cash proceeds of certain public equity offerings within 60 days, as applicable, after the closing of any such offering. The Company may redeem the 7.125% notes at 100% of the applicable premium prior to October 15, 2008 and after October 15, 2008, at an initial redemption price of 103.563% of the principal amount, subject to a ratable decline after October 15 of the following year to 100% of the principal amount in 2010 and thereafter. Upon a change of control as defined in the notes indenture, the Company may be required to repurchase the 7.125% Notes equal to 101% of the principal amount. The 7.125% Notes rank equally with the Company's convertible notes, the 7.50% Notes and the 9 3/8% Notes and are structurally and effectively junior to indebtedness outstanding under the credit facility, the ATI 12.25% Notes and the ATI 7.25% Notes. The indenture for the 7.125% Notes contains certain covenants that restrict the Company's ability to incur more debt; guarantee indebtedness; issue preferred stock; create liens; pay dividends; make certain investments; merge, consolidate or sell assets; enter into transactions with affiliates; and enter into sale leaseback transactions.

9 3/8% Senior Notes Redemption—In November 2004, the Company redeemed $276.0 million principal amount of its 9 3/8% Notes pursuant to the terms of the indenture at a purchase price equal to 106.23% of the

principal amount, plus accrued interest. The Company used the $292.8 million in net proceeds from the 7.125% Notes offering and $7.1 million in cash on hand to pay the aggregate redemption price of $299.9 million, including $6.7 million in accrued interest. As a result, the Company expects to record a pre-tax loss on retirement of long-term obligations in the fourth quarter of 2004 of approximately $21.9 million related to cash paid in excess of carrying value and the write-off of related deferred financing fees.

Other Debt Repurchases—From October 1, 2004 to November 5, 2004, the Company repurchased in privately negotiated transactions an aggregate of $72.6 million face amount of its ATI 12.25% Notes ($43.0 million accreted value, net of $3.3 million fair value discount allocated to warrants) for approximately $54.7 million in cash. As a result of these repurchases, the Company expects to record a pre-tax loss on retirement of long-term obligations in the fourth quarter of 2004 of approximately $13.0 million, related to the cash paid in excess of carrying value and write-off of related deferred financing fees.

Exercise of ATC Mexico Put Rights—In October 2004, certain stockholders of ATC Mexico and an executive officer of the Company exercised their previously disclosed put rights to require the Company to purchase their collective 3.2% interest in ATC Mexico for aggregate consideration of $15.5 million. (See note 11.) The Company issued 1,155,678 shares of Class A common stock valued at $13.0 million in satisfaction of 80% of the net consideration (i.e., net of exercise price paid for the shares) due to these stockholders in October 2004. Payment of the remaining 20% of the net purchase price is contingent upon ATC Mexico satisfying certain performance criteria and will be paid by the issuance of 218,566 shares of Class A common stock, if at all, in January 2005. The Company owns 100% of ATC Mexico as a result of these repurchases.

14. Subsidiary Guarantees

ATI's payment obligations under the ATI 12.25% Notes and the ATI 7.25% Notes (collectively, the ATI Notes) are fully and unconditionally guaranteed on joint and several bases by the Company (ATI's parent) and substantially all of the Company's and ATI's wholly owned domestic subsidiaries. The ATI Notes and the subsidiary guarantees under the ATI Notes are subordinated to all indebtedness under the credit facility.

The following condensed consolidating financial data illustrates the composition of the Company, ATI, the combined guarantor subsidiaries under the ATI Notes and non-guarantor subsidiaries. These statements have been prepared in accordance with the rules and requirements of the SEC and the requirements contained in the ATI Notes indentures. The Company believes that separate complete financial statements of the respective guarantors would not provide additional material information which would be useful in assessing the financial composition of the guarantors. No single guarantor has any significant legal restrictions on the ability of investors or creditors to obtain access to its assets in event of default on the subsidiary guarantee other than its subordination to the credit facility described above.

Investments in subsidiaries are accounted for by the Company under the equity method for purposes of the supplemental consolidating presentation. In addition, ATI and the guarantor subsidiaries account for their subsidiaries that are not guarantors under the equity method. (Earnings) losses of subsidiaries accounted for under the equity method are therefore reflected in their parents' investment accounts. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

CONDENSED CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2004
(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Totals
ASSETS						
CURRENT ASSETS:						
Cash & cash equivalents	$ 69,276	$ 33,215	$ 578	$ 23,764		$ 126,833
Accounts receivable, net		35,149	446	6,109		41,704
Prepaid & other current assets	10,349	36,207	5,206	7,319		59,081
Deferred income taxes	14,122					14,122
Assets held for sale			3,389			3,389
Total current assets	93,747	104,571	9,619	37,192		245,129
PROPERTY AND EQUIPMENT, NET		2,059,991	18,910	312,302		2,391,203
INTANGIBLE ASSETS, NET	34,702	1,451,720	9,858	131,226		1,627,506
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES	2,687,038	25,225	500,438		$ (3,212,701)	
OTHER LONG-TERM ASSETS	523,229	170,100	25	111,242		804,596
TOTAL	$ 3,338,716	$ 3,811,607	$ 538,850	$ 591,962	$ (3,212,701)	$ 5,068,434
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 24,851	$ 89,271	$ 4,160	$ 17,713		$ 135,995
Current portion of long-term obligations	46	6,217		459		6,722
Other current liabilities		32,791	368	(5)		33,154
Total current liabilities	24,897	128,279	4,528	18,167		175,871
LONG-TERM OBLIGATIONS	1,691,080	1,485,755	2	34,798		3,211,635
OTHER LONG-TERM LIABILITIES	711	44,757	98	1,471		47,037
Total liabilities	1,716,688	1,658,791	4,628	54,436		3,434,543
MINORITY INTEREST IN SUBSIDIARIES				11,863		11,863
STOCKHOLDERS' EQUITY						
Common Stock	2,267					2,267
Additional paid-in capital	3,973,893	3,366,288	454,614	939,534	$ (4,760,436)	3,973,893
Accumulated (deficit) earnings	(2,349,766)	(1,213,472)	79,608	(413,871)	1,547,735	(2,349,766)
Treasury stock	(4,366)					(4,366)
Total stockholders' equity	1,622,028	2,152,816	534,222	525,663	(3,212,701)	1,622,028
TOTAL	$ 3,338,716	$ 3,811,607	$ 538,850	$ 591,962	$ (3,212,701)	$ 5,068,434

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2004
(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Totals
Operating revenues		$161,724	$ 4,390	$ 33,074		$ 199,188
Operating expenses		149,137	4,045	21,374		174,556
Operating income from continuing operations		12,587	345	11,700		24,632
Other income (expense):						
Interest income, TV Azteca, net				3,584		3,584
Interest income	$ 838	162		166		1,166
Interest expense	(34,175)	(31,210)	(1)	(267)		(65,653)
Other (expense) income	(32,060)	(18,205)	(4)	531		(49,738)
Minority interest in net earnings of subsidiaries				(271)		(271)
Equity in (loss) income of subsidiaries, net of income taxes recorded at the subsidiary level	(10,029)	421	14,696		$ (5,088)	
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(75,426)	(36,245)	15,036	15,443	(5,088)	(86,280)
INCOME TAX BENEFIT (PROVISION)	18,222	11,273	(93)	(326)		29,076
(LOSS) INCOME FROM CONTINUING OPERATIONS	(57,204)	(24,972)	14,943	15,117	(5,088)	(57,204)
INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX PROVISION	1,300					1,300
NET (LOSS) INCOME	$(55,904)	$ (24,972)	$ 14,943	$ 15,117	$ (5,088)	$ (55,904)

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2004
(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Totals
Operating revenues		$ 475,376	$ 9,146	$ 93,817		$ 578,339
Operating expenses		442,857	8,447	61,342		512,646
Operating income from continuing operations		32,519	699	32,475		65,693
Other income (expense):						
Interest income, TV Azteca, net				10,776		10,776
Interest income	$ 1,396	1,459		547		3,402
Interest expense	(104,550)	(97,247)	(3)	(1,070)		(202,870)
Other expense	(40,501)	(50,465)	(6)	(306)		(91,278)
Minority interest in net earnings of subsidiaries				(2,184)		(2,184)
Equity in (loss) income of subsidiaries, net of income taxes recorded at the subsidiary level	(51,529)	1,341	33,851		$ 16,337	
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(195,184)	(112,393)	34,541	40,238	16,337	(216,461)
INCOME TAX BENEFIT (PROVISION)	34,565	27,367	(166)	(5,046)		56,720
(LOSS) INCOME FROM CONTINUING OPERATIONS	(160,619)	(85,026)	34,375	35,192	16,337	(159,741)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	1,300	(121)	(757)			422
NET (LOSS) INCOME	$(159,319)	$ (85,147)	$ 33,618	$ 35,192	$ 16,337	$ (159,319)

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2004
(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidated Totals
CASH FLOWS (USED FOR) PROVIDED BY OPERATING ACTIVITIES	$(134,895)	$ 212,873	$ (297)	$ 71,482	$ 149,163
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for purchase of property and equipment and construction activities		(18,586)	(1,171)	(8,855)	(28,612)
Payments for acquisitions		(4,794)		(26,996)	(31,790)
Proceeds from sale of businesses and other long-term assets		15,655	3,683	4,161	23,499
Deposits, investments and other long-term assets		813	25	(513)	325
Cash (used for) provided by investing activities		(6,912)	2,537	(32,203)	(36,578)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of debt securities	570,000				570,000
Borrowings under credit facilities		700,000			700,000
Repayment of notes payable, credit facilities and capital leases	(680,054)	(843,274)		(507)	(1,523,835)
Deferred financing costs, restricted cash and other	116,718	45,900			162,618
Investment in and advances from (to) subsidiaries	183,590	(137,181)	(2,498)	(43,911)	
Cash provided by (used for) financing activities	190,254	(234,555)	(2,498)	(44,418)	(91,217)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55,359	(28,594)	(258)	(5,139)	21,368
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	13,917	61,809	836	28,903	105,465
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 69,276	$ 33,215	$ 578	$ 23,764	$ 126,833

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

CONDENSED CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2003
(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Totals
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 13,917	$ 61,809	$ 836	$ 28,903		$ 105,465
Restricted cash and investments	120,915	49,121				170,036
Accounts receivable, net		49,957	317	7,461		57,735
Prepaid and other current assets	3,621	42,582	3,717	4,118		54,038
Deferred income taxes	14,122					14,122
Assets held for sale			10,119			10,119
Total current assets	152,575	203,469	14,989	40,482		411,515
PROPERTY AND EQUIPMENT, NET		2,191,674	19,199	335,652		2,546,525
INTANGIBLE ASSETS, NET	37,679	1,520,212	9,508	82,361		1,649,760
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES	2,895,958	26,822	463,723		$ (3,386,503)	
OTHER LONG-TERM ASSETS	465,429	158,668		100,591		724,688
TOTAL	$ 3,551,641	$ 4,100,845	$ 507,419	$ 559,086	$ (3,386,503)	$ 5,332,488
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 61,175	$ 91,938		$ 14,178		$ 167,291
Current portion of long-term obligations	44	77,166		412		77,622
Other current liabilities		41,449				41,449
Liabilities held for sale			$ 8,416			8,416
Total current liabilities	61,219	210,553	8,416	14,590		294,778
LONG-TERM OBLIGATIONS	1,772,155	1,476,096		35,352		3,283,603
OTHER LONG-TERM LIABILITIES		23,961				23,961
Total liabilities	1,833,374	1,710,610	8,416	49,942		3,602,342
MINORITY INTEREST IN SUBSIDIARIES				18,599		18,599
STOCKHOLDERS' EQUITY:						
Common stock	2,201					2,201
Additional paid-in capital	3,910,879	3,518,560	453,013	946,328	$ (4,917,901)	3,910,879
Accumulated (deficit) earnings	(2,190,447)	(1,128,325)	45,990	(449,063)	1,531,398	(2,190,447)
Note receivable				(6,720)		(6,720)
Treasury stock	(4,366)					(4,366)
Total stockholders' equity	1,718,267	2,390,235	499,003	490,545	(3,386,503)	1,711,547
TOTAL	$ 3,551,641	$ 4,100,845	$ 507,419	$ 559,086	$ (3,386,503)	$ 5,332,488

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AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2003
(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
Operating revenues		$160,678	$ 1,073	$ 25,123		$ 186,874
Operating expenses		156,874	790	17,194		174,858
Operating income from continuing operations		3,804	283	7,929		12,016
Other income (expense):						
Interest income, TV Azteca, net				3,523		3,523
Interest income		1,150		27		1,177
Interest expense	$(36,375)	(32,225)	(2)	(304)		(68,906)
Other income (expense)	4,709	(1,961)		(942)		1,806
Minority interest in earnings of subsidiaries				(907)		(907)
Equity in (loss) income of subsidiaries, net of income taxes recorded at the subsidiary level	(29,366)	341	6,540		$ 22,485	
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(61,032)	(28,891)	6,821	9,326	22,485	(51,291)
INCOME TAX BENEFIT (PROVISION)	8,170	7,963	(74)	(2,466)		13,593
(LOSS) INCOME FROM CONTINUING OPERATIONS	(52,862)	(20,928)	6,747	6,860	22,485	(37,698)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT		(2,759)	(286)	(12,119)		(15,164)
NET (LOSS) INCOME	$(52,862)	$ (23,687)	$ 6,461	$ (5,259)	$ 22,485	$ (52,862)

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2003
(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
Operating revenues		$ 453,494	$ 3,068	$ 67,061		$ 523,623
Operating expenses		453,104	2,353	49,103		504,560
Operating income from continuing operations		390	715	17,958		19,063
Other income (expense):						
Interest income, TV Azteca, net				10,553		10,553
Interest income		3,887		146		4,033
Interest expense	$(110,214)	(100,444)	(2)	(1,189)		(211,849)
Other expense	(43,767)	(23,014)		(1,337)		(68,118)
Minority interest in earnings of subsidiaries				(2,270)		(2,270)
Equity in (loss) income of subsidiaries, net of income taxes recorded at the subsidiary level	(125,814)	(2,585)	16,245		$ 112,154	
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(279,795)	(121,766)	16,958	23,861	112,154	(248,588)
INCOME TAX BENEFIT (PROVISION)	27,595	29,280	(186)	(6,236)		50,453
(LOSS) INCOME FROM CONTINUING OPERATIONS	(252,200)	(92,486)	16,772	17,625	112,154	(198,135)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT		(4,496)	(13,076)	(36,493)		(54,065)
NET (LOSS) INCOME	$(252,200)	$ (96,982)	$ 3,696	$ (18,868)	$ 112,154	$ (252,200)

AMERICAN TOWER CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS–Unaudited–(Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2003
(In Thousands)

	Parent	ATI	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidated Totals
CASH FLOWS (USED FOR) PROVIDED BY OPERATING ACTIVITIES	$(126,621)	$ 159,278	$ 1,173	$ 46,195	$ 80,025
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for purchase of property and equipment and construction activities		(33,544)	(254)	(12,136)	(45,934)
Payments for acquisitions			(129)	(75,861)	(75,990)
Proceeds from sale of businesses and other long-term assets		53,564		20,732	74,296
Deposits, investments and other long-term assets		(7,649)	50	(2,449)	(10,048)
Cash provided by (used for) investing activities		12,371	(333)	(69,714)	(57,676)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of debt securities and notes payable	210,000	419,884		2,500	632,384
Net proceeds from equity offering, stock options and employee stock purchase plan	125,205				125,205
Repayment of long-term obligations	(143,924)	(379,229)		(5,592)	(528,745)
Deferred financing costs, restricted cash and other	(127,797)	(184,557)			(312,354)
Investment in and advances from (to) subsidiaries	63,137	(91,414)	997	27,280	
Cash provided by (used for) financing activities	126,621	(235,316)	997	24,188	(83,510)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(63,667)	1,837	669	(61,161)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		107,600	756	18,936	127,292
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 43,933	$ 2,593	$ 19,605	$ 66,131

ITEM 2. MANAGEM ENT'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," "estimate," "intend," "should," "would," "could" or "may," or other words that convey uncertainty of future events or outcome, 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 below under the caption "Factors That May Affect Future Results." 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 follows are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and the related 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, and our annual report on Form 10-K for the year ended December 31, 2003, in particular, the information set forth therein under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our continuing operations are reported in two segments, rental and management and network development services. Management focuses on segment profit (loss) as a means to measure operating performance in these business segments. We define segment operating profit (loss) as segment revenues less segment operating expenses excluding depreciation, amortization and accretion; corporate general, administrative and development expense; and impairments, net loss on sale of long-lived assets and restructuring expense. Segment profit (loss) for the rental and management segment also includes interest income, TV Azteca, net (see note 8 to our accompanying condensed consolidated financial statements). In accordance with generally accepted accounting principles, our accompanying condensed consolidated statements of operations for periods presented in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" have been adjusted to reflect certain businesses as discontinued operations (see note 4 to our accompanying condensed consolidated financial statements).

Results of Operations

Three Months Ended September 30, 2004 and 2003 (dollars in thousands)

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2004	2003		
REVENUES:				
Rental and management	$174,946	$158,193	$ 16,753	11%
Network development services	24,242	28,681	(4,439)	(15)
Total revenues	199,188	186,874	12,314	7
OPERATING EXPENSES:				
Rental and management	56,969	56,758	211	N/A
Network development services	23,216	26,274	(3,058)	(12)
Depreciation, amortization and accretion	78,695	77,687	1,008	1
Corporate general, administrative and development expense	6,861	6,493	368	6
Impairments, net loss on sale of long-lived assets and restructuring expense	8,815	7,646	1,169	15
Total operating expenses	174,556	174,858	(302)	N/A
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of $373 and $374, respectively	3,584	3,523	61	2
Interest income	1,166	1,177	(11)	(1)
Interest expense	(65,653)	(68,906)	(3,253)	(5)
(Loss) gain on retirement of long-term obligations	(47,951)	3,255	51,206	(1,573)
Loss on investments and other expense	(1,787)	(1,449)	338	23
Minority interest in net earnings of subsidiaries	(271)	(907)	(636)	(70)
Income tax benefit	29,076	13,593	15,483	114
Income (loss) from discontinued operations, net	1,300	(15,164)	(16,464)	(109)
Net loss	$ (55,904)	$ (52,862)	$ 3,042	6%

Total Revenues

Total revenues for the three months ended September 30, 2004 were $199.2 million, an increase of $12.3 million from the three months ended September 30, 2003. The increase resulted from an increase in rental and management revenues of $16.8 million, offset by a decrease in network development services revenue of $4.4 million.

Rental and Management Revenue

Rental and management revenue for the three months ended September 30, 2004 was $174.9 million, an increase of $16.8 million from the three months ended September 30, 2003. The increase resulted primarily from adding additional wireless and broadcast tenants subsequent to July 1, 2003 to towers that existed as of July 1, 2003 and, to a lesser extent, from revenue generated on the approximately 570 towers acquired and/or constructed subsequent to July 1, 2003, and approximately $2.0 million of net, non-recurring positive items. This increase was partially offset by a reduction in revenue on the approximately 330 owned towers sold or disposed of subsequent to July 1, 2003. We believe that our rental and management revenue will continue to grow as we utilize existing tower capacity. We anticipate that the majority of our new leasing activity in the remainder of 2004 will continue to come from wireless and broadcast service providers.

Network Development Services Revenue

Network development services revenue for the three months ended September 30, 2004 was $24.2 million, a decrease of $4.4 million from the three months ended September 30, 2003. The decrease in revenue was a result of year over year volume decline in construction services.

In October 2004, we entered into an agreement to sell our tower construction services unit. Commencing with the fourth quarter of 2004, we will report our tower construction services unit as a discontinued operation. The sale is expected to close during the fourth quarter of 2004, subject to satisfaction of customary closing conditions. Our tower construction services unit had revenues of $18.3 million and $25.3 million for the three months ended September 30, 2004 and 2003, respectively, and segment operating profit of $0.2 million and $1.8 million for the three months ended September 30, 2004 and 2003, respectively. After the sale, our network development services segment will continue to provide complementary non-construction services to the rental and management segment, including site acquisition, zoning and permitting, and structural analysis.

Total Operating Expenses

Total operating expenses for the three months ended September 30, 2004 were $174.6 million, a decrease of $0.3 million from the three months ended September 30, 2003. The principal components of the decrease were attributable to decreases in expenses within our network development services segment of $3.1 million, offset by minor increases in depreciation, amortization and accretion expense, rental and management expense and impairments, net loss on sale of long-lived assets and restructuring expense.

Rental and Management Expense/Segment Profit

Rental and management expense for the three months ended September 30, 2004 was $57.0 million, an increase of $0.2 million from the three months ended September 30, 2003. The increase resulted primarily from an increase in tower expenses related to approximately 570 towers we have acquired/constructed since July 1, 2003. This increase was partially offset by a reduction in expenses related to our existing towers resulting from overhead efficiencies and by a reduction in expenses on the approximately 330 owned towers sold or disposed of subsequent to July 1, 2003.

Rental and management segment profit for the three months ended September 30, 2004 was $121.6 million, an increase of $16.6 million from the three months ended September 30, 2003. The increase resulted primarily from incremental revenues and operating profit from adding additional tenants to existing towers and newly acquired and/or constructed towers, and approximately $2.0 million of net non-recurring positive items, partially offset by towers sold and an increase in tower expenses, as discussed above.

