

SPECTRASITE INC  
Form S-1/A  
September 15, 2003

As filed with the Securities and Exchange Commission on September 15, 2003

Registration No. 333-107123

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

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**Amendment No. 2**  
**to**  
**Form S-1**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

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**SpectraSite, Inc.**

*(Exact name of Registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**4899**  
*(Primary Standard Industrial  
Classification Code Number)*

**56-2027322**  
*(IRS Employer Identification No.)*

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**400 Regency Forest Drive**  
**Cary, North Carolina 27511**  
**(919) 468-0112**  
*(Address, including zip code, and telephone number, including area code,  
of Registrant's principal executive offices)*

**John H. Lynch**  
**Vice President, General Counsel & Secretary**  
**SpectraSite, Inc.**  
**400 Regency Forest Drive**  
**Cary, North Carolina 27511**  
**919-468-0112**  
*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

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**Approximate date of commencement of proposed sale to public:** As soon as practicable after this Registration Statement becomes effective. If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:  \_\_\_\_\_

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:  \_\_\_\_\_

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**CALCULATION OF REGISTRATION FEE**

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<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to Be Registered</b>	<b>Proposed Maximum Offering Price Per Share</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Common Stock, par value \$0.01	10,350,000 shares	\$31.82(1)	329,337,000	\$26,644(2)

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- (1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) of the Securities Act of 1933, based on the average of the high and low sale price of the common stock on September 12, 2003.
- (2) Of which \$24,701 was previously paid.

\_\_\_\_\_

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated September 15, 2003.

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

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

On September 12, 2003, the last reported sale price of our common stock, which is quoted on the OTC Bulletin Board under the ticker symbol SPCS, was \$31.65 per share. See Price Range of Common Stock. Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol SSI.

See Risk Factors on page 8 to read about factors you should consider before buying shares of the common stock.

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

	<u>Per Share</u>	<u>Total</u>
Initial price to public	\$	\$
Underwriting discount	\$	\$
Proceeds to the selling stockholders	\$	\$

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

The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2003.

**Goldman, Sachs & Co.**

**Bear, Stearns & Co. Inc.**

**Citigroup**

**Credit Suisse First Boston**

**Lehman Brothers**

Prospectus dated \_\_\_\_\_, 2003.

**PROSPECTUS SUMMARY**

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

**SpectraSite**

**Overview**

We are one of the largest, in terms of number of towers, and fastest growing, in terms of revenue growth, wireless tower operators in the United States. Our primary business is owning, leasing and licensing antenna sites on wireless and broadcast towers, owning and licensing in-building shared infrastructure systems and managing access to rooftop telecommunications on commercial real estate. For the six months ended June 30, 2003, approximately 95% of our revenues came from our site leasing and licensing operations. We also provide design, fabrication, construction, modification and maintenance services for the broadcast tower industry.

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

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

Our business is characterized by stable and recurring revenues, predictable operating costs and a low level of capital expenditures. We expect to continue to increase our revenues by adding new customers to our towers and by providing additional space to our existing customers. Revenues from our existing customers are expected to grow because of contractual provisions that increase our customers' payments to us on an annual basis. We also experience minimal customer turnover due to long-term customer contracts, the quality of our assets and the significant relocation costs for our existing customers. Approximately 85% of our revenues are derived from the six largest wireless service providers, two of which were responsible for 48% of our revenues in 2002 and the first half of 2003. In addition, we currently operate with the lowest levels of debt and leverage among publicly traded tower companies.

We incurred a net loss of approximately \$9.3 million in the five months ended June 30, 2003 and generated net income of \$345.0 million in the one month ended January 31, 2003. Our net income for the one month ended January 31, 2003 includes non-recurring amounts related to our reorganization, including a gain on debt discharge of approximately \$1.03 billion and reorganization expense items of \$668.6 million. We incurred net losses of approximately \$775.0 million in 2002, \$654.8 million in 2001 and \$157.6 million in 2000. As of December 31, 2002, prior to our emergence from bankruptcy, we had an accumulated deficit of \$1.7 billion and a stockholders' deficit of \$75.1 million.