Network Development Services Expense

Network development services expense for the three months ended September 30, 2004 was $23.2 million, a decrease of $3.1 million from the three months ended September 30, 2003. The majority of the decrease correlates directly to the revenue decline noted above.

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

Impairments, net loss on sale of long-lived assets and restructuring expense for the three months ended September 30, 2004 was $8.8 million, an increase of $1.2 million from the three months ended September 30, 2003. The increase resulted primarily from an increase in impairment charges for certain non-core tower assets and an impairment charge of $2.3 million associated with the pending sale of the tower construction services unit.

Interest Expense

Interest expense for the three months ended September 30, 2004 was $65.7 million, a decrease of $3.3 million from the three months ended September 30, 2003. The decrease resulted primarily from a net decrease in interest expense as a result of refinancing our credit facility in the second quarter of 2004 and other debt

repurchases and refinancings during 2003 and 2004. These decreases were primarily offset by increases in interest expense related to our ATI 7.25% senior subordinated notes issued in November 2003, our 7.50% senior notes issued in February 2004 and, to a lesser extent, our 3.00% convertible notes issued in August 2004.

(Loss) Gain on Retirement of Long-Term Obligations

During the three months ended September 30, 2004, we repurchased or redeemed a total of $441.4 million of debt securities, consisting of $84.1 million face amount of our ATI 12.25% senior subordinated discount notes ($48.2 million accreted value, net of $4.0 million fair value discount allocated to warrants) for $62.6 million in cash and $357.3 million principal amount of our 9 3/8% senior notes for $382.6 million in cash. As a result of these repurchases and redemptions, we recorded a $48.0 million charge related to the write-off of deferred financing fees and amounts paid in excess of the carrying value of the notes.

During the three months ended September 30, 2003, we repurchased $71.4 million face amount of our 2.25% convertible notes ($57.0 million accreted value) for $57.4 million in cash and $69.1 million principal amount of our 5.0% convertible notes for $61.7 million in cash. We also made a $100.0 million repayment of the revolving loans under our previous credit facility from the net proceeds of our 3.25% convertible notes offering and a $14.0 million unscheduled principal payment on the term loan A under our credit facility. As a result of these transactions, we recorded an aggregate net gain of $3.3 million related to amounts paid in excess of or below carrying value and the write-off of deferred financing fees.

Income Tax Benefit

The income tax benefit for the three months ended September 30, 2004 was $29.1 million, an increase of $15.5 million from the three months ended September 30, 2003. The effective tax rate was 33.7% for the three months ended September 30, 2004, as compared to 26.5% for the three months ended September 30, 2003. The primary reason for the increase in the effective rate is a result of a revision in the third quarter of 2004 to reflect an increase in our estimated annual net loss for 2004, coupled with a change in taxable income in 2004 related to our foreign subsidiaries. The effective tax rate on loss from continuing operations for the three months ended September 30, 2004 and 2003 differs from the federal statutory rate due primarily to valuation allowances related to our capital losses, foreign items and non-deductible losses on the retirement of debt.

In June 2003, we filed an income tax refund claim with the IRS related to carrying back net operating losses that we generated in 1998, 1999 and 2001. We filed a similar claim in October 2003 with respect to net operating losses generated in 2002. We anticipate receiving a refund of approximately $90.0 million as a result of these claims, which will monetize a portion of our deferred tax asset. We estimate recovery of these amounts within two to three years of the dates the claims were filed with the IRS. There can be no assurances, however, with respect to the specific amount and timing of the refund.

SFAS No. 109, “Accounting for Income Taxes,” requires that we record a valuation allowance when it is “more likely than not that some portion or all of the deferred tax assets will not be realized.” At September 30, 2004, we have provided a valuation allowance of approximately $168.5 million primarily related to net state deferred tax assets, capital loss carryforwards and the lost tax benefit and costs associated with the tax refund claims described above (recorded in 2002). We have not provided a valuation allowance for the remaining deferred tax assets, primarily our tax refund claims and our federal net operating loss carryforwards, as we believe that we will be successful with our tax refund claims and will have sufficient time to realize these federal net operating loss carryforwards during the twenty-year tax carryforward period.

We intend to recover a portion of our deferred tax asset through our tax refund claims discussed above. The recoverability of our remaining net deferred tax asset has been assessed utilizing stable state (no growth) projections based on our current operations. The projections show a significant decrease in depreciation and interest expense in the later years of the carryforward period as a result of a significant portion of our assets being fully depreciated during the first fifteen years of the carryforward period and debt repayments reducing interest expense. Accordingly, the recoverability of our net deferred tax asset is not dependent on material improvements

to operations, material asset sales or other non-routine transactions. Based on our current outlook of future taxable income during the carryforward period, we believe that our net deferred tax asset will be realized. The realization of our deferred tax assets as of September 30, 2004 will be dependent upon our ability to generate approximately $1.2 billion in taxable income from October 1, 2004 to December 31, 2024. If we are unable to generate sufficient taxable income in the future, or carry back losses, as described above, we will be required to reduce our net deferred tax asset through a charge to income tax expense, which would result in a corresponding decrease in stockholders' equity.

Depending on the resolution of the Verestar bankruptcy proceedings described in notes 4 and 10 to our accompanying condensed consolidated financial statements, we may be entitled to a worthless stock or bad debt deduction for our investment in Verestar. No income tax benefit has been provided for these potential deductions due to the uncertainty surrounding the bankruptcy proceedings.

Income from Discontinued Operations, Net

Income from discontinued operations, net for the three months ended September 30, 2004 was $1.3 million, as compared to a loss from discontinued operations of $15.2 million for the three months ended September 30, 2003. The change is primarily a result of our disposal of substantially all of our discontinued operations prior to April 1, 2004 and the settlement during the three months ended September 30, 2004 of a Verestar related contractual obligation for less than its original estimate.

Nine Months Ended September 30, 2004 and 2003 (dollars in thousands)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Amount of Increase (Decrease)	Percent Increase (Decrease)
REVENUES:				
Rental and management	$ 507,109	$ 456,571	$ 50,538	11%
Network development services	71,230	67,052	4,178	6
Total revenues	578,339	523,623	54,716	10
OPERATING EXPENSES:				
Rental and management	168,186	165,659	2,527	2
Network development services	68,213	62,486	5,727	9
Depreciation, amortization and accretion	237,754	236,965	789	N/A
Corporate general, administrative and development expense	20,391	20,106	285	1
Impairments, net loss on sale of long-lived assets and restructuring expense	18,102	19,344	(1,242)	(6)
Total operating expenses	512,646	504,560	8,086	2
OTHER INCOME (EXPENSE):				
Interest income, TV Azteca, net of interest expense of $1,124 and $1,121, respectively	10,776	10,553	223	2
Interest income	3,402	4,033	(631)	(16)
Interest expense	(202,870)	(211,849)	(8,979)	(4)
Loss on retirement of long-term obligations	(87,392)	(41,068)	46,324	113
Loss on investments and other expense	(3,886)	(27,050)	(23,164)	(86)
Minority interest in net earnings of subsidiaries	(2,184)	(2,270)	(86)	(4)
Income tax benefit	56,720	50,453	6,267	12
Income (loss) from discontinued operations, net	422	(54,065)	(54,487)	(101)
Net loss	$(159,319)	$(252,200)	$(92,881)	(37)%

Total Revenues

Total revenues for the nine months ended September 30, 2004 were $578.3 million, an increase of $54.7 million from the nine months ended September 30, 2003. The increase resulted from an increase in rental and management revenues of $50.5 million, coupled with an increase in network development services revenue of $4.2 million.

Rental and Management Revenue

Rental and management revenue for the nine months ended September 30, 2004 was $507.1 million, an increase of $50.5 million from the nine months ended September 30, 2003. The increase resulted primarily from adding additional wireless and broadcast tenants to towers that existed as of January 1, 2003 and, to a lesser extent, from revenue generated on the approximately 840 towers acquired and/or constructed subsequent to January 1, 2003. This increase was partially offset by a reduction in revenue on the approximately 400 owned towers sold or disposed of subsequent to January 1, 2003. We believe that our rental and management revenue will continue to grow as we utilize existing tower capacity. We anticipate that the majority of our new leasing activity in the remainder of 2004 will continue to come from wireless and broadcast service providers.

Network Development Services Revenue

Network development services revenue for the nine months ended September 30, 2004 was $71.2 million, an increase of $4.2 million from the nine months ended September 30, 2003. The increase in revenue was driven by year over year volume improvement in construction and engineering services. The tower construction services revenue increase for the nine months ended September 30, 2004 occurred within the first six months of 2004.

In August 2004, we announced our intention to consider strategic alternatives related to our tower construction services unit, and in October 2004, we entered into an agreement to sell our tower construction services unit. Commencing with the fourth quarter of 2004, we will report our tower construction services unit as a discontinued operation. The sale is expected to close during the fourth quarter of 2004, subject to satisfaction of customary closing conditions. Our tower construction services group had revenues of $56.4 million and $57.3 million for the nine months ended September 30, 2004 and 2003, respectively, and segment operating profit of $0.2 million and $2.3 million for the nine months ended September 30, 2004 and 2003, respectively. After the sale, our network development services segment will continue to provide complementary non-construction services to the rental and management segment, including site acquisition, zoning and permitting, and structural analysis.

Total Operating Expenses

Total operating expenses for the nine months ended September 30, 2004 were $512.6 million, an increase of $8.1 million from the nine months ended September 30, 2003. The increase was primarily due to increases in expenses within our network development services segment of $5.7 million and within our rental and management segment of $2.5 million, coupled with minor increases in depreciation, amortization and accretion and corporate general and administrative expense. These increases were primarily offset by a decrease in impairments, net loss on sale of long-lived assets and restructuring expense of $1.2 million.

Rental and Management Expense/Segment Profit

Rental and management expense for the nine months ended September 30, 2004 was $168.2 million, an increase of $2.5 million from the nine months ended September 30, 2003. The increase resulted primarily from an increase in tower expenses related to the approximately 840 towers we have acquired/constructed since January 1, 2003. This increase was partially offset by a reduction in expenses related to our existing towers resulting from overhead efficiencies and by a reduction in expenses on the approximately 400 owned towers sold or disposed of subsequent to January 1, 2003.

Rental and management segment profit for the nine months ended September 30, 2004 was $349.7 million, an increase of $48.2 million from the nine months ended September 30, 2003. The increase resulted primarily from incremental revenues and operating profit from adding additional tenants to existing towers and newly acquired and/or constructed towers, partially offset by an increase in tower expenses, as discussed above.

Network Development Services Expense

Network development services expense for the nine months ended September 30, 2004 was $68.2 million, an increase of $5.7 million from the nine months ended September 30, 2003. The majority of the increase correlates directly to the revenue increase noted above.

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

Impairments, net loss on sale of long-lived assets and restructuring expense for the nine months ended September 30, 2004 was $18.1 million, a decrease of $1.2 million from the nine months ended September 30, 2003. The majority of the decrease resulted from decreased losses on sales of long-lived tower and other non-core assets, primarily offset by an impairment charge of $2.3 million associated with the pending sale of the tower construction services unit.

Interest Expense

Interest expense for the nine months ended September 30, 2004 was $202.9 million, a decrease of $9.0 million from the nine months ended September 30, 2003. The decrease resulted primarily from a net decrease in interest expense as a result of refinancing our credit facility in the second quarter of 2004 and other debt repurchases and refinancings during 2003 and 2004. These decreases were primarily offset by increases in interest expense related to our ATI 7.25% senior subordinated notes issued in November 2003, our 7.50% senior notes issued in February 2004 and, to a lesser extent, our 3.00% convertible notes issued in August 2004.

Loss on Retirement of Long-Term Obligations

During the nine months ended September 30, 2004, we refinanced our previous credit facility and recorded a charge of $11.7 million related to the write-off of deferred financing fees. We also repurchased or redeemed a total of $834.6 million of debt securities, consisting of $212.7 million principal amount of our 6.25% convertible notes for $217.2 million in cash, $73.7 million principal amount of our 5.0% convertible notes for $73.3 million in cash, $363.9 million principal amount of our 9 3/8% senior notes for $389.6 million in cash, and $184.2 million face amount of our ATI 12.25% senior subordinated discount notes ($104.6 million accreted value, net of $9.0 million fair value discount allocated to warrants) for $136.2 million in cash. In addition, we made a voluntary repayment of $21.0 million of term loans under our previous credit facility. As a result of the debt repurchases and redemptions, and the voluntary repayment of term loans, we also recorded an aggregate charge of $75.7 million related to amounts paid in excess of or below carrying value and the write-off of deferred financing fees.

During the nine months ended September 30, 2003, we repurchased an aggregate of $165.0 million face amount of our 2.25% convertible notes ($130.8 million accreted value) in exchange for an aggregate of 8,415,984 shares of our Class A common stock and approximately $82.2 million in restricted cash. These shares included an aggregate of 6,440,636 shares of Class A common stock issued to the note holders in addition to the amounts issuable upon conversion of those notes as provided in the indenture. As a consequence of these repurchases, we recorded a charge of $39.9 million, which primarily represented the fair market value of the shares of stock issued to the note holders in excess of the number of shares originally issuable upon conversion of the notes. In addition, we repurchased an aggregate of $69.1 million principal amount of our 5.0% convertible notes for approximately $61.7 million in cash. We also made a $200.0 million repayment under our credit facility from the proceeds of our ATI 12.25% senior subordinated discount notes offering, a $100.0 million repayment under our credit facility from the proceeds of our 3.25% convertible notes offering and a $14.0 million unscheduled principal payment reducing our overall borrowing capacity under our credit facility. As a result of these transactions, we also recorded an aggregate net loss of $1.2 million related to amounts paid in excess of or below carrying value and the write-off of deferred financing fees.

Loss on Investments and Other Expense

Loss on investments and other expense for the nine months ended September 30, 2004 was $3.9 million, a decrease of $23.2 million from the nine months ended September 30, 2003. The decrease resulted primarily from a decrease in impairment charges on our cost and equity investments, as well as a decrease in losses on our equity method investments. In addition, during the nine months ended September 30, 2003, we incurred fees and expenses in connection with a financing transaction that we did not consummate. We incurred no such charges during the nine months ended September 30, 2004.

Income Tax Benefit

The income tax benefit for the nine months ended September 30, 2004 was $56.7 million, an increase of $6.3 million from the nine months ended September 30, 2003. The effective tax rate was 26.2% for the nine months ended September 30, 2004, as compared to 20.3% for the nine months ended September 30, 2003. The primary reason for the increase in the effective rate in 2004 is a decrease in capital losses and non-deductible losses on the retirement of debt as compared to 2003. The effective tax rate on loss from continuing operations

for the nine months ended September 30, 2004 and 2003 differs from the federal statutory rate due primarily to valuation allowances related to our capital losses, foreign items and non-deductible losses on the retirement of debt.

In June 2003, we filed an income tax refund claim with the IRS related to carrying back net operating losses that we generated in 1998, 1999 and 2001. We filed a similar claim in October 2003 with respect to net operating losses generated in 2002. We anticipate receiving a refund of approximately $90.0 million as a result of these claims, which will monetize a portion of our deferred tax asset. We estimate recovery of these amounts within two to three years of the dates the claims were filed with the IRS. There can be no assurances, however, with respect to the specific amount and timing of the refund.

SFAS No. 109, "Accounting for Income Taxes," requires that we record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax assets will not be realized." At September 30, 2004, we have provided a valuation allowance of approximately $168.5 million primarily related to net state deferred tax assets, capital loss carryforwards and the lost tax benefit and costs associated with the tax refund claims (recorded in 2002). We have not provided a valuation allowance for the remaining deferred tax assets, primarily our tax refund claims and our federal net operating loss carryforwards, as we believe that we will be successful with our tax refund claims and will have sufficient time to realize these federal net operating loss carryforwards during the twenty-year tax carryforward period.

We intend to recover a portion of our deferred tax asset through our tax refund claims discussed above. The recoverability of our remaining net deferred tax asset has been assessed utilizing stable state (no growth) projections based on our current operations. The projections show a significant decrease in depreciation and interest expense in the later years of the carryforward period as a result of a significant portion of our assets being fully depreciated during the first fifteen years of the carryforward period and debt repayments reducing interest expense. Accordingly, the recoverability of our net deferred tax asset is not dependent on material improvements to operations, material asset sales or other non-routine transactions. Based on our current outlook of future taxable income during the carryforward period, we believe that our net deferred tax asset will be realized. The realization of our deferred tax assets as of September 30, 2004 will be dependent upon our ability to generate approximately $1.2 billion in taxable income from October 1, 2004 to December 31, 2024. If we are unable to generate sufficient taxable income in the future, or carry back losses, as described above, we will be required to reduce our net deferred tax asset through a charge to income tax expense, which would result in a corresponding decrease in stockholders' equity.

Depending on the resolution of the Verestar bankruptcy proceedings described in notes 4 and 10 to our accompanying condensed consolidated financial statements, we may be entitled to a worthless stock or bad debt deduction for our investment in Verestar. No income tax benefit has been provided for these potential deductions due to the uncertainty surrounding the bankruptcy proceedings.

Income (Loss) from Discontinued Operations, Net

Income from discontinued operations, net for the nine months ended September 30, 2004 was $0.4 million, as compared to a loss from discontinued operations, net of $54.1 million for the nine months ended September 30, 2003. The change is primarily a result of our disposal of substantially all of our discontinued operations prior to January 1, 2004.

Liquidity and Capital Resources

The information in this section updates, as of September 30, 2004, certain portions of the "Liquidity and Capital Resources" section of our annual report on Form 10-K for the year ended December 31, 2003 and should be read in conjunction with that report.

Our primary sources of liquidity have been internally generated funds from operations, borrowings under our credit facility, proceeds from equity and debt offerings, and proceeds from the sale of non-core assets. We

have used those funds to meet our operating and capital requirements, which consist primarily of operating expenses, debt service and capital expenditures for tower maintenance, construction and acquisitions. We expect that our cash flows from operations and our cash on hand will be sufficient to fund our operating and capital requirements through 2005.

Uses of Cash

Tower Acquisitions, Construction and Improvements.

- *Acquisitions*. During the nine months ended September 30, 2004, we acquired a total of 187 towers for approximately $27.8 million, including 20 towers in Brazil and 18 towers in Mexico from NII Holdings for $5.8 million, 76 towers in Mexico from Iusacell Celular for $16.0 million, and 73 towers in the United States from various sellers for $4.0 million. We expect to acquire an additional 33 towers from Iusacell Celular for approximately $6.9 million during the remainder of 2004.
- *Construction and Improvements*. Payments for purchases of property and equipment and construction activities during the nine months ended September 30, 2004 totaled $28.6 million, including capital expenditures incurred in connection with the construction of 40 towers. We expect to construct an additional 20 to 30 new towers during the remainder of 2004, and expect our 2004 total capital expenditures for construction and improvements, services and corporate to be between approximately $39.0 million and $44.0 million.

Debt Service. As of September 30, 2004, we had outstanding debt of approximately $3.2 billion. During the nine months ended September 30, 2004, we paid approximately $173.7 million in cash interest and repaid or refinanced $1.5 billion of principal on our outstanding debt, including the refinancing of our previous credit facility of $665.8 million, a $21.0 million prepayment of term loan A under our previous credit facility, the redemption of $212.7 million principal amount of our 6.25% convertible notes, the partial redemption and repurchase of $363.9 million principal amount of our 9 3/8% senior notes and the repurchase of $258.0 million face amount of our other debt securities. For more information about debt reductions and refinancings, see “Financing Activities.”

Contractual Obligations. Our contractual obligations relate primarily to borrowings under our credit facility and our outstanding notes. We included a table of our contractual obligations in our annual report on Form 10-K for the year ended December 31, 2003, which we most recently updated in our quarterly report on Form 10-Q for the quarter ended June 30, 2004. Since June 30, 2004, we refinanced and repurchased a portion of our outstanding debt, as discussed below under “Financing Activities.”

Sources of Cash

Total Liquidity at September 30, 2004. As of September 30, 2004, we had approximately $500.1 million of total liquidity, comprised of approximately $126.8 million in cash and cash equivalents and the ability to draw approximately $373.3 million of the revolving loan under our credit facility.

Cash Generated by Operations. For the nine months ended September 30, 2004, our cash provided by operating activities was $149.2 million, compared to $80.0 million for the same period in 2003. Our rental and management segment and network development services segments are expected to generate cash flows from operations during 2004 in excess of their cash needs for expenditures for construction, improvements and acquisitions and debt service. See “Results of Operations.”

Proceeds from the New Credit Facility and Sales of Debt Securities. In May 2004, we refinanced our previous credit facility with a new $1.1 billion senior secured credit facility. See “Financing Activities.” In February 2004, August 2004 and October 2004, we raised approximately $221.7 million, $335.9 million and $292.8 million, respectively, of net proceeds through institutional private placements of our 7.50% senior notes

due 2012, 3.00% convertible notes due August 15, 2012 and 7.125% senior notes due 2012. See “Financing Activities.”

Divestiture Proceeds. During the nine months ended September 30, 2004, we completed certain transactions that generated approximately $23.5 million in cash. Significant transactions included the sale of approximately $15.7 million of non-core assets, including 48 non-strategic towers and two buildings. Additionally, in March 2004, we received approximately $4.0 million for substantially all the assets of Kline and we may receive up to an additional $2.0 million in cash payable in 2006 based on future revenues generated by Kline. In October 2004, we announced the pending sale of our tower construction services unit, which is expected to close during the fourth quarter of 2004. The total purchase consideration is expected to be approximately $10.0 million, consisting of cash and the assumption of certain capital lease obligations by the purchaser.

Financing Activities

During the nine months ended September 30, 2004, we took several actions to increase our financial flexibility and extend the maturities of our indebtedness.

New Credit Facility. In May 2004, we refinanced our previous credit facility with a new $1.1 billion senior secured credit facility. At closing, we received $685.5 million of net proceeds from the borrowings under the new facility, after deducting related expenses and fees, approximately $670.0 million of which we used to repay principal and interest under the previous credit facility. We used the remaining net proceeds of $15.5 million for general corporate purposes, including the repurchase of other outstanding debt securities. A description of the credit facility can be found in the “Liquidity and Capital Resources” section of our quarterly report on Form 10-Q for the quarter ended June 30, 2004 and in note 6 to our accompanying condensed consolidated financial statements.

Notes Offerings

- *7.50% Senior Notes Offering*. In February 2004, we sold $225.0 million principal amount of our 7.50% senior notes due 2012 through an institutional private placement. The net proceeds of the offering were approximately $221.7 million, after deducting the commissions payable to the initial purchasers and other expenses related to the offering. The net proceeds were used to redeem all of our outstanding 6.25% convertible notes and to repurchase a portion of our outstanding 5.0% convertible notes, discussed below. A description of our 7.50% senior notes can be found in the “Liquidity and Capital Resources” section of our quarterly report on Form 10-Q for the quarter ended June 30, 2004 and in note 6 to our accompanying condensed consolidated financial statements.
- *3.00% Convertible Notes Offering.* In August 2004, we sold $345.0 million principal amount of 3.00% convertible notes due August 15, 2012 through an institutional private placement. The net proceeds of the offering were approximately $335.9 million, after deducting the commissions payable to the initial purchaser and other expenses related to the offering, and were used to redeem a portion of our 9 3/8% senior notes, discussed below.

  The 3.00% convertible notes mature on August 15, 2012 and interest is payable semi-annually in arrears on February 15 and August 15 of each year, beginning February 15, 2005. The 3.00% convertible notes are convertible at any time prior to maturity, subject to their prior redemption or repurchase, into shares of our Class A common stock at a conversion price of approximately $20.50 per share, subject to certain adjustments. We may redeem the 3.00% convertible notes on or after August 20, 2009 at an initial redemption price of 101.125% of the principal amount, subject to a ratable decline after August 15 of the following year to 100% of the principal amount in 2012. The 3.00% convertible notes rank equally with our other convertible notes, our 7.125% senior notes, our 7.50% senior notes and our 9 3/8% senior notes and are structurally and effectively junior to indebtedness outstanding under our credit facility, our ATI 12.25% senior subordinated discount notes and our ATI 7.25% senior subordinated notes.

- *7.125% Senior Notes Offering.* In October 2004, we sold $300.0 million principal amount of 7.125% senior notes due 2012 through an institutional private placement. The net proceeds of the offering were approximately $292.8 million, after deducting the commissions payable to the initial purchasers and other expenses related to the offering. The net proceeds were used to redeem a portion of our 9 3/8% senior notes, discussed below.

  The 7.125% senior notes mature on October 15, 2012 and interest is payable semi-annually in arrears on April 15 and October 15 of each year, beginning April 15, 2005. We may redeem the 7.125% senior notes on or after October 15, 2008 at an initial redemption price of 103.563% of the principal amount, subject to a ratable decline after October 15 of the following year to 100% of the principal amount in 2010 and thereafter. We may redeem up to 35% of the 7.125% senior notes prior to October 15, 2007 at a price equal to 107.125% of the principal amount of the notes plus accrued and unpaid interest thereon and additional interest, if any, with the net cash proceeds of certain public equity offerings within 60 days, as applicable, after the closing of any such offering. The 7.125% senior notes rank equally with our convertible notes, our 7.50% senior notes and our 9 3/8% senior notes and are structurally and effectively junior to indebtedness outstanding under our credit facility, our ATI 12.25% senior subordinated discount notes and our ATI 7.25% senior subordinated notes. The indenture for the 7.125% senior notes contains certain covenants that restrict our ability to incur more debt; guarantee indebtedness; issue preferred stock; pay dividends; make certain investments; merge, consolidate or sell assets; enter into transactions with affiliates; and enter into sale leaseback transactions.

Redemptions and Debt Repurchases

- *6.25% Convertible Notes Redemption.* In February 2004, we completed the redemption of all of our outstanding $212.7 million principal amount of 6.25% convertible notes. We redeemed these notes pursuant to the terms of the indenture at a purchase price equal to 102.083% of the principal amount, plus accrued and unpaid interest. The total aggregate redemption price was $221.9 million, including $4.8 million in accrued interest.
- *9 3/8% Senior Notes Redemptions.* In September and November 2004, we completed the redemption of an aggregate of $613.0 million principal amount of our outstanding 9 3/8% senior notes due 2009. On September 20, 2004, we redeemed $337.0 million principal amount of our outstanding 9 3/8% senior notes using $335.9 million in net proceeds from our 3.00% convertible notes offering, plus an additional $29.2 million in cash on hand. We redeemed these notes pursuant to the terms of the indenture at a purchase price equal to 107.07% of the principal amount, for an aggregate redemption price of $365.1 million, including $4.3 million in accrued interest. On November 4, 2004, we redeemed an additional $276.0 million principal amount of our outstanding 9 3/8% senior notes using $292.8 million in net proceeds from our 7.125% senior notes offering, plus an additional $7.1 million in cash on hand. We redeemed these notes pursuant to the terms of the indenture at a purchase price equal to 106.23% of the principal amount, for an aggregate redemption price of $299.9 million, including $6.7 million in accrued interest.
- *Other Debt Repurchases.* During the nine months ended September 30, 2004, in addition to the redemptions discussed above, we repurchased in privately negotiated transactions an aggregate of $184.2 million face amount of our ATI 12.25% senior subordinated discount notes ($104.6 million accreted value, net of $9.0 million fair value discount allocated to warrants) for approximately $136.2 million in cash; repurchased $26.9 million principal amount of our 9 3/8% senior notes for $28.8 million in cash; and repurchased $73.7 million principal amount of our 5.0% convertible notes for approximately $73.3 million in cash. From October 1, 2004 to November 5, 2004, we repurchased an aggregate of $72.6 million face amount of our ATI 12.25% senior subordinated discount notes ($43.0 million accreted value, net of $3.3 million fair value discount allocated to warrants) for approximately $54.7 million in cash.

Capital Markets. In April 2004, the SEC declared effective our "universal" shelf registration statement for possible future public offerings of an aggregate of up to $1.0 billion of debt and/or equity securities, including

the offering of shares of our Class A common stock pursuant to a direct stock purchase plan, with respect to which our Board of Directors currently has approved offerings of up to an aggregate of $150.0 million.

Factors Affecting Sources of Liquidity

Restrictions Under New Credit Facility. The new credit facility with our borrower subsidiaries contains certain financial ratios and operating covenants and other restrictions (including limitations on additional debt, guarantees, use of proceeds from asset sales, dividends and other distributions, investments and liens) with which our borrower subsidiaries and restricted subsidiaries must comply.

The credit facility contains four financial tests with which we must comply:

- a total borrower leverage ratio (Total Debt to Annualized Operating Cash Flow). We are required to maintain a ratio of not greater than 5.50 to 1.00, decreasing to 5.25 to 1.00 at July 1, 2005, to 5.00 to 1.00 at January 1, 2006, to 4.75 to 1.00 at April 1, 2006, to 4.50 to 1.00 at July 1, 2006, and to 4.00 to 1.00 at January 1, 2007 and thereafter;
- a senior leverage ratio (Senior Debt to Annualized Operating Cash Flow). We are required to maintain a ratio of not greater than 4.00 to 1.00, decreasing to 3.75 to 1.00 at January 1, 2006, to 3.50 to 1.00 at July 1, 2006, and to 3.00 to 1.00 at January 1, 2007 and thereafter;
- an interest coverage ratio (Annualized Operating Cash Flow to Interest Expense). We are required to maintain a ratio of not less than 2.50 to 1.00; and
- a fixed charge coverage ratio (Annualized Operating Cash Flow to Fixed Charges). We are required to maintain a ratio of not less than 1.00 to 1.00.

Any failure to comply with these covenants would not only prevent us from being able to borrow additional funds under our revolving loan, but would also constitute a default. These covenants also restrict our ability, as the parent company, to incur any debt other than that currently outstanding and refinancings of that debt. The credit facility also limits our revolving loan drawdowns based on our cash on hand.

If a default occurred under our credit facility or any of our other debt securities, the maturity dates for our outstanding debt could be accelerated, and we likely would be prohibited from making additional borrowings under the credit facility until we cured the default. If this were to occur, we would not have sufficient cash on hand to repay such indebtedness. The key factors affecting our ability to comply with the debt covenants described above are our financial performance relative to the financial ratios defined in the credit facility agreement and our ability to fund our debt service obligations. Based upon our current expectations, we believe our operating results will be sufficient to comply with these covenants. However, due to the risk factors outlined below under “Factors That May Affect Future Results,” there can be no assurance that our financial performance will not deteriorate to a point that would result in a default.

If we are unable to refinance our subsidiary debt or renegotiate the terms of such debt, we may not be able to meet our debt service requirements in the future. In addition, as a holding company, we depend on distributions or dividends from our subsidiaries, or funds raised through debt and equity offerings, to fund our debt obligations. Although the agreements governing the terms of our credit facility and senior subordinated notes permit our subsidiaries to make distributions to us to permit us to meet our debt service obligations, such terms also significantly limit their ability to distribute cash to us under certain circumstances. Accordingly, if we do not receive sufficient funds from our subsidiaries to meet our debt service obligations, we may be required to refinance or renegotiate the terms of our debt, and there is no assurance we will succeed in such efforts.

Our ability to make scheduled payments of principal and interest on our debt obligations, and our ability to refinance such debt obligations, will depend on our future financial performance, which is subject to many factors beyond our control, as outlined below under “Factors That May Affect Future Results.” In addition, our

ability to refinance any of our debt in the future may depend on our credit ratings from commercial rating agencies, which are dependent on our expected financial performance, the liquidity factors discussed above, and the rating agencies' outlook for our industry. We expect that we will need to refinance a substantial portion of our debt on or prior to its scheduled maturity in the future. There can be no assurance that we will be able to secure such refinancings or, if such refinancings are obtained, that the terms will be commercially reasonable.

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 generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our policies and estimates on an ongoing basis, including those related to income taxes, impairment of assets, allowances for accounts receivable, investment impairment charges and revenue recognition. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

In our annual report on Form 10-K for the year ended December 31, 2003, our most critical accounting policies and estimates upon which our consolidated financial statements were prepared were those relating to income taxes, impairment of assets, allowances for accounts receivable, investment impairment charges and revenue recognition. We have reviewed our policies and determined that these remain our most critical accounting policies for the quarter ended September 30, 2004. We did not make any changes to these policies during the quarter.

Factors That May Affect Future Results

Decrease in demand for tower space would materially and adversely affect our operating results and we cannot control that demand.

Many of the factors affecting the demand for wireless communications tower space, and to a lesser extent our network development services business, could materially affect our operating results. Those factors include:

- consumer demand for wireless services;
- the financial condition of wireless service providers;
- the ability and willingness of wireless service providers to maintain or increase their capital expenditures;
- the growth rate of wireless communications or of a particular wireless segment;
- governmental licensing of broadcast rights;
- mergers or consolidations among wireless service providers;
- increased use of network sharing arrangements or roaming and resale arrangements by wireless service providers;
- delays or changes in the deployment of 3G or other technologies;
- zoning, environmental, health and other government regulations; and
- technological changes.

The demand for broadcast antenna space is dependent, to a significantly lesser extent, on the needs of television and radio broadcasters. Among other things, technological advances, including the development of

satellite-delivered radio, may reduce the need for tower-based broadcast transmission. We could also be affected adversely should the development of digital television be further delayed or impaired, or if demand for it were less than anticipated because of delays, disappointing technical performance or cost to the consumer.

Substantial leverage and debt service obligations may adversely affect us.

We have a substantial amount of indebtedness. As of September 30, 2004, we had approximately $3.2 billion of consolidated debt. Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness. Approximately 22% of our outstanding indebtedness bears interest at floating rates. As a result, our interest payment obligations on such indebtedness will increase if interest rates increase. In addition, we are permitted under certain of our senior note indentures to enter into swap agreements or similar transactions that increase our floating rate obligations. Consequently, changes in interest rates could increase our interest payment obligations on our floating rate indebtedness or our payment obligations under any such swap agreements or similar transactions. Subject to certain restrictions, we may also obtain additional long-term debt and working capital lines of credit to meet future financing needs. This would have the effect of increasing our total leverage.

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

- impairing our ability to meet one or more of the financial ratios contained in our debt agreements or to generate cash sufficient to pay interest or principal, including periodic principal amortization payments, which events could result in an acceleration of some or all of our outstanding debt as a result of cross-default provisions;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional debt or equity financing;
- 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;
- requiring us to sell 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 industries in which we compete; and
- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

Restrictive covenants in our credit facility and indentures could adversely affect our business by limiting flexibility.

Our credit facility and the indentures governing the terms of our other debt securities contain restrictive covenants and, in the case of the credit facility, requirements that we comply with certain leverage and other financial tests. These limit our ability to take various actions, including incurring additional debt, guaranteeing indebtedness, issuing preferred stock, engaging in various types of transactions, including mergers and sales of assets, and paying dividends and making distributions or other restricted payments, including investments. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, new tower development, merger and acquisition or other opportunities.

Our participation or inability to participate in tower industry consolidation could involve certain risks.

We believe there are benefits to consolidation among tower companies, and have in the past and may in the future explore merger or acquisition transactions with one or more other companies in our industry. Any merger

or acquisition transaction would involve several risks to our business, including demands on managerial personnel that could divert their attention from other aspects of our core leasing business, increased operating risks due to the integration of major national networks into our operational system, and potential antitrust constraints, either in local markets or on a regional basis, that could require selective divestitures at unfavorable prices. Any completed transaction may have an adverse effect on our operating results, particularly in the fiscal quarters immediately following its completion while we integrate the operations of the other business. In addition, once integrated, combined operations may not necessarily achieve the levels of revenues, profitability or productivity anticipated. There also may be limitations on our ability to consummate a merger or acquisition transaction. For example, any transaction would have to comply with the terms of the credit facility and our note indentures, or may require the consent of lenders under those instruments that might not be obtainable on acceptable terms. In addition, regulatory constraints might impede or prevent business combinations. Our inability to consummate a merger or acquisition for these or other reasons could result in our failure to participate in the expected benefits of industry consolidation and may have an adverse effect on our ability to compete effectively.

If our wireless service provider customers consolidate or merge with each other to a significant degree, our growth, revenue and ability to generate positive cash flows could be adversely affected.

Significant consolidation among our wireless service provider customers, such as the recently completed transaction between Cingular Wireless and AT&T Wireless, may result in reduced capital expenditures in the aggregate because the existing networks of many wireless carriers overlap, as do their expansion plans. Similar consequences might occur if wireless service providers engage in extensive sharing, roaming or resale arrangements as an alternative to leasing our antennae space. In January 2003, the Federal Communications Commission (FCC) eliminated its spectrum cap, which prohibited wireless carriers from owning more than 45 MHz of spectrum in any given geographical area. The FCC has also eliminated the cross-interest rule for metropolitan areas, which limited an entity’s ability to own interests in multiple cellular licenses in an overlapping geographical service area. Also, in May 2003, the FCC adopted new rules authorizing wireless radio services holding exclusive licenses to freely lease unused spectrum. Some wireless carriers may be encouraged to consolidate with each other as a result of these regulatory changes as a means to strengthen their financial condition. Consolidation among wireless carriers would also increase our risk that the loss of one or more of our major customers could materially decrease revenues and cash flows.

Due to the long-term expectations of revenue from tenant leases, the tower industry is sensitive to the creditworthiness of its tenants.

Due to the long-term nature of our tenant leases, we, like others in the tower industry, are dependent on the continued financial strength of our tenants. Many wireless service providers operate with substantial leverage. During the past two years, several of our customers have filed for bankruptcy, although to date these bankruptcies have not had a material adverse effect on our business or revenues. If one or more of our major customers experience financial difficulties, it could result in uncollectible accounts receivable and our loss of significant customers and anticipated lease revenues.

Our foreign operations are subject to expropriation risk, governmental regulation, funds inaccessibility and foreign exchange exposure.

Our expansion in Mexico and Brazil, and any other possible foreign operations in the future, could result in adverse financial consequences and operational problems not experienced in the United States. We have loaned $119.8 million (undiscounted) to a Mexican company, own or have the economic rights to over 1,850 towers in Mexico, including approximately 200 broadcast towers (after giving effect to pending transactions) and, subject to certain rejection rights, are contractually committed to construct up to approximately 400 additional towers in that country over the next three years. We also own or have acquired the rights to approximately 440 communications towers in Brazil and are, subject to certain rejection rights, contractually committed to construct

up to 350 additional towers in that country over the next three years. The actual number of sites constructed will vary depending on the build out plans of the applicable carrier. We may, if economic and capital market conditions permit, also engage in comparable transactions in other countries in the future. Among the risks of foreign operations are governmental expropriation and regulation, the credit quality of our customers, inability to repatriate earnings or other funds, currency fluctuations, difficulty in recruiting trained personnel, and language and cultural differences, all of which could adversely affect our operations.

A substantial portion of our revenues is derived from a small number of customers.

A substantial portion of our total operating revenues is derived from a small number of customers. Approximately 62.8% of our revenues for the nine months ended September 30, 2004 and approximately 61.5% of our revenues for the year ended December 31, 2003 were derived from nine customers. Our largest domestic customer is Verizon Wireless, which represented 11.6% of our total revenues for the nine months ended September 30, 2004 and 12.3% of our revenues for the year ended December 31, 2003. If the recently completed transaction between Cingular Wireless and AT&T Wireless had occurred as of January 1, 2003, the combined revenues would have represented 14.0% of our revenues for the nine months ended September 30, 2004 and 13.2% of our revenues for the year ended December 31, 2003. Our largest international customer is Iusacell Celular, which is an affiliate of TV Azteca. Iusacell Celular accounted for approximately 3.8% and 4.7% of our total revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003, respectively. TV Azteca also owns a minority interest in Unefon, which is our second largest customer in Mexico and accounted for approximately 2.6% and 2.8% of our total revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003, respectively. In addition, we received $10.8 million and $14.2 million in interest income, net, from TV Azteca for the nine months ended September 30, 2004 and the year ended December 31, 2003, respectively. If any of these customers were unwilling or unable to perform their obligations under our agreements with them, our revenues, results of operations, and financial condition could be adversely affected.

In the ordinary course of our business, we also sometimes experience disputes with our customers, generally regarding the interpretation of terms in our agreements. Although historically we have resolved these disputes in a manner that did not have a material adverse effect on our company or our customer relationships, these disputes could lead to a termination of our agreements with customers or a material modification of the terms of those agreements, either of which could have a material adverse effect on our business, results of operations and financial condition. If we are forced to resolve any of these disputes through litigation, our relationship with the applicable customer could be terminated or damaged, which could lead to decreased revenues or increased costs, resulting in a corresponding adverse effect on our operating results.

Status of Iusacell Celular's financial restructuring exposes us to certain risks and uncertainties.

Iusacell Celular is our largest customer in Mexico and accounted for approximately 3.8% of our total revenues for the nine months ended September 30, 2004 and approximately 4.7% of our total revenues for the year ended December 31, 2003. In addition, in December 2003 we agreed to acquire up to 143 tower sites from Iusacell for up to an aggregate of $31.4 million, and had acquired 110 tower sites for approximately $24.5 million as of September 30, 2004. Iusacell currently is in default under certain of its debt obligations and is involved in litigation with certain of its creditors. If Iusacell files for bankruptcy, or if the creditor litigation has an adverse impact on Iusacell's overall liquidity, it could interfere with Iusacell's ability to meet its operating obligations, including rental payments under our leases with them.

New technologies could make our tower antenna leasing services less desirable to potential tenants and result in decreasing revenues.

The development and implementation of new technologies designed to enhance the efficiency of wireless networks could reduce the use and need for tower-based wireless services transmission and reception and have

the effect of decreasing demand for antenna space. Examples of such technologies include technologies that enhance spectral capacity, such as lower-rate vocoders, which can increase the capacity at existing sites and reduce the number of additional sites a given carrier needs to serve any given subscriber base. In addition, the emergence of new technologies could reduce the need for tower-based broadcast services transmission and reception. For example, the growth in delivery of video services by direct broadcast satellites could adversely affect demand for our antenna space. The development and implementation of any of these and similar technologies to any significant degree could have an adverse effect on our operations.

We could have liability under environmental laws.