**Products and Services**

Our business consists of site leasing and licensing operations and broadcast services.

**Site Operations.** As of June 30, 2003, we owned or operated 7,466 wireless towers and in-building systems and 73 broadcast towers. We have major metropolitan market clusters in Los Angeles, Chicago, San Francisco, Philadelphia, Detroit and Dallas. Our principal business is the leasing of space on our antenna sites to wireless carriers, which represents more than 92%

of our monthly site operations revenues. Additionally, we have the exclusive rights to provide in-building systems to wireless carriers in over 300 retail shopping malls, casino/hotel resorts and office buildings. We are also the exclusive site manager for over 10,000 rooftop real estate properties in the United States. Because the costs of operating a tower are largely fixed, we believe that our highest returns will be achieved by leasing and licensing additional space on our existing sites.

**Broadcast Services.** We are a leading provider of broadcast tower analysis, design, fabrication, installation and technical services. We have over 50 years of experience in the broadcast tower industry and have worked on the development of more than 700 broadcast towers, which we believe represent approximately 50% of the existing broadcast towers in the United States.

#### ***Recent Developments***

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

Our operating subsidiaries, including SpectraSite Communications, Inc., or Communications, were not part of the bankruptcy reorganization. Our senior management team remained with the company through the reorganization. After our emergence from bankruptcy, our largest stockholders are affiliates of Apollo Management V, L.P., and certain funds managed by Oaktree Capital Management, LLC. Members of our management team have options representing an aggregate of 10.0% of our common stock on a fully diluted basis.

In order to focus on our core leasing and licensing business, which we refer to as our site operations business, we completed the sale of our network services division on December 31, 2002. In connection with the sale, we reduced the number of our employees by more than 1,000. Also, on February 10, 2003, we sold 545 towers to Cingular. We used all of the net proceeds from the sale of the 545 towers to repay approximately \$73.5 million of outstanding term loans under our credit facility.

### The Offering

Common stock offered by the selling stockholders	9,000,000 shares
Common stock outstanding before and after this offering	47,487,030 shares
Dividend policy	We have not paid any cash dividends on our common stock in the past and currently do not expect to pay dividends or make any other distributions on our common stock in the immediate future.
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholders.
New York Stock Exchange symbol	SSI

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

The number of shares of common stock outstanding before and after this offering excludes 5,462,714 shares of common stock issuable upon exercise of outstanding stock options, an additional 414,450 shares of common stock available for future awards under our equity incentive plan, 2,499,940 shares of common stock issuable upon exercise of outstanding warrants and 135,866 shares of common stock issuable in connection with further distributions pursuant to our plan of reorganization.

Except as otherwise indicated, information regarding the number of shares of our common stock reflects amounts outstanding as of June 30, 2003 and gives effect to our two-for-one stock split that was effected on August 21, 2003.

As of June 30, 2003, the selling stockholders held approximately 69.0% of our outstanding common stock. After giving effect to this offering and assuming the full exercise of the underwriters' option to purchase 1,350,000 additional shares, the selling stockholders will own approximately 47.2% of our outstanding common stock.

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

### Risk Factors

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

### Information About SpectraSite

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

**Summary Consolidated Financial and Other Data**

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

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

The information set forth below should be read in conjunction with Use of Proceeds, Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus. Prior period information has been restated to present the operations of the network services division as a discontinued operation.



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	Predecessor Company(1)				Reorganized Company(1)	
	Year Ended December 31,			Six Months Ended	One Month Ended	Five Months Ended
	2000	2001	2002	June 30, 2002(2)	January 31, 2003(2)	June 30, 2003(2)
(dollars in thousands)						
<b>Statement of Operations</b>						
<b>Data:</b>						
Revenues:						
Site operations	\$ 116,476	\$ 221,614	\$ 282,525	\$ 135,585	\$ 25,556	\$ 128,567
Broadcast services	38,593	38,211	26,809	12,688	1,237	6,988
<b>Total revenues</b>	<b>155,069</b>	<b>259,825</b>	<b>309,334</b>	<b>148,273</b>	<b>26,793</b>	<b>135,555</b>
Operating expenses:						
Costs of operations (excluding depreciation, amortization and accretion expense):						
Site operations	\$ 46,667	\$ 91,689	\$ 108,540	\$ 52,210	\$ 8,840	\$ 42,824
Broadcast services	26,245	29,538	21,158	10,375	1,492	6,427
Selling, general and administrative expenses	51,825	72,431	58,037	30,976	4,280	21,275
Depreciation, amortization and accretion expense(3)	78,103	165,267	189,936	95,263	16,075	42,452
Restructuring and non-recurring charges		142,599	28,570	28,570		
<b>Total operating expenses</b>	<b>202,840</b>	<b>501,524</b>	<b>406,241</b>	<b>217,394</b>	<b>30,687</b>	<b>112,978</b>
Operating income (loss)	\$ (47,771)	\$ (241,699)	\$ (96,907)	\$ (69,121)	\$ (3,894)	\$ 22,577
Gain on debt discharge					1,034,764	
Income (loss) from continuing operations	\$ (163,059)	\$ (660,627)	\$ (338,979)	\$ (200,561)	\$ 1,025,788	\$ (8,670)
<b>Statement of Cash Flows</b>						
<b>Data:</b>						
Net cash provided by (used in) operating activities	\$ 11,365	\$ (12,133)	\$ 36,286	\$ (15,688)	\$ 5,892	\$ 28,550
Net cash provided by (used in) investing activities	(1,108,690)	(984,724)	(69,966)	(59,347)	(2,737)	65,702
Net cash provided by (used in) financing activities	1,612,200	475,751	83,094	88,795	(10,884)	(108,731)
Purchases of property and equipment	658,283	958,945	71,248	48,530	2,737	6,181
<b>Balance Sheet Data (at end of period):</b>						
Cash and cash equivalents	\$ 552,653	\$ 31,547	\$ 80,961	\$ 45,307	\$ 73,442	\$ 58,753
Total assets	3,054,105	3,203,425	2,578,456	2,721,271	2,577,575	1,556,185
Total long-term obligations	1,708,273	2,326,177	792,083	2,477,881	849,350	732,929
Liabilities subject to compromise			1,763,286		1,763,286	
Total stockholders' equity (deficit)	1,224,800	719,345	(75,127)	119,984	(96,678)	681,594

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**Selected Operating Data (at end of period):**

Adjusted EBITDA(4)	\$	21,761	\$	(143,284)	\$	82,100	\$	14,960	\$	11,688	\$	61,959
Number of owned or operated towers		5,030		7,925		8,036		7,994		8,036		7,539

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

business on January 31, 2003 for financial reporting purposes. The periods presented prior to January 31, 2003 have been designated predecessor company and the periods subsequent to January 31, 2003 have been designated reorganized company. As a result of the implementation of fresh start accounting as of January 31, 2003, our financial statements after the effective date are not comparable to our financial statements for prior periods because of differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company.

- (2) On February 10, 2003, we sold 545 towers to Cingular. See Management's Discussion and Analysis of Financial Condition and Results of Operations Tower Acquisitions and Dispositions for a discussion of the impact of the sale of these towers on our results of operations and financial position.
- (3) Depreciation, amortization and accretion expense for the one-month and five-month periods are not proportional because the predecessor company and the reorganized company used different bases of accounting.
- (4) Adjusted EBITDA consists of net income (loss) before depreciation, amortization and accretion, interest, income tax expense (benefit) and, if applicable, before discontinued operations and cumulative effect of change in accounting principle. For the periods prior to January 31, 2003, Adjusted EBITDA also excludes gain on debt discharge, reorganization items and writeoffs of investments in and loans to affiliates. We use a different definition of Adjusted EBITDA for the fiscal periods prior to our reorganization to enable investors to view our operating performance on a consistent basis before the impact on the items discussed above on the predecessor company. Each of these historical items was incurred prior to, or in connection with, our bankruptcy and is excluded from Adjusted EBITDA to reflect, as accurately as possible, the results of our core operations. Management does not expect any of our pre-reorganization items to have a material financial impact on our operations on a going-forward basis because none of these pre-reorganization items is expected to occur in the foreseeable future. Investors may use both of these definitions of Adjusted EBITDA to evaluate and compare the results of our operations from period to period before the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation and amortization) on our operating results. We more fully discuss Adjusted EBITDA and the limitations of this financial measure under Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures Adjusted EBITDA.