Our operations, like those of other companies engaged in similar businesses, are subject to the requirements of various federal, state and 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 owner, lessee or operator of approximately 15,000 real estate sites, we may be liable for substantial costs of remediating soil and groundwater contaminated by hazardous materials, without regard to whether we, as the owner, lessee or operator, knew of or were responsible for the contamination. In addition, 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 current cost of complying with these laws is not material to our financial condition or results of operations. However, the requirements of these laws and regulations are complex, change frequently, and could become more stringent in the future. 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, financial condition and results of operations.

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.

We are subject to federal, state, local and foreign regulation of our business, including regulation by the Federal Aviation Administration (FAA), the FCC, the Environmental Protection Agency, the Department of Transportation and the Occupational Safety and Health Administration. Both the FCC and the FAA regulate towers used for wireless communications and radio and television antennae and the FCC separately regulates transmitting devices operating on towers. Similar regulations exist in Mexico, Brazil and other foreign countries regarding wireless communications and the operation of communications towers. Local zoning authorities and community organizations are often opposed to construction in their communities and these regulations can delay, prevent or increase the cost of new tower construction, collocations or site upgrade projects, thereby limiting our ability to respond to customer demand. Existing regulatory policies may adversely affect the timing or cost of new tower construction and locations and additional regulations may be adopted that increase delays or result in additional costs to us or that prevent or restrict new tower construction in certain locations. These factors could adversely affect our operations.

Increasing competition in the tower industry may create pricing pressures that may adversely affect us.

Our industry is highly competitive, and our customers have numerous alternatives for leasing antenna space. Some of our competitors are larger and have greater financial resources than we do, while other competitors are in weak financial condition or may have lower return on investment criteria than we do. Competitive pricing pressures for tenants on towers from these competitors could adversely affect our lease rates and services income.

In addition, if we lose customers due to pricing, we may not be able to replace these customers, leading to an accompanying adverse effect on our profitability. Increasing competition could also make the acquisition of high quality tower assets more costly.

Our competition includes:

- national tower companies;
- wireless carriers that own towers and lease antenna space to other carriers;
- site development companies that purchase antenna space on existing towers for wireless carriers and manage new tower construction; and
- alternative site structures (e.g., building rooftops, billboards and utility poles).

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 media 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 slow 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 effects has been the subject of substantial study by the scientific community in recent years. To date, the results of these studies have been inconclusive.

If a connection between radio frequency emissions and possible negative health effects, including cancer, were established, or if the public perception that such a connection exists were to increase, our operations, costs and revenues would be materially and adversely affected. We do not maintain any significant insurance with respect to these matters.

The bankruptcy proceeding of our Verestar subsidiary exposes us to risks and uncertainties.

Our wholly owned subsidiary, Verestar, Inc., filed for protection under Chapter 11 of the federal bankruptcy laws on December 22, 2003. Verestar was reported as a discontinued operation through the date of the bankruptcy filing in 2003 for financial statement purposes and, as of the date of the bankruptcy filing, was deconsolidated for financial statement purposes.

If Verestar fails to honor certain of its contractual obligations because of its bankruptcy filing or otherwise, claims may be made against us for breaches by Verestar of those contracts as to which we are primarily or secondarily liable as a guarantor, which we do not expect will exceed $10.0 million. In addition, Verestar’s bankruptcy estate may bring certain claims against us or seek to hold us liable for certain transfers made by Verestar to us and/or for Verestar’s obligations to creditors under various equitable theories recognized under bankruptcy law. The Official Committee of Unsecured Creditors appointed in the Verestar bankruptcy proceeding (the “Committee”) has requested, and we have agreed to produce, certain documents in connection with the subpoena for Rule 2004 Examination (as defined under federal bankruptcy laws) issued by the Committee. The Bankruptcy Court also has entered an order approving a stipulation between Verestar and the Committee that permits the Committee to file claims against us and/or our affiliates on behalf of Verestar. As of the date of this filing, the Committee has not filed any claims against us or our affiliates on behalf of Verestar. The outcome of complex litigation (including claims which may be asserted against us by Verestar’s bankruptcy estate) cannot be predicted with certainty and is dependent upon many factors beyond our control; however, any such claims, if successful, could have a material adverse impact on our financial condition. Finally, we will incur additional costs in connection with our involvement in the reorganization or liquidation of Verestar’s business.

Information Presented Pursuant to the Indentures of Our 9 3/8% Notes, 7.50% Notes, ATI 12.25% Notes and ATI 7.25% Notes

The following table sets forth information that is presented solely to address certain tower cash flow reporting requirements contained in the indentures for our 9 3/8% senior notes, 7.50% senior notes, ATI 12.25% senior subordinated discount notes and ATI 7.25% senior subordinated notes. The information contained in note 14 to our condensed consolidated financial statements is also presented to address certain reporting requirements contained in the indentures for our ATI 12.25% senior subordinated discount notes and ATI 7.25% senior subordinated notes.

The following table presents Tower Cash Flow, Adjusted Consolidated Cash Flow and Non-Tower Cash Flow for the Company and its restricted subsidiaries, as defined in the indentures for the notes (in thousands):

	9 3/8% Notes	ATI 12.25% Notes, ATI 7.25% Notes and 7.50% Notes
Tower Cash Flow, for the three months ended September 30, 2004	$ 121,561	$ 119,982
Consolidated Cash Flow, for the twelve months ended September 30, 2004	$ 439,712	$ 433,577
Less: Tower Cash Flow, for the twelve months ended September 30, 2004	(459,429)	(453,305)
Plus: four times Tower Cash Flow, for the three months ended September 30, 2004	486,244	479,928
Adjusted Consolidated Cash Flow, for the twelve months ended September 30, 2004	$ 466,527	$ 460,200
Non-Tower Cash Flow, for the twelve months ended September 30, 2004	$ (21,728)	$ (21,739)

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on long-term debt obligations. We attempt to reduce these risks by utilizing derivative financial instruments, namely interest rate caps pursuant to our policies. All derivative financial instruments are for purposes other than trading. During the nine months ended September 30, 2004, we repaid or refinanced approximately $1.5 billion of principal on our outstanding debt, including the refinancing of our previous credit facility of $665.8 million with a new $1.1 billion senior secured credit facility; a $21.0 million prepayment of term loan A under our previous credit facility; the redemption of $212.7 million principal amount of our 6.25% convertible notes; the partial redemption and repurchase of $363.9 million principal amount of our 9 3/8% senior notes; and the repurchase of $258.0 million face amount of our other debt securities. In February 2004 and August 2004, we issued $225.0 million principal amount of 7.50% senior notes due May 1, 2012 and $345.0 million principal amount of 3.25% convertible notes due August 15, 2012. In June 2004 and July 2004, we entered into two cap agreements with an aggregate notional amount of $250.0 million and $100.0 million, respectively, and during the nine months ended September 30, 2004, we had four caps expire with aggregate notional amounts totaling $500.0 million.

The following tables provide information as of September 30, 2004 about our market risk exposure associated with changing interest rates. For long-term debt obligations, the tables present principal cash flows by maturity date and average interest rates related to outstanding obligations. For interest rate caps, the tables present notional principal amounts and weighted-average interest rates by contractual maturity dates.

Twelve month period ended September 30, 2004
Principal Payments and Interest Rate Detail by Contractual Maturity Dates
(In thousands, except percentages)

Long-Term Debt	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
Fixed Rate Debt (a)	$ 2,722	$ 16,826	$ 276,030	$ 650,858	$ 636,103	$ 1,221,690	$ 2,804,229	$ 2,797,670
Average Interest Rate (a)	7.94%	8.11%	8.50%	8.56%	6.04%	5.53%		
Variable Rate Debt (a)	$ 4,000	$ 19,000	$ 49,000	$ 64,000	$ 64,000	$ 499,000	$ 699,000	$ 704,389
Average Interest Rate (a)								

Aggregate Notional Amounts Associated with Interest Rate Caps in Place
As of September 30, 2004 and Interest Rate Detail by Contractual Maturity Dates
(In thousands, except percentages)

Interest Rate CAPS	2005	2006
Notional Amount (b)	$ 350,000	$ 350,000
Cap Rate	6.00%	6.00%

(a) As of September 30, 2004, variable rate debt consists of our credit facility ($699.0 million) and fixed rate debt consists of: the 2.25% Notes ($0.1 million); the 5.0% Notes ($275.7 million); the 3.25% Notes ($210.0 million); the 7.50% Notes ($225.0 million); the ATI 7.25% Notes ($400.0 million); the ATI 12.25% Notes ($650.8 million principal amount due at maturity; the balance as of September 30, 2004 is $366.6 million accreted value, net of the allocated fair value of the related warrants of $42.9 million); the 9 3/8% Notes ($636.1 million); the 3.00% Notes ($345.0 million principal amount due at maturity; the balance as of September 30, 2004 is $344.3 million accreted value) and other debt of $61.6 million. Interest on the credit facility is payable in accordance with the applicable London Interbank Offering Rate (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 weighted average interest rate in effect at September 30, 2004 for the credit facility was 4.03%. For the nine months ended September 30, 2004, the weighted average interest rate under the credit facility was 3.66%. The 2.25% Notes bear interest (after giving effect to the accretion of the original discount on the 2.25% Notes) at 6.25% per annum, which is payable semiannually on April 15 and October 15 of each year. The 5.0% Notes bear interest at 5.0% per annum, which is payable semiannually on February 15 and August 15 of each year. The ATI 12.25% Notes bear interest (after giving effect to the accretion of the original discount and the accretion of the fair value of the warrants) at 14.7% per annum, payable upon maturity. The 9 3/8% Notes bear interest at 9 3/8%per annum, which is payable semiannually on February 1 and August 1 of each year. The 3.25% Notes bear interest at 3.25% per annum, which is payable semiannually on February 1 and August 1 of each year. The ATI 7.25% Notes bear interest at 7.25% per annum, which is payable semiannually on June 1 and December 1 of each year. The 7.50% Notes bear interest at 7.50% per annum,

which is payable semiannually on May 1 and November 1 of each year. The 3.00% Notes bear interest at 3.00% per annum, which is payable semiannually on February 15 and August 15 of each year. Other debt consists of notes payable, capital leases and other obligations bearing interest at rates ranging from 7.9% to 12.0%, payable monthly.

(b) Includes notional amounts of $250,000 and $100,000 that will expire in June and July 2006, respectively.

We maintain a portion of our cash and cash equivalents in short-term financial instruments that are subject to interest rate risks. Due to the relatively short duration of such instruments, we believe fluctuations in interest rates with respect to those investments will not materially affect our financial condition or results of operations.

Our foreign operations include rental and management segment divisions in Mexico and Brazil. The remeasurement gain (loss) for the three and nine months ended September 30, 2004 was approximately $0.6 million and $(0.1) million, respectively. The remeasurement loss for the three and nine months ended September 30, 2003 was approximately $(0.9) million and $(1.5) million, respectively.

ITEM 4. 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.

(a) *Evaluation of disclosure controls and procedures*. Our management, with the participation of our principal executive officer and principal financial officer, has 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 Securities Exchange Act of 1934, as amended) 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 Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the requisite time periods.

(b) *Changes in internal controls*. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) identified in connection with the evaluation of our internal control performed during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company periodically becomes involved in various claims and lawsuits that are incidental to its 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 the Company's consolidated financial position, the results of operations or liquidity.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES.

In August 2004, the Company sold in an institutional private placement $345.0 million principal amount of 3.00% convertible notes due August 15, 2012 for net proceeds of approximately $335.9 million. The Company issued the 3.00% convertible notes in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933. As a basis for doing so, in each case the Company relied on the following facts: (1) the Company offered the securities to a limited number of offerees without any general solicitation, (2) the Company obtained representations from the purchasers that they satisfied the definition of "qualified institutional buyer" under Rule 144A and (3) the Company issued all of the securities with restrictive CUSIPs limiting resales to "qualified institutional buyers."

ITEM 6. EXHIBITS.

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed as part of this Quarterly Report on Form 10-Q, which Exhibit Index is incorporated by this reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN TOWER CORPORATION

Date: November 8, 2004

By: /s/ BRADLEY E. SINGER

Bradley E. Singer
Chief Financial Officer and Treasurer
(Duly Authorized Officer and Principal Financial Officer)

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Exhibit No.	Description
10	Asset Purchase Agreement dated as of October 18, 2004 between ATC Tower Services, Inc., and Andrew Corporation.
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.

Exhibit 10

ASSET PURCHASE AGREEMENT

by and among

ATC TOWER SERVICES, INC.,

AMERICAN TOWER CORPORATION

and

ANDREW SYSTEMS INC.

Dated as of October 18, 2004

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is entered into as of the 18th day of October, 2004, by and among ATC TOWER SERVICES, INC, a New Mexico corporation ("Seller"), ANDREW SYSTEMS INC., a Delaware corporation ("Buyer"), and for purposes of Sections 8.2 (Indemnification) and 8.5 (Covenant-Not-to-Compete), AMERICAN TOWER CORPORATION, a Delaware corporation ("Parent").

RECITALS

Seller owns certain assets used in the conduct of its Business (as defined below). Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, the Assets (as defined below), on the terms and subject to the conditions of this Agreement.

NOW THEREFORE, the parties, intending to be legally bound, agree as follows:

ARTICLE I.

PURCHASE AND SALE OF ASSETS

Section 1.1. Purchase and Sale of Assets. On the terms and subject to the conditions contained in this Agreement, at the Closing, Seller will sell, convey, transfer, assign and deliver to Buyer, and Buyer will acquire from Seller, the Assets, free and clear of all Encumbrances other than Permitted Encumbrances.

Section 1.2. Assumption of Liabilities. Upon the terms and subject to the conditions contained in this Agreement, at the Closing, Buyer will assume the following, and only the following, obligations and liabilities of Seller (the "Assumed Liabilities"): The payment and performance obligations of Seller arising after the Closing Date under the Real Property Leases and Contracts listed on Schedule 1.2 (the "Assumed Contracts"), excluding any obligations of Seller under such Real Property Leases and Contracts (x) that are the result of Seller's violation or breach of a Contract or Real Property Lease, other than any such obligation arising out of any failure to obtain the consent of any third party to the assignment of any such Real Property Lease or Contract in connection with the transactions contemplated by this Agreement, so long as the necessity of the consent to such assignment was identified on Schedule 3.5(c) hereto or (y) the existence of which would constitute an inaccuracy in or breach of any of Seller's representations or warranties made in this Agreement, as if made on and as of the Closing Date.

Section 1.3. Excluded Liabilities. Notwithstanding any other provision of this Agreement, except for the Assumed Liabilities, Buyer will not assume, or otherwise be responsible for, any liabilities or obligations of Seller or its Affiliates, whether actual or contingent, direct or indirect, matured or unmatured, liquidated or unliquidated, or known or unknown, whether arising out of occurrences prior to, at or after the date of this Agreement ("Excluded Liabilities"). Seller hereby acknowledges that it and its Affiliates are retaining the Excluded Liabilities. Without limiting the generality of the foregoing, Buyer shall not assume or be obligated to pay, perform or discharge any liabilities, obligations or commitments of Seller or its Affiliates relating to or arising out of any of the following:

(a) Transaction Documents. All liabilities and obligations arising out of Seller's or its Affiliates' obligations under this Agreement and the other documents executed in connection with the Closing;

(b) Taxes. All liabilities for federal, state and local Taxes of Seller or its Affiliates or relating to the Assets for any period prior to the Closing;

(c) Debt. All liabilities and obligations to repay indebtedness for borrowed money incurred by Seller or its Affiliates, including any liabilities or obligations under any capitalized leases, bonds, debentures or installment contracts, other than any indebtedness arising from and after the Closing Date under any capital lease that is an Assumed Contract in an aggregate amount not to exceed $3,100,000 ("Assumed Debt");

(d) Excluded Assets. All of Seller's or its Affiliates' liabilities and obligations related to or arising out of Excluded Assets;

(e) Warranty and Product Liability. All of Seller's or its Affiliates' liabilities and obligations arising out of, resulting from or relating to warranty claims for products manufactured or services performed on or prior to the Closing Date or to product liability claims, whether founded upon negligence, strict liability in tort and/or other similar legal theory, seeking compensation or recovery for or relating to injury to an individual or damage to property arising out of a defect or alleged defect in products manufactured or services performed on or prior to the Closing Date;

(f) Professional Fees. All liabilities and obligations of Seller or its Affiliates for fees, costs and expenses of attorneys, independent public accountants, investment bankers or other representatives incurred in connection with the negotiation, preparation or consummation of the Closing;

(g) Litigation. All liabilities and obligations of Seller or its Affiliates arising out of any Action based on any state of facts or events occurring on or prior to the Closing Date, whether or not disclosed in the Disclosure Schedules;

(h) Employment Matters. All liabilities and obligations of Seller or its Affiliates for any workers' compensation, payroll Taxes or withholdings or similar items and any wages, bonuses, commissions, sick pay or vacation payments, severance payments or other compensation;

(i) Employee Plans. All liabilities or obligations of Seller or its Affiliates, arising prior to, on or after the Closing, to provide benefits to former or current employees of Seller or its Affiliates and their dependents under any Employee Benefit Plan and any other benefit or compensation plan, fund, arrangement or agreement of Seller;

(j) Violation of Law. Any liabilities or obligations of Seller or its Affiliates arising out of or in connection with a violation or non-compliance with applicable law, including any Environmental and Safety Requirements, and any liabilities or obligations relating to existing environmental conditions or occurrences prior to the Closing;

(k) Bonuses. Any stay bonuses or retention or change-in-control payments due to employees of the Business by Seller or its Affiliates as a result of or otherwise relating to the consummation of the Closing;

(l) Restructuring Liabilities. Any liabilities or obligations of the Seller relating to its present or past restructuring activities;

(m) Intercompany Liabilities. Any liabilities or obligations of the Seller or its Affiliates relating to the Business or to any Affiliate of Seller; and

(n) Balance Sheet Liabilities. All accounts payables, current and long term liabilities of Seller reflected on the Financial Statements of the Business, other than the Assumed Debt.

Section 1.4. Purchase Price. Subject to adjustment as provided in Section 1.5 below, the purchase price for the Assets and the other obligations of Seller under this Agreement will be the following (the "Purchase Price"):

(a) $6,785,000, less $1,000,000 (the "Escrow Amount"), shall be payable at the Closing by wire transfer of immediately available funds to an United States account designated in writing by Seller (the "Cash Payment"); and

(b) the Escrow Amount shall be deposited at the Closing into an interest bearing escrow account pursuant to an Escrow Agreement substantially in the form attached as Exhibit A (the "Escrow Agreement").

Section 1.5. Purchase Price Adjustment. The Purchase Price shall be adjusted as follows:

(a) As soon as practicable after the Closing Date, but in any event within thirty (30) days thereafter, Buyer shall complete a physical count to determine all Fixtures and Equipment and Inventory as of Closing. Buyer shall provide Seller with two (2) business days' written notice by fax prior to commencing any physical count at any location, and shall allow Seller or its representatives the opportunity to observe such count. Within five (5) days after completion of the physical count of all Fixtures and Equipment and Inventory, Buyer shall deliver to Seller a statement (the "Closing Statement") showing the calculation (in accordance with Section 1.5(e)) of the aggregate depreciated net book value of (i) Fixtures and Equipment excluding Discounted Vehicles (as defined in the next sentence) (the "F&E Amount") and (ii) Inventory and Discounted Vehicles (the "I&DV Amount"), in each case as of the Closing Date, and any adjustment required pursuant to paragraph (b) or (c) below. "Discounted Vehicles" shall mean all vehicles sold to Buyer hereunder with model years of 2001 and older.

(b) If the sum of (i) the result obtained by subtracting the F&E Amount on the Fixed Asset List (as defined in Section 1.5(e)) from the F&E Amount on the Final Closing Statement (as defined in Section 1.6) and (ii) twenty-five percent (25%) of the result obtained by subtracting the I&DV Amount on the Fixed Asset List from the I&DV Amount on the Final Closing Statement, results in a negative number, then the Purchase Price shall be decreased, on a dollar-for-dollar basis, by the absolute value of such sum; *provided*, *however*, that no such adjustment shall be made unless the absolute value of such sum is greater than $25,000. (For purposes of illustration only, assume the following facts, the F&E Amount on the Fixed Asset List and the Final Closing Statement are $6,000,000 and $5,850,000, respectively, and the I&DV Amount on the Fixed Asset List and the Final Closing Statement are $4,850,000 and $5,000,000, respectively. On those facts, clause (i) above would equal -$150,000 and clause (ii) would equal $37,500, and the Purchase Price would be reduced by $112,500 (or the absolute value of - -$112,500).

(c) If the sum of (i) the result obtained by subtracting the F&E Amount on the Fixed Asset List from the F&E Amount on the Final Closing Statement and (ii) twenty-five (25%) of the result obtained by subtracting the I&DV Amount on the Fixed Asset List from the I&DV Amount on the Final Closing Statement, results in a positive number, then the Purchase Price shall be increased, on a dollar-for-dollar basis, by such sum; *provided*, *however*, that no such adjustment shall be made unless the value of such sum is greater than $25,000. (For purposes of illustration only, assume the following facts, the F&E Amount on the Fixed Asset List and the Final Closing Statement are $5,850,000 and $6,000,000, respectively, and the I&DV Amount on the Fixed Asset List and the Final Closing Statement are $5,000,000 and $4,850,000, respectively. On those facts, clause (i) above would equal $150,000 and clause (ii) would equal -$37,500, and the Purchase Price would be increased by $112,500.

(d) If the Purchase Price is reduced in accordance with Section 1.5(b) above, Seller shall pay to Buyer, and if the Purchase Price is increased in accordance with Section 1.5(c) above, Buyer shall pay to Seller, in each case in immediately available funds, such adjustment within ten (10) days after the determination of the Final Closing Statement, *plus* simple interest on the unpaid balance at the rate of 7% per annum from and after the Closing Date until such balance is paid in full. Buyer shall have the right, in its sole discretion, to make a claim under the Escrow Agreement for all or a portion of such amount owing to Buyer.

(e) The F&E Amount for each item of Fixtures and Equipment and the I&DV Amount for each item of Inventory and Discounted Vehicles as of the Closing Date shall equal the depreciated net book value ascribed to such items on June 30, 2004 as set forth on Schedules 11.1-a and 11.1-b (the "Fixed Asset List"), provided that any newly acquired items of Fixtures and Equipment or Inventory and Discounted Vehicles in existence as of the Closing Date and sold to Buyer hereunder shall be valued pursuant to the same methodology as Seller's valuation of Fixtures and Equipment and Inventory as reflected on the Fixed Asset List. The Excluded Assets and Excluded Liabilities shall be excluded from the calculation of the F&E Amount and I&DV Amount on the Closing Statement and the Fixed Asset List.

Section 1.6. Disputes Regarding Closing Statement. If Seller disagrees with the Closing Statement, the calculation of the F&E Amount and I&DV Amount and/or the Purchase Price adjustment reflected on the Closing Statement, Seller shall notify Buyer of such disagreement in writing specifying in detail the particulars of such disagreement within 30 calendar days after Seller's receipt of the Closing Statement. If Buyer does not receive a written notice from Seller disputing the Closing Statement within the time period specified in this Section 1.6, then the Closing Statement shall become final and binding on the parties. The parties shall use reasonable efforts for a period of 30 calendar days after Seller's delivery of such notice (or such longer period as they may mutually agree upon) to resolve any disagreements raised by Seller with respect to the Closing Statement. During any such period of dispute, Seller shall have reasonable access to the employees and Books and Records relating to the Business and the working papers of Buyer and its representatives relating to the Closing Statement. If, at the end of such period, the parties do not resolve all such disagreements, they shall select within 10 calendar days a mutually acceptable independent accounting firm of recognized national standing to review the Closing Statement and resolve any remaining disagreements regarding the adjustment called for by Section 1.5. In the event Buyer and Seller cannot agree upon an accounting firm, they shall choose the same by lot from those "Big 4" accounting firms having no material relationship to Buyer or Seller and their respective Affiliates and having offices in locations suitable to conduct such review. The determination by such independent accounting firm shall be final, binding and conclusive on the parties and judgment may be entered thereon in a court of competent jurisdiction. Buyer and Seller shall make their respective submissions to the independent accounting firm within 15 calendar days after selecting such firm pursuant to this Section 1.6. Buyer and Seller shall use reasonable efforts to cause

such independent accounting firm to make its determination within 30 calendar days after accepting its selection. The fees and expenses of such independent accounting firm shall be borne by the non-prevailing party. The term “Final Closing Statement”, as used in Section 1.5 and this Section 1.6, shall mean the definitive Closing Statement agreed to by Seller and Buyer in accordance with Section 1.6 (including a deemed acceptance by Seller as contemplated by this Section 1.6) or the definitive Closing Statement resulting from the determinations made by the accounting firm in accordance with this Section 1.6 (in addition to those items theretofore agreed to by Seller and Buyer).

Section 1.7. Closing Costs; Transfer Taxes and Fees. Any documentary and transfer taxes and any sales, use or other taxes imposed by reason of the transfers of Assets provided by this Agreement and any related deficiency, interest or penalty will be borne equally by Seller and Buyer; *provided, however*, that in no event shall Buyer’s maximum liability under this Section 1.7 exceed in the aggregate $75,000 and Seller shall be solely responsible for any amount in excess of Buyer’s foregoing maximum liability.

Section 1.8. Purchase Price Allocation. The Purchase Price and Assumed Liabilities shall be allocated for tax purposes as provided in Schedule 1.8, as may be amended to reflect any adjustment to the Purchase Price pursuant to Section 1.5. Buyer and Seller shall file all tax returns and related statements, forms and schedules consistent with such allocation and shall take no position contrary to such allocation unless required by law. Buyer and Seller shall treat the purchase and sale of assets under this Agreement as an “applicable asset acquisition” within the meaning of Section 1060 of the Code, and shall prepare and timely file Internal Revenue Service Form 8594 (and any required exhibits) in a manner consistent with the allocation of the Purchase Price under this Section 1.8.

ARTICLE II.

CLOSING

Section 2.1. Closing. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur within five business days after the conditions precedent to Closing contained in Articles VI and VII have been satisfied or waived at 10:00 a.m. local time at the offices of Gardner Carton & Douglas, LLP, 191 North Wacker Drive, Suite 3700, Chicago, IL 60606, or such other time or place as the parties may mutually determine, and will be effective as of the opening of business on the Closing Date. In lieu of attending the Closing, the parties may consummate the Closing by exchanging documents via facsimile, e-mail and overnight courier in a mutually acceptable manner. The parties agree to use their good faith efforts to cause the Closing to occur on November 30, 2004.

Section 2.2. Deliveries and Actions Taken at Closing.

(a) Deliveries by Seller. To effectuate the Closing, Seller will, at the Closing, deliver to Buyer:

(i) good and sufficient bills of sale, assignments, original vehicle titles and other instruments of transfer to convey to Buyer good and marketable title to the Assets, free and clear of all Encumbrances, other than Permitted Encumbrances;

(ii) instruments evidencing the release of all Encumbrances on the Assets, other than Permitted Encumbrances;

(iii) copies of the resolutions and other requisite company actions of the Board of Directors of Seller authorizing the execution and delivery of this Agreement and the other

documents and instruments to be executed and delivered pursuant to this Agreement, and the consummation by Seller of the transactions contemplated by such agreements, which copies have been certified by the secretary of Seller and dated as of the Closing Date;

(iv) the Escrow Agreement signed by Seller and Parent;

(v) a Transition Services Agreement signed by Seller substantially in the form attached hereto as Exhibit B (the "Transition Services Agreement"); and

(vi) such other documents and instruments specified in this Agreement (including Article VII) or otherwise deemed reasonably necessary or appropriate by Buyer or its counsel to consummate the transactions contemplated by this Agreement.

(b) Deliveries by Buyer. To effectuate the Closing, Buyer will, at the Closing, deliver to Seller:

(i) the Cash Payment in accordance with Section 1.4 and deposit of the Escrow Amount in accordance with the Escrow Agreement;

(ii) copies of the resolutions and other requisite company actions of the Board of Directors of Buyer authorizing the execution and delivery of this Agreement and the other documents and instruments to be executed and delivered pursuant to this Agreement, and the consummation by Buyer of the transactions contemplated by such agreements, which copies have been certified by the secretary of Buyer and dated as of the Closing Date;

(iii) the Transition Services Agreement signed by Buyer;

(iv) instruments of assumption of the Assumed Liabilities; and

(v) such other documents and instruments specified in this Agreement or otherwise deemed reasonably necessary or appropriate by Seller or its counsel to consummate the transactions contemplated by this Agreement.

(c) Form of Instruments. To the extent that a form of any document to be delivered under this Agreement is not attached as an Exhibit, such documents will be in a form reasonably satisfactory to Buyer and Seller.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as follows:

Section 3.1. Organization and Qualification of Seller. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New Mexico. Seller has full corporate power and authority to conduct its business as it is presently being conducted by Seller and to own and lease its properties and assets. Seller is duly qualified as a corporation to do business, and is in good standing in each jurisdiction in which the character or location of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary except as would not, individually or in the aggregate, have a Material Adverse Effect. Set forth on Schedule 3.1 is each jurisdiction in which Seller is qualified or licensed to do business as a corporation. True and complete copies of the Certificate of Incorporation and Bylaws of Seller have previously been provided to Buyer.

Section 3.2. Authorization. Seller and Parent have all requisite corporate power and authority, and have taken all corporate action necessary, to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform their respective obligations under this Agreement. The execution and delivery of this Agreement by Seller and Parent and the consummation by them of the transactions contemplated by this Agreement have been duly approved by the Board of Directors of each of them. No other corporate proceedings on their part are necessary to authorize this Agreement, or the other agreements, instruments, certificates and documents to be delivered by them under this Agreement or the transactions contemplated by this Agreement. This Agreement and the other agreements, instruments, certificates and documents to be delivered by each of Seller and Parent under this Agreement have been (or, if to be executed or delivered after the date of this Agreement, will be) duly executed and delivered by Seller and Parent, as applicable, and are (or, when executed, will be) legal, valid and binding obligations of Seller and Parent, as applicable, enforceable against them in accordance with their terms.

Section 3.3. Assets. Except as set forth on Schedule 3.3, Seller has, and upon the consummation of the transactions contemplated by this Agreement, Buyer will acquire from Seller, good and marketable title to all of the Assets subject to no Encumbrance, except for Permitted Encumbrances. Except as set forth in Schedule 3.3, the Assets are in good working order, repair and condition (ordinary wear and tear excepted) and have been maintained in accordance with normal industry practice. Schedule 3.3 contains a reasonable delineation of all known Permitted Encumbrances. Except as set forth on Schedule 3.3, the Assets include all the assets and properties necessary to operate the Business as currently conducted. Except as set forth on Schedule 3.3, the Fixtures and Equipment and Inventory include substantially all of the fixtures, equipment and inventory related primarily to the Business as currently conducted.

Section 3.4. Real Property Leases. Except as set forth on Schedule 3.4, neither Seller nor its Affiliates owns, and has ever owned, any real property relating primarily to the Business. Schedule 3.4 contains a complete list of all leases pursuant to which Seller or its Affiliates leases real property in connection with the conduct and operation of the Business (those leases on Schedule 3.4 which Buyer is assuming as part of this transaction are hereinafter referred to as the "Real Property Leases"). All Real Property Leases are valid, binding and enforceable obligations of the Seller, and to the Knowledge of Seller, the other parties thereto, in accordance with their terms and are executory agreements. No circumstance or event has occurred or currently exists which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a default or event of default under any such Real Property Lease on the part of Seller or, to the Knowledge of Seller, any other party to such lease. With respect to each such Real Property Lease, Seller has a valid leasehold interest in the leasehold estate covered by each Real Property Lease. Seller enjoys peaceful, undisturbed and exclusive possession of all the leased real property covered by such Real Property Leases. Seller and, to Seller's Knowledge, the other parties to the Real Property Leases are in all material respects in compliance with all their obligations with respect thereto required through the date of this Agreement to be performed by it.

Section 3.5. Contracts and Commitments.

(a) Except for (1) the Contracts listed or referred to, or required to be listed or referred to, on Schedule 3.5 (collectively, the "Material Contracts") and the Real Property Leases listed on Schedule 3.4 and (2) any other Contract with respect to the Business, regardless of whether or not Seller or an Affiliate

is a party, that does not relate to or bind the Business or the Assets, neither Seller nor its Affiliates is a party to, nor is Seller or its Affiliates, or the Assets bound by, any written or oral:

(i) Contract for the employment of any officer, employee or other Person on a full-time, part-time, consulting or other basis or Contract relating to loans to officers, directors or affiliates, except oral contracts for employment at-will;

(ii) Contract relating to any severance, golden parachute, stay bonus or similar Contract with or for the benefit of any officer, employee or other Person set forth on Schedule 3.5(ii) hereto, who are employees that Buyer expects to become Rehired Employees, engaged on a full-time, part-time, consulting or other basis requiring payments by Seller or its Affiliates upon a change in control of the Seller or otherwise;

(iii) Contract under which Seller or its Affiliates has advanced or loaned any other Person amounts in the aggregate exceeding $1,000, other than travel advances which do not exceed in the aggregate $10,000;

(iv) Contract relating to borrowed money or other indebtedness (including any capital lease agreements) or the mortgaging, pledging or otherwise placing an Encumbrance on any Asset;

(v) Contract under which Seller or its Affiliates is lessor of or permits any third person to hold or operate any property owned or controlled by Seller or its Affiliates that constitutes an Asset;

(vi) Contract or group of related Contracts with the same parties or group of affiliated parties the performance of which involves annual consideration in excess of $25,000 or aggregate consideration in excess of $50,000, except oral agreements that may be terminated at-will without penalty upon thirty (30) days' notice or less;

(vii) assignment, license, indemnification or other Contract with respect to any Proprietary Rights (other than off-the-shelf software licenses);

(viii) sales, distribution, dealer or manufacturer's representative or franchise Contract;

(ix) Contract with a term of more than six months that (A) is not terminable by Seller upon 30 days or less notice at any time without penalty or payment of consideration and (B) involves a consideration in excess of $25,000 per annum;

(x) Contract prohibiting or restricting Seller from freely engaging in the Business or competing anywhere in the world or Contract for Seller's or its Affiliates' benefit prohibiting or restricting any other person from freely engaging in any activity competitive with the Business anywhere in the world;

(xi) Contract with any supplier containing any provision permitting any party other than Seller to renegotiate the price or other terms, or containing any pay-back, retroactive adjustment or other similar provision, upon the occurrence of a failure by Seller or its Affiliates to meet its obligations under Contract when due or the occurrence of any other event involving annual consideration of $25,000 or aggregate consideration in excess of $50,000;

(xii) Contract for the future purchase of fixed assets or their maintenance or for the future purchase of materials, supplies or equipment in excess of Seller's or its Affiliates' normal operating requirements;

(xiii) Contract relating to joint ventures or agreements involving a sharing of profits;

(xiv) Contract relating to cleanup, abatement or other actions in connection with environmental liabilities;

(xv) any guaranty, bond, letter of credit or similar Contract;

(xvi) all Contracts that require the payment of royalties, commissions, finder's fees or similar payments;

(xvii) Contract, the consequences of a default, termination, non-renewal or acceleration thereof could reasonably be expected to have a Material Adverse Effect on Seller or its Affiliates or which involves aggregate consideration in excess of $50,000; or

(xviii) Contract with any domestic or foreign governmental or regulatory body or authority.

(b) Complete and correct copies of each of the Material Contracts and Real Property Leases, including all amendments, waivers and modifications, or where they are oral, written summaries in reasonable detail, have been made available to Buyer by Seller. The Material Contracts are valid, binding, and enforceable against Seller or its Affiliates, as applicable, and, to the Knowledge of Seller, the other party(ies) thereto in accordance with their terms and are executory agreements, unless indicated to the contrary on Schedule 3.5. Except as set forth on Schedule 3.5, Seller or its Affiliate, as applicable, has fulfilled all obligations required pursuant to each Material Contract to have been performed by Seller or its Affiliate, as applicable, and there is no continuing breach or default under any of the Material Contracts on the part of Seller or its Affiliates, as applicable, or, to the Knowledge of Seller, any other party to the Material Contracts. No event has occurred that, with the giving of notice or the lapse of time, or both, would constitute a breach or default on the part of Seller or its Affiliates under any of the Material Contracts, nor, to Seller's Knowledge, has any event occurred which with the giving of notice or the lapse of time, or both, would constitute a breach or default on the part of any other party to any of the Material Contracts. Assuming all consents set forth on Schedule 3.5(c)are obtained, each Material Contract and Real Property Lease will continue to be legal, valid, binding, and enforceable against the other parties to such agreements and in full force and effect on substantially identical terms immediately following the consummation of the Closing. Neither Seller nor its Affiliates nor, to the Knowledge of Seller, any other party has repudiated any provision of any Material Contract or Real Property Lease.

(c) Each Material Contract and Real Property Lease that requires the consent or approval of any Person in connection with the transactions contemplated by this Agreement is appropriately identified as such on Schedule 3.5(c).

Section 3.6. Permits. Seller has all Permits necessary for the conduct of, or relating to the operation of, the Business as now being conducted, except where the failure to have such Permits would not individually or in the aggregate be expected to have a Material Adverse Effect. All Permits of Seller and, to Seller's Knowledge, all Permits held by any employee or officer of Seller relating to the Business are valid and in full force and effect and are listed on Schedule 3.6. There is not now pending nor, to the Knowledge of Seller, threatened any Action by or before any governmental or regulatory authority to revoke, cancel, rescind, modify, or refuse to renew in the ordinary course of business any of such Permits.

Section 3.7. **No Conflict or Violation**. None of the execution, delivery or performance of this Agreement, the consummation of the transactions contemplated by this Agreement, or compliance by Seller or Parent with any of the provisions of this Agreement, will (a) violate or conflict with any provision of the Certificate of Incorporation or Bylaws of Seller or Parent, (b) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon any of the Assets under, any of the terms, conditions or provisions of any Contract (including, any indebtedness, note, bond, indenture, security or pledge agreement, commitment or license), Real Property Lease, Permit or other instrument or obligation (i) to which Seller or Parent, with respect to the Business, is a party or (ii) by which the Assets are bound, (c) violate any statute, rule, regulation, ordinance, code, order, judgment, ruling, writ, injunction, decree or award, or (d) impose any Encumbrance on the Assets or the Business except, with respect to any matter described in clauses (b) and (c) of this Section 3.7, as would not, individually or in the aggregate, have a Material Adverse Effect.

Section 3.8. **Financial Statements**. Seller has previously delivered to Buyer the Financial Statements, which are attached as Schedule 3.8. Except as set forth on Schedule 3.8, the Financial Statements (a) are in accordance with the books and records of Seller, (b) have been prepared in accordance with GAAP consistently applied throughout the periods covered thereby, except for absence of footnote disclosure for any interim statements, and (c) fairly present the assets, liabilities (including all reserves) and financial position of the Business as of their respective dates and the results of operations for the periods covered thereby. At the date of the Balance Sheet, there were no liabilities of the Business which, in accordance with GAAP, should have been shown or reflected in the Balance Sheet or the related notes, which are not shown or reflected in the Balance Sheet or the related notes.

Section 3.9. **Absence of Certain Changes**. Except as disclosed in Schedule 3.9, since June 30, 2004, Seller has conducted the Business only in the ordinary course consistent with past practice and there has not occurred: (a) any Material Adverse Change; (b) any damage to, destruction or loss of any asset of Seller or its Affiliates (whether or not covered by insurance) used in the Business that would require expenditures in excess of $25,000 to repair or replace; (c) any change by Seller or its Affiliates in its accounting methods, principles or practices related to the Business except as required by any change in GAAP; (d) any revaluation by Seller or its Affiliates of any of the Assets, including any writing down the value of inventory or writing off notes or accounts receivable other than in the ordinary course of business in accordance with the Seller’s policies (other than in connection with the transactions contemplated hereby); (e) any sale, disposition of or Encumbrance upon any assets of Seller used in the Business, except (i) sales of assets in the ordinary course of business and in a manner consistent with past practice not exceeding $25,000 in the aggregate, (ii) dispositions of obsolete or worthless assets related to the Business and (iii) Permitted Encumbrances; (f) any cancellation of any debts owed to or held by Seller or its Affiliates in connection with the Business other than in the ordinary course of business and in a manner consistent with past practice; (g) any execution or implementation of any employment, bonus, deferred compensation, severance or similar arrangement or agreement (or amendment of any such agreement) primarily related to the Business, or any increase in employee welfare or retirement benefits or salary of any employee related to the Business except for any such increase in the ordinary course of business consistent with past practice and other than any Employee Benefit Plan applicable to all employees; (h) any labor dispute or any activity or proceeding by a labor union or labor representative to organize any employees of Seller or its Affiliates related to

the Business, or any lockouts, strikes, slowdowns, picketing, work stoppages or threats thereof by or with respect to such employees; (i) any termination or notice of termination of any Material Contract; (j) any material change in the Seller's credit or collection policies and practices related to the Business, or any material change in Seller's selling, pricing or advertising practices related to the Business; (k) any commitment for capital expenditures related to the Business in excess of $25,000; (l) any change in the amount, aging or collectibility of Seller's Accounts Receivable that individually, or in the aggregate, could reasonably be expected to have a Material Adverse Effect; or (m) any action taken by Seller or its Affiliates which, if taken subsequent to the execution of this Agreement and on or prior to the Closing Date, would constitute a breach of Seller's or Parent's agreements set forth in Section 5.1 of this Agreement..

Section 3.10. Books and Records. Seller has made and kept (and given Buyer access to) books and records and accounts, which, in reasonable detail, accurately and fairly reflect the activities of the Business in all material respects.

Section 3.11. Litigation. Except as set forth on Schedule 3.11, there is no action, order, writ, injunction, judgment or decree outstanding or any suit, litigation, proceeding, hearing, dispute, arbitration, audit or compliance review by a governmental authority or, to Sellers' Knowledge, any claim, complaint, or investigation (collectively, "Actions") pending, or to Seller's Knowledge, threatened (a) involving, against, related to or adversely affecting the Business or the Assets, (b) seeking to delay, limit or enjoin the transactions contemplated by this Agreement, (c) involving the risk of criminal liability relating to the Business or (d) involving, with respect to the Business, an order of debarment or ineligibility as a bidder on government contract work or other customer work. Seller and its Affiliates, with respect to the Business, are not in material violation of any judgment, order, writ, injunction or decree of any court or other Governmental Authority. Schedule 3.11 contains a brief summary of all Actions involving, or related to the Business in the past (i) five years with respect to discrimination claims (including sex, age, race, national origin, handicap or veteran status discrimination claims) and Actions relating to the Occupational Safety and Heath Act of 1970, as amended, or any comparable state or local occupational safety act or ordinance, and (ii) three years with respect to worker's compensation claims and wage and hour claims. Neither Seller nor its Affiliates, with respect to the Business, nor, to Seller's Knowledge, any of Seller's top twenty-five (25) subcontractors of the Business, based on payments made to subcontractors during the six-month period ended June 30, 2004, is subject to any debarment orders, decrees, judgments or conciliation agreements that impose debarment or ineligibility as a bidder on government contract work or other customer work.

Section 3.12. Undisclosed Liabilities. Neither Seller nor its Affiliates have any liabilities (absolute, accrued, contingent or otherwise) related to the Business, except liabilities (a) reflected on the Balance Sheet, (b) incurred since the date of the Balance Sheet, in the ordinary course of business consistent with past practice, which are of the same general nature and amount as those set forth on the Balance Sheet (other than any liabilities resulting from, arising out of, relating to, in the nature of, or caused by any breach of contract, breach of warranty, tort, infringement or violation of law), or (c) incurred in connection with this Agreement.

Section 3.13. Compliance with Law. Except with respect to any Environmental and Safety Requirements which are addressed in Section 3.18 below, neither Seller nor its Affiliates, in the conduct of the Business, has violated in any material respect, and Seller and its Affiliates, in the conduct of the Business, are in compliance in all material respects with, all laws, statutes, ordinances, regulations, rules and orders of any foreign, federal, state or local government and any other governmental department or agency, and any judgment, decision, decree or order of any court or governmental agency, department or authority relating to the Assets or the Business. Except as disclosed on Schedule 3.13, during the three

years prior to the date hereof, neither Seller nor any of its Affiliates has received any written notice to the effect that it is not in compliance with any such statutes, regulations, rules, judgments, decrees, orders, ordinances or other laws. To the Knowledge of Seller, each employee of the Business that operates, or is responsible for operating, a commercial vehicle used in the Business has a good and valid commercial driver's license, including all appropriate endorsements and classifications.

Section 3.14. Proprietary Rights. Schedule 3.14 lists (a) each trademark, service mark, trade name, assumed name, brand names, fictitious names, registered copyright and software owned or used by Seller or its Affiliates primarily relating to the Business, (b) each granted patent, any reissues thereof and all patent applications (including continuations, continuations-in-part, divisionals, provisionals and reissue applications) relating to the Business, (c) all licenses to or from third Persons with respect to any of the foregoing, and (d) any applications to register or registrations of any of the foregoing (collectively, the "Proprietary Rights"). Seller has provided to Buyer correct and complete copies of all registrations, licenses and agreements related to, or evidencing Seller's ownership or right to use, the Proprietary Rights. Except as set forth in Schedule 3.14: (i) Seller possesses sufficient right, title, and interest in and to, or a valid and enforceable license to manufacture, use, and sell, as the case may be, the Intellectual Property as currently used in the Seller's conduct of the Business, free and clear of any Encumbrance; (ii) the legality, validity, enforceability, ownership, or use of the Intellectual Property by Seller or its Affiliates has not been, nor to Seller's Knowledge, is it currently being challenged, interfered with or infringed upon; (iii) Seller has taken all reasonably necessary action to maintain and protect the Intellectual Property and will continue to maintain those rights prior to the Closing so as not to adversely affect the validity or enforcement of the rights relating to the Intellectual Property; and (iv) to Seller's Knowledge, Seller's and its Affiliates' Intellectual Property primarily relating to the Business and use thereof in the Business has not and does not, and Seller has not and does not, interfere with, infringe upon, misappropriate or otherwise violate any intellectual property rights of any third party.

Section 3.15. Employees. Schedule 3.15 attached to this Agreement lists all Persons currently employed (whether on a full-time basis or on a part-time basis) by Seller or any Affiliate of Seller whose duties primarily relate to the Business. Seller has delivered to Buyer a confidential document that states, with respect to such Persons, their current hourly rates of compensation, base salaries or other basis for and amount of compensation, their total 2003 compensation (specifying any portion that consisted of bonus, incentive or commission payments), their accrued vacation and sick days and the commencement date of their employment and identifies any such Persons who are absent from active employment, the reason for the absence and the starting and expected ending dates of such absence. To Seller's Knowledge, no key employee or group of employees whose duties primarily relate to the Business has given notice of intention to terminate employment with Seller, except in connection with the acceptance of employment with Buyer, or notice of intention not to accept an offer of employment from Buyer.

Section 3.16. Employee Benefit Plans. Except as set forth on Schedule 3.16:

(a) Seller does not, directly or through any trade or business which together with Seller would be treated as a "single employer" within the meaning of Code Section 414(b), (c), (m) or (o) ("Controlled Group Member"), maintain or contribute (or have an obligation to contribute) to (i) any "employee benefit plan" (as defined in Section 3(3) of ERISA), whether a single employer, a multiple employer or a multiemployer plan, for the benefit of employees or former employees, or (ii) any other plan, policy, program, practice or arrangement providing compensation or benefits under which Seller or a Controlled Group Member has any obligation or liability to any employee or former employee (or any dependent or other beneficiary thereof) including, without limitation, incentive, bonus, deferred compensation, vacation, holiday, medical, severance, disability, death, stock purchase or other similar benefit, whether written or unwritten (individually, an "Employee Benefit Plan" and collectively, the "Employee Benefit Plans").

(b) Each Employee Benefit Plan maintained by Seller or any Controlled Group Member (and each related trust, custodial agreement or insurance contract) complies in form in all material respects and in operation with all applicable governmental requirements, including ERISA, the Code and the Health Insurance Portability and Accountability Act, and all contributions due under each such plan have been or will be made by the date such contribution is or was required to be made under the terms of the Plan or applicable law.

(c) Each Employee Benefit Plan that is intended to be qualified within the meaning of Code Section 401(a) has received a determination from the Internal Revenue Service ("IRS") that such Employee Benefit Plan is qualified under Code Section 401(a), and to Seller's Knowledge nothing has occurred since the date of such determination that could adversely affect the qualification of such Employee Benefit Plan.

(d) No charge, complaint, Action, claim or demand with respect to the administration or investment of the assets of any Employee Benefit Plan (other than routine claims for benefits) is pending or, to Seller's Knowledge, threatened, and to the Knowledge of Seller, no facts exist that could form the basis for any such charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand.

(e) Seller and its Controlled Group Members (i) have never contributed to, or been under any obligation to contribute to, any multiemployer plan (as defined in Section 3(37) of ERISA) and (ii) are not liable, directly or indirectly, with respect to any such plan for a complete or partial withdrawal (within the meaning of Title IV of ERISA) or due to the termination or reorganization of such a plan.

(f) Seller and its Controlled Group Members have never maintained or contributed, or had an obligation to contribute, to a defined benefit plan subject to Title IV of ERISA.

(g) Seller and its Controlled Group Members have no material obligation under any Employee Benefit Plan or otherwise to provide post-employment health or life insurance benefits to current or former employees of Seller or to any other Person, except as specifically required under the Code and ERISA for COBRA continuation coverage purposes.

(h) All employee benefits required to be paid or provided pursuant to any Employee Benefit Plan now or formerly in effect with respect to employees or former employees of Seller have been paid or provided (or adequate provision has been made to pay or provide the same, and the same will be paid or provided in full when due).

(i) No employee of Seller or its Affiliates' related to the Business is entitled to claim or receive severance pay or benefits or any other separation payment.

Section 3.17. <u>Labor Relations</u>. Seller and its Affiliates, with respect to the Business, have complied in all material respects with all applicable governmental requirements pertaining to the employment of labor, including those relating to wages, hours, collective bargaining, employment discrimination, sexual harassment, worker's compensation, and the payment or withholding of taxes, and there are no actions, suits, charges, complaints, proceedings, investigations or audits pending or, to Seller's Knowledge, threatened against Seller or its Affiliates in connection therewith relating to the Business. There are no collective bargaining agreements relating to Seller's or its Affiliate's relationship with any employee of the Business. Seller and its Affiliates, with respect to the Business,

have not recognized any labor organization, nor has any such organization been certified, as the exclusive bargaining agent of any employees of Seller or its Affiliates of the Business. There has been no demand on behalf of any labor organization to represent any employees of Seller or its Affiliates of the Business and Seller has no knowledge of any present efforts of any labor organization for authorization to represent any employees or its Affiliates of Seller of the Business. There are no strikes, work stoppages or labor disputes pending, or to Seller's Knowledge, threatened against Seller or its Affiliates, related to the Business.

Section 3.18. Environmental, Health, and Safety.

(a) At all times prior to the Closing, Seller and its Affiliates, with respect to the Business, have complied, and at Closing will be in compliance, in all material respects, with all Environmental and Safety Requirements, and Seller and its Affiliates, with respect to the Business, have not received any notice, report, or information (including information that litigation, investigation or administrative or Action of any kind are pending or threatened) regarding any liabilities (whether accrued, absolute, contingent, unliquidated, or otherwise), or any corrective, investigatory, or remedial obligations, arising under Environmental and Safety Requirements relating to the Business or the use of any of the Assets. There are no complaints, charges, compliance reviews, audits or citations threatened or pending under the Environmental and Safety Requirements against Seller with respect to the Business. For the purposes of this Agreement, "Environmental and Safety Requirements" means all present governmental requirements and all contractual obligations of Seller relating to the discharge of air pollutants, water pollutants, or process waste water or petroleum products or otherwise relating to health, safety, the environment or hazardous substances, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Occupational Safety and Health Act of 1970, as amended, the Federal Water Pollution Control Act, as amended, the Federal Resource Conservation and Recovery Act, as amended, the Federal Clean Water Act, as amended, the Toxic Substances Control Act, as amended, the Federal Clean Air Act, as amended, the Superfund Amendments and Reauthorization Act, as amended, and any and all other comparable state or local laws relating to public health and safety or work health and safety.

(b) No Hazardous Substances have been or are currently located at, in, or under or about either the Assets or any other property currently or previously owned or operated by Seller or its Affiliates relating to the Business in a manner which: (i) violates any applicable Environmental and Safety Requirements, (ii) requires response, remedial, corrective action or cleanup of any kind under any applicable Environmental and Safety Requirements, or (iii) exceed any cleanup standards established under federal, state, foreign or local law. For purposes of this Agreement, "Hazardous Substances" has the meaning set forth in Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and will also expressly include aesbestos, petroleum, crude oil and any fraction thereof.

Section 3.19. Tax Matters. Except as set forth on Schedule 3.19:

(a) Tax Status. Seller and Parent have been classified as a corporation for federal income tax purposes since their formation.

(b) Filing of Tax Returns. Seller and its Affiliates, with respect to the Business, have timely filed with the appropriate taxing authorities all returns (including any information returns and other material information) in respect of Taxes required to be filed through the date hereof (or timely extensions to file such returns) and will timely file any such returns (or extensions), with respect to the Business, required to be filed on or prior to the Closing Date. The returns and other information filed, related to the Business, are complete and accurate in all material respects.

(c) Payment of Taxes. All Taxes payable by Seller or its Affiliates, related to the Business, in respect of periods ending on or before the Closing Date, have been timely paid, or will be timely paid, or an adequate reserve has been established for such, as set forth in the Financial Statements, and Seller and its Affiliates have no material liability for Taxes, with respect to the Business, in excess of the amounts so paid or reserves so established. Seller and its Affiliates, with respect to the Business, have withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party. All Forms W-2 and 1099 required with respect thereto have been completed and properly filed.

(d) Audits, Investigations or Claims. There are no pending or, to Seller's Knowledge, threatened, audits, investigations, claims or other Actions for or relating to any material additional liability of Seller or its Affiliates in respect of Taxes, related to the Business, and there are no matters under discussion between Seller or its Affiliates and any governmental authorities with respect to Taxes, related to the Business. No claim, related to the Business, has ever been made by an authority in a jurisdiction where Seller or its Affiliates do not file tax returns that it is or may be subject to taxation by that jurisdiction. There are no tax liens on any of the Assets, except for liens for current taxes not yet due and payable. Seller and its Affiliates, with respect to the Business, have not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a tax assessment or deficiency.

(e). Withholding of Purchase Price. No withholding of Taxes is required to be made from the Purchase Price.

Section 3.20. Insurance. Schedule 3.20 contains a complete and accurate list of all policies or binders of fire, liability, worker's compensation, product liability and other forms of insurance (showing as to each policy or binder the carrier, coverage limits, expiration dates and a general description of the type of coverage provided) maintained as of the date hereof by Seller or its Affiliates on the Business or the Assets. Such insurance provides, and during such period provided, coverage to the extent and in the manner as may be required by law and by any and all Contracts and Real Property Leases to which Seller or its Affiliates is a party. Neither Seller nor its Affiliates is in default under any of such policies or binders. All such policies and binders are in full force and effect on the date of this Agreement.

Section 3.21. Inventory. Schedule 3.21 attached to this Agreement contains a complete and accurate list of all of the addresses at which all Inventory is located. The Inventory consists only of items of quality and quantity commercially usable and salable at not less than cost in the ordinary course of the Business, except for any items of obsolete material or material below standard quality, all of which have been written down through the date of the Financial Statements to realizable market value, or for which adequate reserves have been provided, and the present quantities of all Inventory are reasonable in the present circumstances of the Business.

Section 3.22. Governmental. No consent or approval of, notice to, or filing with any governmental authority is required to be made by Seller or its Affiliates to permit Seller or its Affiliates to sell the Assets to Buyer.

Section 3.23. Brokers. No Person will be entitled to any brokerage commissions, finder's fees or similar compensation arising out of or due to any act of Seller or its Affiliates in connection with the transactions contemplated by this Agreement.

Section 3.24. Affiliate Transactions. No officer, director, shareholder or Affiliate of Seller or, to Sellers' knowledge, any individual in such officer's, director's or shareholder's immediate family is a party to any Contract included among the Assets or has any interest in any property included among the Assets that will not be released at or prior to Closing. No Rehired Employee will, immediately following the Closing, be a party to any written agreement, contract, commitment or transaction with the Seller or will have any interest in any Assets after the Closing.

Section 3.25. Customer Tooling and Raw Materials. Neither Seller nor its Affiliates has developed proprietary productivity tools belonging to any of the customers of the Business including, any molds, dies, processes, equipment or technology for use in connection with the Business, and neither Seller nor its Affiliates is in possession or control of any raw materials owned by any of its customers for use in connection with the Business.

Section 3.26. Certain Indebtedness. Seller and its Affiliates, with respect to the Business, is not indebted to any employee of Seller or its Affiliates, with respect to the Business, except for amounts due as normal salaries, wages, benefits or reimbursement of ordinary business expenses. No such employee of Seller or its Affiliates is now, or on the Closing Date will be, indebted to Seller or its Affiliates, except for ordinary business expense advances due from employees of Seller or its Affiliates.

Section 3.27. Customers and Suppliers. No customer, supplier or other service provider with a material business relationship with Seller related to the Business has indicated in a written document delivered to Seller (including e-mail to the extent delivered to an executive level officer of Seller), nor does Seller have any Knowledge, that such customer, supplier or other service provider has any intention to cease or substantially reduce in any material respect the use or supply of products, goods or services of or to the Business or return any products or goods of the Business, other than returns in the ordinary course of business, whether as a result of the Closing or otherwise.

Section 3.28. Warranties. Each product manufactured, sold, leased or delivered by Seller or its Affiliates relating to the Business has been in conformity with all material contractual commitments and in all material respects with all express warranties. No product manufactured, sold, leased, or delivered by Seller relating to the Business is subject to any guaranty, warranty, or other indemnity beyond the applicable standard terms and conditions of sale or lease provided to Buyer.

Section 3.29. Reports. Seller or its Affiliates has timely filed all reports, registrations and statements required to be filed by it with respect to the Business since January 1, 1999 with any governmental authority, and has paid all related fees and assessments due and payable, except as would not, individually or in the aggregate, have a Material Adverse Effect.

Section 3.30. Accounts Receivable. The Accounts Receivable (i) are valid and genuine; (ii) have arisen solely out of bona fide sales and deliveries of goods, performance of services and other business transactions in the ordinary course of business consistent with past practice; and (iii) to Seller's Knowledge, after their date are not subject to valid defenses, set-offs or counterclaims.

Section 3.31. Certain Payments. Neither Seller, its Affiliates nor, to their knowledge, any of their respective Representatives has directly or indirectly, with respect to the Business, (a) made any illegal bribe, rebate, payoff, influence payment, kickback or other illegal payment, to any Person, private or public, regardless of form, whether in money, property or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured; (iii) to obtain special concessions or for special concessions already obtained, for or in respect of Seller, or (iv) in violation of any applicable law, including the Foreign Corrupt Practices Act, as amended; or (b) unlawfully established or maintained any fund or asset that has not been recorded in the accounting books of Seller.

ARTICLE IV.

<u>REPRESENTATIONS AND WARRANTIES OF BUYER</u>

Buyer hereby represents and warrants to Seller as follows:

Section 4.1. **<u>Organization</u>**. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

Section 4.2. **<u>Authorization</u>**. Buyer has all requisite corporate power and authority, and has taken all corporate action necessary, to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform its obligations under this Agreement. The execution and delivery of this Agreement by Buyer and the consummation by Buyer of the transactions contemplated by this Agreement have been duly approved by the Board of Directors of Buyer. No other corporate proceedings on the part of Buyer are necessary to authorize this Agreement, or the other agreements, instruments, certificates and documents to be delivered by Buyer under this Agreement or the transactions contemplated by this Agreement. This Agreement and the other agreements, instruments, certificates and documents to be delivered by Buyer have been (or, if to be executed or delivered after the date of this Agreement, will be) duly executed and delivered by Buyer and are (or, when executed, will be) legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms.

Section 4.3. **<u>No Conflict or Violation</u>**. None of the execution, delivery or performance of this Agreement, the consummation of the transactions contemplated by this Agreement, or compliance by Buyer with any of the provisions of this Agreement, will (a) violate or conflict with any provision of the Certificate of Incorporation or Bylaws of Buyer, (b) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon any of the assets of Buyer under, any of the terms, conditions or provisions of any material contract, indebtedness, note, bond, indenture, security or pledge agreement, commitment, license, lease, franchise, permit, agreement, or other instrument or obligation (i) to which Buyer is a party or (ii) by which Buyer’s assets are bound, (c) violate any statute, rule, regulation, ordinance, code, order, judgment, ruling, writ, injunction, decree or award, or (d) impose any encumbrance, restriction or charge on the assets or the business of Buyer; except in each case where such violation or conflict could not reasonably be expected to have a material adverse effect on Buyer.

Section 4.4. **<u>Governmental Consents</u>**. No consent or approval of, notice to, or filing with any governmental authority is required to be made by Buyer in order to permit Buyer to purchase the Assets from Seller.

Section 4.5. **<u>Brokers</u>**. No Person will be entitled to any brokerage commissions, finder’s fees or similar compensation arising out of or due to any act of Buyer in connection with the transactions contemplated by this Agreement.

ARTICLE V.

COVENANTS OF SELLER AND BUYER

Section 5.1. **Conduct of Business**. From the date of this Agreement through the Closing or termination of this Agreement, Seller and its Affiliates shall operate the Business in the ordinary course of business consistent with past practice and neither Seller nor its Affiliates will take any action inconsistent with this Agreement or with the consummation of the Closing, except as specifically contemplated by this Agreement or consented to in writing by Buyer. Seller shall not take any action that is intended or may reasonably be expected to result in (i) any of the representations and warranties set forth in Article III being or becoming untrue in any material respect, or (ii) any of the conditions to the Closing set forth in Article VII not being satisfied or (iii) any violation of any provision of this Agreement, except, in each case, as may be required by applicable law.

Section 5.2. **Access**. Seller and its Affiliates have afforded and will afford to Buyer between the date of this Agreement and the Closing Date, and to its officers, employees and authorized Representatives, full access, during normal business hours, to all properties, books, records and corporate documents pertaining to the Business for purposes of conducting legal, financial, tax, environmental and tax due diligence investigations; *provided, however*, that such investigation shall not unreasonably disrupt the personnel or operations of the Business.

Section 5.3. **Confidentiality**. Prior to the Closing, Buyer shall hold in confidence all non-public or confidential information of the Business.

Section 5.4. **Transfer of Permits**. To the extent that the Permits that primarily relate to the Business are transferable by Seller or its Affiliates to Buyer, Seller, as transferor, and Buyer, as transferee, will as soon as practicable after the Closing execute and file with the appropriate governmental agencies, application for approval of the transfer of each such Permit to the reasonable satisfaction of Buyer. Seller agrees to use its reasonable efforts as soon as practicable after the Closing to assist Buyer, at Buyer’s expense, in obtaining all Permits necessary for the operation of the Business by Buyer following the Closing Date, including without limitation, taking all reasonably necessary steps to relinquish any Permit that primarily relates to the Business. Except as provided in this Agreement, all fees and other costs payable in connection with any such applications or transfers will be the obligation of and will be timely paid by Buyer.

Section 5.5. **Notices and Consents**. Seller, in consultation with Buyer, will give the notices to third parties, and up to and after the Closing (to the extent not obtained at Closing) will use its reasonable efforts to obtain the third party consents described in the Disclosure Schedules, unless otherwise directed by Buyer. Each of the parties will give the notices to, make the filings with, and use its reasonable efforts to obtain the authorizations, consents, and approvals of governmental authorities described in the Disclosure Schedules. To the extent Seller is unable prior to Closing to obtain a consent described in the Disclosure Schedules necessary to transfer any Asset, and Buyer waives in writing such condition precedent to Closing, such Asset will not be transferred at Closing (each a “Non-Transferable Asset”), and Seller will subcontract its interest in such Non-Transferable Asset to Buyer and take all such other actions as will be necessary to provide to Buyer the economic benefit of such Non-Transferable Asset, including, without limitation, at the request and expense of Buyer, enforcement of any rights of Seller on behalf and for the account of Buyer. Seller further agrees to execute and deliver to Buyer at such time as any such consent to the transfer of any such Non-Transferable Asset is obtained by Seller after the Closing an assignment and assumption agreement satisfactory to Buyer and Seller and any such other documents or instruments as may be reasonably necessary or advisable to transfer to Buyer all of Seller’s interest in and title to such Non-Transferable Asset.

Section 5.6. Bulk Transfer Laws. The parties hereby waive the requirements of any applicable bulk sales law provisions in states in which the Assets are situated or which may otherwise be applicable to the transactions contemplated by this Agreement.

Section 5.7. Further Assurances. Upon the terms and subject to the conditions contained in this Agreement, each of the parties agrees (a) to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement (except waiving any conditions precedent to Closing), (b) to execute any further documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the transactions contemplated under this Agreement, and (c) to cooperate with each other in connection with the foregoing. Commencing as of the date of this Agreement, Seller shall cooperate in good faith with Buyer to commence the transition services activities identified in the Transition Services Agreement.

Section 5.8. Employment Matters.

(a) On or before November 1, 2004, Buyer will provide to Seller a list of at least 300 employees from the employees of Seller identified on Schedule 5.8, and Buyer will extend offers of employment to all of the employees on such list by November 5, 2004, to the extent such employees are employed by Seller as of the date such offers are made, which offers will be contingent upon the consummation of the transactions contemplated by this Agreement. All of Seller's employees who accept employment with Buyer on or before Closing are referred to as "Rehired Employees". Each offer of employment made by Buyer to any employee of Seller shall provide, among other things, that (i) such employee shall be given credit under all employee benefit plans, policies and practices of the Buyer for all service with Seller and predecessors of Seller in respect of which Seller granted such employee credit for purposes of eligibility (including, without limitation, waiting periods), vesting and vacation policy and (ii) in the event that any Rehired Employee becomes covered by a medical plan of Buyer, such medical plan shall not impose any exclusion on coverage for preexisting medical conditions with respect to such Rehired Employee or such Rehired Employee's spouse, dependents and beneficiaries. Seller or Parent shall extend COBRA continuation coverage to all Rehired Employees from and after the Closing until January 1, 2005, and Buyer shall pay to Seller its monthly cost of COBRA coverage for the Rehired Employees for such period and shall reimburse Seller for its actual out of pocket costs and any actual post-Closing claims incurred in such period in excess of the aggregate amount of the premiums paid by Buyer with respect to such coverage within 15 days after the receipt of an invoice detailing such claims and costs in reasonable detail. On the other hand, Seller shall reimburse Buyer by no later than April 14, 2005 to the extent that the aggregate amount of all actual post-Closing claims and out of pocket costs incurred in the continuation coverage period are less than the aggregate amount of the monthly cost of COBRA coverage paid by Buyer with respect to such coverage. Seller will terminate the employment of all Rehired Employees immediately prior to the Closing and any cost, expense or liability resulting from, or incurred in connection with, such terminations will be the sole responsibility of Seller. Seller will cooperate with Buyer and use its reasonable efforts to assist Buyer in its efforts to secure employment arrangements with those employees of Seller to whom Buyer will make offers of employment consistent with the foregoing. Nothing contained in this Agreement will confer upon any Rehired Employee any right with respect to continuance of employment by Buyer, nor will anything in this Agreement interfere with the right of Buyer to terminate the employment of any of the Rehired Employees at any time, with or without cause, or restrict Buyer in the exercise of its independent business judgment in modifying any of the terms and conditions of the employment of the Rehired Employees.

(b) Buyer does not, and will not, assume the sponsorship of, responsibility for contributions to or any liability or obligation in connection with, any Employee Benefit Plan or any other

compensatory plan, program, arrangement or agreement for the benefit of any employee or agent or former employee or agent (and their respective beneficiaries) of Seller or any of its Controlled Group Members. Seller will be solely responsible and obligated to satisfy and pay all wages, salaries, vacation and sick pay, employee fringe benefits, worker's compensation claims and all other employee benefit or employee-related claims or liabilities with respect to employees or former employees of Seller made, earned, accrued or arising on or before the Closing Date, whether or not reported before that date, and will satisfy or pay all of the foregoing as and when due.

Section 5.9. Litigation Support. In the event, and for so long as, any party actively is contesting or defending against any Action in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction involving the Business, the other party will cooperate with the contesting or defending party and its counsel in the contest or defense, make available its personnel at reasonable times and upon reasonable notice, and provide such testimony and access to its books and records as will be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending party (unless the contesting or defending party is entitled to indemnification for such under Article VIII).

Section 5.10. Tax Matters.

(a) Seller will be responsible for the preparation and filing of all Tax returns for all activities of the Business for all periods or portions thereof ending on or before the Closing Date. Seller will make all payments required with respect to any such Tax return; *provided*, *however*, that Buyer will reimburse Seller concurrently therewith to the extent any payment Seller is making relates to the operations of the Business for any period or portion thereof beginning after the Closing Date.

(b) Buyer will be responsible for the preparation and filing of all Tax returns for all activities of the Business for all periods or portions thereof beginning after the Closing Date. Buyer will make all payments required with respect to any such Tax return; *provided*, *however*, that Seller will reimburse Buyer concurrently therewith to the extent any payment Buyer is making relates to the operations of the Business for any period or portion thereof ending on or before the Closing Date.

(c) In the case of any real or personal property or other ad valorem Tax imposed on the Assets for a Tax period that includes, but does not end on, the Closing Date, the portion of such Tax related to the portion of such Tax period ending on the Closing Date will be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction, the numerator of which is the number of days in the Tax period ending on the Closing Date and the denominator of which is the number of days in the entire Tax period. Seller will be responsible for any such Tax relating to the portion of such Tax period ending on the Closing Date, and Buyer will be responsible for any such tax relating to the portion of such Tax period beginning after the Closing Date.

(d) Seller and Buyer shall each notify the other promptly of the commencement of any audit or other Tax proceeding with respect to the Business for which the other party is wholly or partly responsible under the terms hereof. Seller and Buyer shall each extend to the other, at no cost, reasonable assistance in the preparation of Tax Returns and the conduct of audits and other proceedings, in each case to the extent information relating to pre-closing activities (on the part of Buyer) or post-closing activities (on the part of Seller) is reasonably necessary in connection with such preparation, audit or investigation, including permitting access to Tax records for purposes of reviewing and/or copying such records to the extent reasonably required in connection with any such preparation of a Tax return, audit or investigation.

Section 5.11. Sale of Business; Negotiations. Prior to the Closing or termination of this Agreement, neither Seller nor its Affiliates shall, directly or indirectly, (a) solicit or consider any inquiries, proposals or offers, or enter into agreements relating to the disposition of the Assets, the merger or consolidation of Seller with any Person, the sale or exchange of any securities of Seller or other business combination, or (b) divulge or otherwise disclose any confidential information concerning the Business, its properties or assets to any third Person (other than in the ordinary course of business) or any details regarding the terms of this Agreement. Seller shall promptly (but in any event within 5 days) notify Buyer orally, and confirm in writing, all relevant details relating to inquiries, proposals, offers or agreements that come to the attention of Seller's chief executive officer relating to any of the matters referred to in this Section 5.11.

Section 5.12. Groupo Saber. Seller agrees to (i) to review a proposal of Buyer or one of its Affiliates relating to the licensing of the so-called "Grupo Saber" software and (ii) assuming it receives such proposal on or before January 15, 2005 to notify Buyer or such Affiliate on or before March 31, 2005 as to whether it wishes to accept such proposal and to enter into a user agreement relating to such software. If Parent shall not have notified Buyer of its election on or prior to March 31, 2005, it will be deemed to have elected not to accept such proposal or enter into a user agreement.

Section 5.13. Work-in-Progress. The parties agree that the work-in-progress of the Business as of the Closing Date shall be handled in the manner described on the attached Schedule 5.13.

ARTICLE VI.

CONDITIONS TO SELLER'S OBLIGATIONS

The obligations of Seller to consummate the transactions provided for by this Agreement are subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by Seller:

Section 6.1. Representations, Warranties and Covenants. All representations and warranties of Buyer contained in this Agreement will be true and correct in all material respects (except those representations and warranties that are qualified by materiality, which will be true and correct in all respects) at and as of the date of this Agreement and at and as of the Closing Date (it being understood that representations and warranties that speak as of a specific date or time need only be true and correct as of such date or time), and Buyer will have performed and satisfied in all material respects all agreements and covenants required by this Agreement to be performed by it prior to or on the Closing Date.

Section 6.2. No Proceedings or Litigation. No Action by any governmental authority or other Person will have been instituted or threatened which questions the validity or legality of the transactions contemplated by this Agreement and which could reasonably be expected to have a Material Adverse Effect upon Seller if the transactions contemplated under this Agreement are consummated.

Section 6.3. Closing Deliveries. Buyer will have made the deliveries to Seller described in Section 2.2(b).

Section 6.4 Consents. Each consent, approval or waiver (whether from a federal, state and local government or regulatory agency or other third party) identified on Schedule 6.4 (the "Required Consents") will have been obtained.

Section 6.5 **Transition Services Agreement**. Buyer and Seller shall have entered into the Transition Services Agreement.

ARTICLE VII.

CONDITIONS TO BUYER'S OBLIGATIONS

The obligations of Buyer to consummate the transactions provided for in this Agreement are subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by Buyer:

Section 7.1. **Representations, Warranties and Covenants**. All representations and warranties of Seller contained in this Agreement will be true and correct in all material respects (except those representations and warranties that are qualified by materiality, which will be true and correct in all respects) at and as of the date of this Agreement and at and as of the Closing Date (it being understood that representations and warranties that speak as of a specific date or time need only be true and correct as of such date or time), and Seller will have performed and satisfied all agreements and covenants required by this Agreement to be performed by them prior to or on the Closing Date.

Section 7.2. **No Proceedings or Litigation**. No Action by any governmental authority or other Person will have been instituted or threatened which questions the validity or legality of the transactions contemplated hereby and which could reasonably be expected to have a material adverse effect upon Buyer, or a Material Adverse Effect upon the Assets or the Business if the transactions contemplated under this Agreement are consummated.

Section 7.3. **No Adverse Change**. Since June 30, 2004, Seller shall have operated the Business in the ordinary course consistent with past practices and there shall not have been any Material Adverse Change or Material Adverse Effect.

Section 7.4. **Closing Deliveries**. Seller will have made the deliveries to Buyer described in Section 2.2(a).

Section 7.5. **Consents**. The Required Consents will have been obtained.

Section 7.6. **Transition Services Agreement**. Buyer and Seller shall have entered into the Transition Services Agreement.

Section 7.7. **Right of First Refusal Agreement**. Buyer and Seller or its Affiliate shall have entered into an agreement substantially in the form of the attached Exhibit C relating to the outsourcing of maintenance work to be performed by Buyer or its Affiliates on towers owned, leased or managed by Seller and its Affiliates.

ARTICLE VIII.

OTHER AGREEMENTS OF THE PARTIES

Section 8.1. **Survival of Representations**. The representations and warranties of Seller and Buyer contained in this Agreement will survive the consummation of the transactions contemplated by this Agreement for a period of 18 months after the Closing Date, without regard to any investigation made by the parties; *provided*, *however* that the representations and warranties of the parties set forth in Sections 3.2 (Authorization) and 4.2 (Authorization of Buyer) will survive indefinitely and the representations and warranties of the parties set forth in Sections 3.3 (Assets), 3.14 (Proprietary Rights),

3.16 (Employee Benefit Plans), 3.18 (Environmental, Health and Safety), 3.19 (Tax Matters) and 3.23 (Brokers) will survive until 30 days after the expiration of the applicable statute of limitations (with extensions).

Section 8.2. Indemnification.

(a) By the Parent and Seller. Parent and Seller will, jointly and severally, indemnify, save and hold harmless Buyer and its Affiliates and their respective Representatives, successors and assigns, from and against any and all costs, losses, Taxes, liabilities, obligations, damages, deficiencies, Actions and expenses (whether or not arising out of third-party claims), including penalties, costs of mitigation, losses in connection with any Environmental and Safety Requirements (including any clean-up or remedial action), lost profits and reasonable attorneys' fees and all amounts paid in investigation, defense or settlement of any of the foregoing ("Losses"), asserted, incurred in connection with, arising out of, resulting from or incident to (i) any breach of any representation or warranty made by the Seller in or pursuant to this Agreement or in any certificate or other closing document delivered pursuant to this Agreement; (ii) any failure by the Seller to perform or observe any covenant, agreement or condition to be performed or observed by it under this Agreement or in any certificate or other closing document delivered pursuant to this Agreement; (iii) any acts or omissions of the Seller relating to the operations, ownership, condition or conduct of the Business or the Assets prior to the Closing; and (iv) any Excluded Liabilities. Notwithstanding anything to the contrary in this Section 8.2(a), (1) Parent and Seller will have no liability under Section 8.2(a)(i) unless and until the aggregate amount of all claims for Losses under Section 8.2(a)(i) exceeds $200,000 (the "Basket") at which time Seller and Parent will be liable for all claims for Losses under Section 8.2(a)(i) beginning from the first dollar of all such Losses, and (2) the maximum aggregate liability of Seller and Parent for claims of Losses under Section 8.2(a)(i) will not exceed $2,000,000 (the "General Cap") ; *provided, however*, that the Basket shall not be applicable to claims for Losses for breaches of any of the representations and warranties contained in Sections 3.2 (Authorization), 3.3 (Assets), 3.16 (Employee Benefit Plans), 3.18 (Environmental, Health and Safety), 3.19 (Tax Matters), 3.23 (Brokers) or to claims of fraud or intentional misrepresentation against the Seller.

(b) By Buyer. Buyer will indemnify and save and hold harmless the Seller from and against any and all Losses asserted, incurred in connection with, arising out of, resulting from or incident to (i) any breach of any representation or warranty made by Buyer in or pursuant to this Agreement or in any certificate or other closing document delivered pursuant to this Agreement; (ii) any failure by Buyer to perform or observe any covenant, agreement or condition to be performed or observed by it under this Agreement or in any certificate or other closing document delivered pursuant to this Agreement; (iii) any acts or omissions of Buyer relating to the operations, ownership, condition or conduct of the Business or the Assets from and after the Closing and (iv) any Assumed Liabilities. Notwithstanding anything to the contrary in this Section 8.2(b), Buyer's maximum aggregate liability for claims of Losses under Section 8.2(b)(i) will not exceed the General Cap.

(c) Defense of Claims. If a claim for Losses (a "Claim") is to be made by a party entitled to indemnification hereunder against the indemnifying party, the party claiming such indemnification will give written notice (a "Claim Notice") to the indemnifying party as soon as practicable after the party entitled to indemnification becomes aware of any fact, condition or event which may give rise to Losses for which indemnification may be sought under this Section 8.2. If any lawsuit or enforcement action is filed against any party entitled to the benefit of indemnity under this Agreement, written notice of such will be given to the indemnifying party as promptly as practicable (and in any event within 15 days after the service of the citation or summons). The failure of any indemnified party to give timely notice under this Agreement will not affect rights to indemnification under this Agreement, except to the extent that

the indemnifying party demonstrates actual prejudice caused by such failure. After such notice, if the indemnifying party will acknowledge in writing to the indemnified party that the indemnifying party will be obligated under the terms of its indemnity under this Agreement in connection with such lawsuit or action, then the indemnifying party will be entitled, if it so elects, (i) to take control of the defense and investigation of such lawsuit or action, (ii) to employ and engage attorneys of its own choice to handle and defend the same (unless the named parties to such action or proceeding include both the indemnifying party and the indemnified party and the indemnified party has been advised in writing by counsel that there may be one or more legal defenses available to such indemnified party that are different from or additional to those available to the indemnifying party, in which event the indemnified party will be entitled at the indemnifying party's cost, risk and expense, to separate counsel of its own choosing) and (iii) to compromise or settle such claim, which compromise or settlement will be made only with the written consent of the indemnified party, such consent not to be unreasonably withheld. If the indemnifying party fails to assume the defense of such claim within 30 days after receipt of the Claim Notice, the indemnified party against which such claim has been asserted will (upon delivering notice to such effect to the indemnifying party) have the right to undertake, at the indemnifying party's cost and expense, the defense, compromise or settlement of such claim on behalf of and for the account and risk of the indemnifying party; *provided*, *however*, that such Claim will not be compromised or settled without the written consent of the indemnifying party, which consent will not be unreasonably withheld, unless the proposed settlement involves only the payment of money damages by the indemnifying party. In the event the indemnified party assumes the defense of the claim, the indemnified party will keep the indemnifying party reasonably informed of the progress of any such defense, compromise or settlement.

Section 8.3. <u>Escrow</u>. At Closing, the Escrow Amount shall be deposited in escrow by Buyer pursuant to an Escrow Agreement. The Escrow Amount will be held in escrow as security to Buyer for claims under this Agreement and will be disbursed in the manner set forth in the Escrow Agreement. The term of the Escrow Agreement shall be for a period of six (6) months after the Closing Date; *provided*, *however*, that the Escrow Agreement shall not terminate (but shall continue in full force and effect until claims are resolved) with respect to any claims to which Buyer has given notice to Seller prior to the expiration of such six (6) month period.

Section 8.4. <u>Exclusive Remedy</u>. The parties hereby acknowledge and agree that the sole and exclusive remedy of the parties with respect to any and all post-closing claims (other than any claim arising for injunctive relief out of any alleged breach of Section 5.3 (Confidentiality) or of Section 8.5 (Covenant Not to Compete) or any claim alleging fraud or intentional misrepresentation) relating to or arising under this Agreement and the transactions contemplated hereby shall be indemnification as provided in this Article VIII.

Section 8.5. <u>Covenant-Not-to-Compete</u>. In consideration of Buyer's consummation of the transactions contemplated by this Agreement, and as a material inducement to Buyer to enter into this Agreement, Buyer, Seller and Parent covenant and agree as follows:

(a) During the period beginning on the Closing Date and ending on the earlier of the third anniversary of the Closing Date or the consummation of a Change of Control Transaction (as defined below) (the "Noncompete Period"), Seller and Parent will not at any time, in any capacity, directly or indirectly, do any of the following: (i) be a Competing Organization (as defined below) or provide any management, consulting, financial, administrative or other services to any Competing Organization, including, without limitation, participating directly or indirectly as an officer, director, stockholder (excluding a less than 5% stockholder in a publicly held corporation), member, operator, sole proprietor, independent contractor, consultant, franchisor, franchisee, owner, employee, agent, Representative or partner of, or having any direct or indirect financial interest (including, without limitation, the interest of

a creditor other than a trade creditor in connection with the ordinary course of business) in, any Competing Organization, or (ii) knowingly allow Seller's or Parent's name or any derivation thereof to be used by any Competing Organization; *provided*, *however,* (1) the foregoing shall not prevent the bona fide merger or other business combination involving Parent or any of its Affiliates with, or bona fide acquisition involving Parent or any of its Affiliates by or of, an unaffiliated entity that is, or any of whose Affiliates are, at the time of such merger, business combination or acquisition, engaged in any or all aspects of the Restricted Business, provided that (A) such entity is not principally engaged in the Restricted Business and (B) during the first two (2) years of the Noncompete Period, the revenues of such entity derived from the Restricted Business (as defined below) account for no more than $10,000,000 in the most recent fiscal year ended prior to such transaction, or, in the event the revenues derived from the Restricted Business exceed such threshold, Parent or its Affiliates shall liquidate or divest to an unaffiliated third party the competing portion of such entity as soon as practicable after the closing of the transaction in which such entity was so acquired but in any event within six (6) months after such closing, and (2) that notwithstanding anything to the contrary herein, it is the intention of the parties that nothing in this Section 8.5(a) shall (A) prohibit Parent, Seller and their respective Affiliates from acting as a project manager, consultant, advisor or contractor for a Competing Organization with respect to any wireless communications tower that is not owned, leased or managed by Seller or its Affiliates, provided that in such regard they shall not engage in the Restricted Business without the prior written consent of Buyer, or (B) prohibit or restrict Parent, Seller or their respective Affiliates from providing services similar or identical to those performed by the Restricted Business on wireless communications towers owned, leased or managed by Seller or its Affiliates (it being understood that such leases or management agreements shall be bona fide transactions and not entered into to avoid the provisions of this Section 8.5(a)).

For the purposes of this Section 8.5(a) the following terms shall have the following meanings:

"Competing Organization" means any Person engaged in the Restricted Business.

"Restricted Business" means any Person that performs construction, augmentation and redevelopment of, and the installation of related equipment on, wireless communications towers, specifically excluding site acquisition, zoning, permitting, structural analysis, architectural and engineering, and operation and maintenance of telecommunications equipment in the Geographic Area.

"Geographic Area" means the United States of America or Canada.

"Change of Control Transaction" means any transaction involving Parent in which Parent merges with or into, another Person or conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, other than any such transaction in which, immediately after such transaction, the holders of common stock of Parent are entitled to exercise, directly or indirectly, at least a majority of the voting rights attaching to the capital stock of the surviving or transferee Person.

(b) During the Noncompete Period, Seller, Parent and their Affiliates will not at any time in any capacity, directly or indirectly, (i) induce or attempt to induce any employee (including leased employees) of Buyer's Construction Services Division or any other employee that Seller or its Affiliates have been in contact with in connection with the transactions contemplated hereby to leave their employ, or otherwise solicit the employment of any such employee of Buyer or any of its Affiliates, hire any such employee, unless such employee has not been employed by Buyer or any of its Affiliates for three (3) months or longer, or in any way interfere with the relationship between Buyer or any of its Affiliates and any of such employees, or (ii) induce or attempt to induce any supplier, licensee, licensor, franchisee, or

other business relation of either Buyer or any of its Affiliates with respect to the Business to cease doing business with them or in any way interfere with the relationship between either Buyer or any of its Affiliates and any of their respective customers or business relations with respect to the Business. During the Noncompete Period, Buyer and its Affiliates will not at any time in any capacity, directly or indirectly, except as provided in Section 5.8, induce or attempt to induce any employee (including leased employees) of Seller, Parent or any of their Affiliates that Buyer or its Affiliates have been in contact with in connection with the transactions contemplated hereby to leave their employ, or otherwise solicit the employment of any such employee of Seller, Parent or any of their Affiliates, hire any such employee, unless such employee has not been employed by Seller, Parent or any of their Affiliates for three (3) months or longer. Nothing herein shall be construed to prohibit Parent, Seller or their Affiliates, on the one hand, or Buyer or its Affiliates, on the other hand, from (a) placing advertisements for employment that are aimed at the public at large on their websites, on any employment website, or in any newspaper, trade magazine, or other periodical in general circulation in whatever medium, or (b) responding to any unsolicited inquiry by any employee of Buyer or its Affiliates, or Seller, Parent or their Affiliates, as the case may be, concerning employment.

(c) If, at the time of enforcement of any of the provisions of this Section 8.5, a court of competent jurisdiction holds that the restrictions stated in Section 8.5 are unreasonable under the circumstances then existing or are otherwise illegal, invalid or unenforceable in any respect by reason of its duration, definition of Geographic Area or scope of activity, or any other reason, the parties agree that the maximum period, scope or geographical area reasonable or otherwise enforceable under such circumstances will be substituted for the stated period, scope or area.

(d) Without limiting any of Buyer’s rights under this Agreement, the parties acknowledge that Buyer will be entitled to enforce its rights under this Section 8.5 specifically, to recover Losses and costs (including reasonable attorneys’ fees) caused by any breach of any provisions of this Section 8.5 and to exercise all other rights existing in its favor. The parties acknowledge and agree that the breach of any term or provision of this Section 8.5 by Seller will materially and irreparably harm Buyer, that money damages will accordingly not be an adequate remedy for any breach of the provisions of this Section 8.5 by Seller and that Buyer in its sole discretion and in addition to any other remedies it may have at law or in equity may apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Section 8.5.

Section 8.6. <u>Bond Release</u>. Buyer shall use commercially reasonable efforts to procure the release effective as of the Closing of any security, bonds, guarantees and suretyships posted by Seller or its Affiliates with respect to the Business (each, a “Bond” and collectively the “Bonds”) and shall, as part of its efforts to procure such releases, agree with the beneficiary of any such Bond to replace the Bond granted or posted by Seller or its Affiliates. In the event that Buyer is unable to procure releases of all such Bonds on or before the Closing: (a) Buyer shall indemnify and hold harmless Seller and its Affiliates from and against any Losses arising under such Bonds from and after the Closing; and (b) Buyer shall continue to use its commercially reasonable efforts to procure the release of each such Bond.

ARTICLE IX.

<u>TERMINATION; REMEDIES</u>

Section 9.1. <u>Termination</u>. At any time before the Closing, this Agreement may be terminated (i) by mutual written consent of the parties; (ii) by either Buyer or Seller if there has been a material misrepresentation, a material breach of warranty, any breach of any representation or warranty qualified as to materiality, or a material breach of covenant by the other and, in the case of a breach of a

covenant, such covenant has remained uncured for a period of twenty (20) days after written notice thereof has been given by the non-breaching party to the breaching party; or (iii) by either Buyer or Seller if the Closing does not occur on or before November 30, 2004 (or such later date as the parties may mutually agree), unless the failure of the Closing to occur by such date will be due to the action or failure to act of the party seeking to terminate this Agreement, which action or failure to act constitutes a breach of this Agreement.

Section 9.2. Effect of Termination. In the event of the termination of this Agreement pursuant to Section 9.1, written notice of such will promptly (but in any event within 5 days) be given to the other party specifying the provision pursuant to which such termination is made, and this Agreement will, upon the effective date of such notice, become null and void and of no further force or effect, and no party (or any of its Affiliates, directors, officers, agents or other Representatives) will have any liability or obligation under this Agreement (except for any liability of any party then in breach); *provided*, *however*, that the provisions of Section 10.6 (Expenses) will survive any such termination.

Section 9.3. Specific Performance. Each of the parties acknowledges and agrees that the other parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the parties agrees that the other parties will be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions of this Agreement in addition to any other remedy to which they may be entitled, at law or in equity.

ARTICLE X.

MISCELLANEOUS

Section 10.1. Assignment. Neither this Agreement nor any of the rights or obligations under this Agreement may be assigned by any party without the prior written consent of the other party; *provided, however*, that Buyer may assign or delegate all or part of its rights and obligations under this Agreement to one or more direct or indirect subsidiaries or Affiliates; *provided, further*, that any such assignment or delegation shall not relieve Buyer of its obligations under this Agreement. Notwithstanding the foregoing, without the consent of the other party, this Agreement may be assigned by either party to any successor of such party, by operation of law, including by way of merger, consolidation or sale of all or substantially all of such party's assets, and Seller may assign this Agreement to Parent or any subsidiary of Parent without the consent of Buyer and Buyer may assign this Agreement to its parent or any subsidiary of its parent without the consent of Seller, *provided, however,* that any such assignment or delegation shall not relieve any party of its obligations under this Agreement. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, and no other Person will have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

Section 10.2. Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement will be in writing and will be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by confirmed facsimile, electronic or digital transmission method; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (*e.g.*, Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice will be sent to:

If to Seller, addressed to:	 c/o American Tower Corporation 116 Huntington Avenue Boston, MA 02116 Attention: Chief Financial Officer and General Counsel Fax No.: (617) 375-7575
With a copy to:	Sullivan & Worcester LLP One Post Office Square Boston, MA 02109 Attention: William J. Curry Fax No.: (617) 338-2880
If to Buyer, addressed to:	Andrew Systems, Inc. c/o Andrew Corporation 10500 West 153rd St. Orland Park, IL 60462 Attn: James F. Petelle Fax No.: (708) 873-2571
With a copy to:	Gardner Carton & Douglas LLP 191 North Wacker Drive Suite 3700 Chicago, Illinois 60606 Attention: Christian W. Fabian Fax No.: (312) 569-3113

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

Section 10.3. Choice of Law. This Agreement will be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of Delaware (without reference to the choice of law provisions of any jurisdiction), except with respect to matters of law concerning the internal corporate affairs of any corporate entity which is a party to or the subject of this Agreement, and as to those matters the law of the jurisdiction under which the respective entity derives its powers will govern.

Section 10.4. Entire Agreement; Amendments and Waivers. This Agreement and the other agreements to be entered into by the parties in accordance with this Agreement, together with all exhibits and schedules hereto and thereto (including the Disclosure Schedule), constitute the entire agreement among the parties pertaining to the subject matter of such agreements and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. Without limiting the generality of the foregoing, each of (i) the letter of intent, dated July 20, 2004, from Buyer to Seller and (ii) that certain memorandum, dated July 24, 2004, sent by Steven Moskowitz to Robert Hudzik are hereby terminated. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties. No amendment, supplement, modification or waiver of this Agreement will be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement will be deemed or will constitute a waiver of any other provision hereof (whether or not similar), nor will such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 10.5. Counterparts; Facsimile. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission, and a facsimile of this Agreement or of a signature of a party will be effective as an original.

Section 10.6. Expenses. Except as otherwise specified in this Agreement, each party to this Agreement will pay its own legal, accounting, out-of-pocket and other expenses incident to this Agreement and to any action taken by such party in preparation for carrying this Agreement into effect.

Section 10.7. Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to in this Agreement, will, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability will not affect any other provision of this Agreement or any other such instrument.

Section 10.8. Cumulative Remedies. Except as provided in Section 8.4 above, all rights and remedies of either party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies will not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

Section 10.9. Publicity. No party will issue any press release or make any other public statement relating to the transactions contemplated hereby unless (i) mutually agreed to by the parties, or (ii) required by law, regulation, court order or the rules of the New York Stock Exchange, Nasdaq or any applicable regulatory authority and any, to the extent practicable under the circumstances, such release or statement will be subject to prior review by Buyer and Seller.

Section 10.10. Knowledge; Construction. The phrases "to the Seller's Knowledge", or "to the Knowledge of the Seller" or words of comparable import mean the actual personal knowledge of the persons identified on Schedule 10.10. All references to sections, schedules or exhibits in this Agreement refer to this Agreement's sections, schedules or exhibits, unless otherwise indicated. The headings contained in this Agreement are for reference purposes. The words "include," "includes" or "including" will be deemed to be followed by the words "without limitation."

Section 10.11. Joint Drafting. The parties have participated jointly in the negotiation and drafting of this Agreement and the other agreements and documents to be executed by the parties in connection herewith. In the event an ambiguity or question of intent or interpretation arises, this Agreement and the other agreements and documents to be executed by the parties in connection herewith will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement and the other agreements and documents to be executed by the parties in connection with this Agreement.

ARTICLE XI.
DEFINITIONS

Section 11.1. Certain Defined Terms. As used in this Agreement, the terms below will have the following meanings. Any of such terms, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

"Account Receivable" means any account or note receivable, whether current or noncurrent, arising out of the Business prior to the Closing.

"Affiliate" will have the meaning set forth in the Securities Exchange Act of 1934, as amended, and the rules and regulations under that Act.

"Assets" means all of Seller's right, title and interest in and to the following properties, assets and rights:

(a) all rights under the Assumed Contracts;

(b) all leasehold improvements relating to the Business located at the locations subject to the Real Estate Leases identified on Schedule 3.4;

(c) all Fixtures and Equipment;

(d) all Inventory;

(e) all Books and Records;

(f) all Intellectual Property relating primarily to the Business;

(g) all Permits, to the extent transferable under the terms and conditions of Section 5.4;

(h) all prepaid items and expenses, credits, rebates and similar items with respect to the Business, including all advance payments, customer deposits, vendor credits and security deposits;

(i) all of the goodwill of the Business;

(j) all rights under or pursuant to all warranties, representations and guarantees made by suppliers or vendors (including all contractual or other rights of Seller to return Inventory) in connection with the Assets or services furnished to Seller pertaining primarily to the Business; and

(k) only insofar as they relate to an Excluded Liability that Seller or its Affiliates has not paid, discharged or performed, all claims, causes of action, choses in action, rights of recovery and rights of set-off of any kind, against any Person, including without limitation, any liens, security interests, pledges or other rights to payment or to enforce payment in connection with products or services delivered by the Business on or prior to the Closing Date;

but excluding from the foregoing the Excluded Assets.

"Balance Sheet" means the unaudited balance sheet of the Business as of June 30, 2004, together with the related notes, as included in Schedule 3.8.

"Books and Records" means (in whatever medium) (a) all records and lists of Seller pertaining primarily to the Assets, (b) all records and lists pertaining primarily to the Business or to past, present or prospective customers or suppliers or personnel of the Business, (c) all past, present or prospective product, business and marketing plans relating primarily to the Business, and (d) all books, ledgers, files, reports, plans, drawings and operating records of every kind maintained by Seller and relating primarily to the Business, but excluding the originals of Seller's corporate minute books, stock books and tax returns.

"Business" means services performed within the United States of America and Canada by Seller or its Affiliates in connection with the construction, augmentation and redevelopment of, and the installation of related equipment on, wireless communications towers, specifically excluding site acquisition, zoning, permitting, structural analysis, architectural and engineering, and operation and maintenance of telecommunications equipment.

"Closing Date" means the date on which the Closing occurs.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations under the Code.

"Contract" means any agreement, contract, note, loan, evidence of indebtedness, guaranty, purchase order, customer order, letter of credit, franchise agreement, undertaking, covenant-not-to-compete, employment agreement, license, instrument, obligation or commitment, excluding all Real Property Leases, (i) to which Seller is a party and which relates to the Business, or (ii) by which it or any of the Assets is bound and which relates to the Business or the Assets, whether oral or written.

"Disclosure Schedule" means the schedules executed and delivered by Seller to Buyer as of the date of this Agreement that set forth the exceptions to the representations and warranties contained in Article III of this Agreement and certain other information called for by this Agreement.

"Encumbrance" means any claim, lien, pledge, option, right of first refusal, buy-sell agreements, defect in title, charge, easement, security interest, deed of trust, mortgage, right-of-way, encroachment, building or use restriction, conditional sales agreement, title retention agreement or other restrictions or encumbrances of any nature or kind, whether voluntarily incurred or arising by operation of law, including any agreement to give any of the foregoing in the future.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Excluded Assets" means all properties, assets and rights of the Seller and its Affiliates other than the Assets. "Excluded Assets" shall include, without limitation:

(a) this Agreement and all rights of Seller and Parent under this Agreement;

(b) the capital stock, corporate charter, original minute books, stock books, original tax returns and other documents relating to the organization, maintenance and existence of Seller as a corporation;

(c) all cash, cash equivalents and account or note receivable, whether current or noncurrent, of the Seller and its Affiliates;

(d) all claims, causes of action, choses in action, rights of recovery and rights of set-off of any kind against any Person arising out of or relating exclusively to (i) the Excluded Liabilities or (ii) the Excluded Assets described in (a), (b) and (c) above.

"Financial Statements" means the unaudited balance sheet of the Business dated December 31, 2003 and the Balance Sheet and the related statements of income of the Business for the year-ended December 31, 2003 and the six months ended June 30, 2004, together with any related notes.

"Fixtures and Equipment" means all of computer hardware, networking equipment, furniture, fixtures, furnishings, machinery, automobiles, trucks, spare parts, supplies, equipment, tools, dies, jigs, molds, patterns, tooling fixtures, assembly fixtures, hard tooling, quality control equipment and gauges and other tangible personal property owned by Seller and used primarily in connection with the Business, to the extent listed on Schedule 11.1-a.

"GAAP" means United States generally accepted accounting principles, consistently applied.

"Intellectual Property" means all intellectual, industrial, and proprietary rights, whether domestic or foreign (including any associated goodwill and rights to claim past, present and future infringement relating to the Business, including: (i) all trade secrets, confidential information, and know-how, including all technical, manufacturing, and engineering information, software, source code, data, new developments, designs, inventions, or ideas (whether or not patentable and whether or not reduced to practice), and all related documentation, whether in hard copy or electronic format; (ii) all words, symbols, icons, logos, trade dress or other indicia of origin adopted or used in connection with any product made or service, whether registered or unregistered, and all rights necessary to prevent unfair trading; (iii) all applications and registrations related to, and all licenses and sub-licenses granted to or by third parties to use, any of the foregoing; (iv) all telephone and telecopier numbers, (v) all Internet addresses, domain names, URLs, web sites, and other Business addresses, and (vi) all Proprietary Rights.

"Inventory" means all inventory of Seller held for resale or in transit with respect to the Business and all of Seller's raw materials, work-in-process, finished products, wrapping, supply and packaging items and similar items with respect to the Business, in each case wherever the same may be located, to the extent listed on Schedule 11.1-b.

"Material Adverse Effect" or ***"Material Adverse Change"*** means any material adverse change or effect on the business, assets, financial condition, or results of operation of Seller or the Business.

"Permitted Encumbrances" means and includes (i) any Encumbrance identified on Schedule 11.1-c and accepted by Buyer; (ii) Encumbrances for Taxes, assessments or other governmental charges or levies that are not yet due or that are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established that are reflected on the Balance Sheet; (iii) statutory Encumbrances of landlords and Encumbrances of carriers, warehousemen, mechanics, materialmen, repairmen and other similar Encumbrances imposed by law arising and anticipated to be paid in the ordinary course of business and which are not individually or in the aggregate material; (iv) Encumbrances incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security legislation; (v) deposits to secure the performance of any of the following: bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a similar nature incurred in the ordinary course of business and disclosed on Schedule 11.1-c; and (vi) easements, rights of way, restrictions and other similar Encumbrances on real property incurred in the ordinary course of business that do not interfere in any material respect with the current use of any Asset subject thereto or the operation of the Business.

"Permits" means all licenses (including engineering licenses), permits, franchises, approvals, authorizations, consents or orders of, or filings with, any governmental authority, whether foreign, federal, state or local, necessary for the conduct of, or relating to the operation of, the Business.

“Person” means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated association, corporation, entity or government (whether federal, foreign, state, county, city or otherwise, including any instrumentality, division, agency or department thereof).

“Representative” means any officer, director, principal, agent, employee or other authorized representative.

“Tax” means any federal, state, local, foreign or other tax, levy, impost, fee, assessment or other government charge, including without limitation income, estimated income, business, occupation, franchise, property, payroll, personal property, sales, transfer, use, employment, commercial rent, occupancy, franchise or withholding taxes, and any premium, including related interest, penalties and additions.

Section 11.2. Other Defined Terms. The following terms will have the meanings defined for such terms in the Sections set forth below:

Term	Section
“Actions”	3.11
“Agreement”	Preamble
“Assumed Contracts”	1.2
“Assumed Liabilities”	1.2
“Basket”	8.2(a)
“Bond”	8.6
“Buyer”	Preamble
“Cash Payment”	1.4(a)
“Claim”	8.2(c)
“Claim Notice”	8.2(c)
“Closing”	2.1
“Closing Statement”	1.5(a)
“Competing Organization”	8.5(a)
“Controlled Group Member”	3.16(a)
“Discounted Vehicles”	1.5(a)
“Employee Benefit Plans”	3.16(a)
“Environmental and Safety Requirements”	3.18(a)
“Escrow Agreement”	1.4(c)
“Escrow Amount”	1.4(a)
“Excluded Liabilities”	1.3
“F&E Amount”	1.5(a)
“Final Closing Statement”	1.6
“Fixed Assets List”	1.5(e)
“General Cap”	8.2(a)
“Geographic Area”	8.5(a)
“Hazardous Substances”	3.18(b)
“IRS”	3.16(c)
“I&DV Amount”	1.5(a)
“Losses”	8.2(a)
“Material Contracts”	3.5(a)
“Noncompete Period”	8.5(a)
“Non-Transferable Asset”	5.5
“Parent”	Preamble
“Proprietary Rights”	3.14
“Purchase Price”	1.4
“Real Property Leases”	3.4
“Rehired Employees”	5.8(a)
“Required Consents”	6.4
“Seller”	Preamble
“Transition Services Agreement”	2.2(a)(v)

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Asset Purchase Agreement to be duly executed and delivered as of the day and year first above written.

BUYER:

ANDREW SYSTEMS INC.

By: /s/ Ralph E. Faison
Name: Ralph E. Faison
Title: President & CEO

SELLER:

ATC TOWER SERVICES, INC.

By: /s/ Steven J. Moskowitz
Name: Steven J. Moskowitz
Title: Executive Vice President

PARENT:

AMERICAN TOWER CORPORATION

By: /s/ Steven J. Moskowitz
Name: Steven J. Moskowitz
Title: Executive Vice President

The undersigned irrevocably, absolutely and unconditionally guarantees to Seller the due, prompt and punctual performance by Buyer under this Agreement and the other agreements to be entered into by Buyer in connection with this Agreement. The undersigned shall not be entitled to claim the defense of Buyer with respect to lack of capacity, power of authority on behalf of Buyer or voluntary or involuntary proceedings by or against Buyer in bankruptcy or for reorganization or other relief under any bankruptcy or insolvency laws and the undersigned unconditionally and irrevocably waives each and every defense which, under principles of guaranty or suretyship law, would operate to impair or diminish the liability of the undersigned in its capacity as guarantor hereunder.

ANDREW CORPORATION

By: /s/ Ralph E. Faison
Name: Ralph E. Faison
Title: President & CEO

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, James D. Taiclet, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Tower Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

By: /S/ JAMES D. TAICLET, JR.

James D. Taiclet, Jr.
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Bradley E. Singer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Tower Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

By: /S/ BRADLEY E. SINGER

Bradley E. Singer
Chief Financial Officer and Treasurer

Exhibit 32

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of American Tower Corporation (the "Company") for the three months ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2004 By: /S/ JAMES D. TAICLET, JR.

James D. Taiclet, Jr.
Chairman, President and Chief Executive Officer

Date: November 8, 2004 By: /S/ BRADLEY E. SINGER

Bradley E. Singer
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.