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Adjusted EBITDA was calculated as follows for the periods indicated:

	Predecessor Company				Reorganized Company	
	Year Ended December 31,			Six Months Ended	One Month Ended	Five Months Ended
	2000	2001	2002	June 30, 2002	January 31, 2003	June 30, 2003
	(dollars in thousands)					
Net income (loss)	\$ (157,616)	\$ (654,769)	\$ (774,984)	\$ (580,099)	\$ 344,970	\$ (9,266)
Depreciation, amortization and accretion expense	78,103	165,267	189,936	95,263	16,075	42,452
Interest income	(28,391)	(17,037)	(855)	(377)	(137)	(496)
Interest expense	134,664	212,174	226,536	120,492	4,721	27,865
Gain on debt discharge					(1,034,764)	
Writeoff of investments in affiliates		129,404				
Writeoff of loans to affiliates		26,980				
Income tax expense	444	555	1,133	143	5	808
Reorganization items:						
Adjust accounts to fair value					644,688	
Professional and other fees			4,329		23,894	
Loss (income) from operations of discontinued segment, net of income tax expense	(5,443)	(5,858)	12,268	2,785		
Loss on disposal of discontinued segment			46,984			596
Cumulative effect of change in accounting principle			376,753	376,753	12,236	
Adjusted EBITDA	\$ 21,761	\$ (143,284)	\$ 82,100	\$ 14,960	\$ 11,688	\$ 61,959

## RISK FACTORS

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

***We recently emerged from a chapter 11 bankruptcy reorganization, have a history of losses and may not become profitable.***

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

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

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

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

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

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

Our business depends on demand for communications sites from wireless service providers, which in turn, depends on consumer demand for wireless services. A reduction in demand for our communications sites or increased competition for additional customers could have an adverse effect on our business. Our wireless service provider customers lease and license communications sites on our towers based on a number of factors, including the level of demand by consumers for wireless services, the financial condition and access to capital of those providers, the strategy of providers with respect to owning, leasing or sharing

communications sites, available spectrum and related infrastructure, competitive pricing, consolidation among our customers and potential customers, government regulation of communications licenses, changes in telecommunications regulations, the characteristics of each company's technology and geographic terrain. Any decrease in the demand for our communications sites from current levels or in our ability to secure additional customers could decrease our ability to become and remain profitable and could decrease the value of your investment.

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

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

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

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

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

A significant portion of our revenues is derived from a small number of customers. For example, Nextel (including its affiliates) and Cingular represented approximately 28% and 20%, respectively, of our revenues for the year ended December 31, 2002 and 29% and 19%, respectively, of our revenues for the five months ended June 30, 2003. If Nextel, Cingular or any of our other customers were to suffer financial difficulties or were unwilling or unable to perform their obligations under their agreements with us, our revenues could be adversely affected.

In addition, from time to time in the ordinary course of our business, we have experienced conflicts or disputes with some of our customers and lessors. Most of these disputes relate to the interpretation of terms in our contracts. While we seek to resolve conflicts amicably and have generally resolved customer disputes on commercially reasonable terms, these disputes could lead to increased tensions and damaged relationships with these entities. In some cases, a dispute could result in a termination of our contracts with customers or lessors, some of whom

are key to our business. In addition, if we are unable to resolve these differences amicably, we may be forced to litigate these disputes in order to enforce or defend our rights. Damaged or terminated relationships with our key customers, or any related litigation, could hurt our business and lead to decreased revenues (including as a result of losing a customer or lessor) or increased costs, any of which may have a negative impact on our operating results.

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

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

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

other independent tower operators; and

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

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

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

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

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

Our business depends on our ability to modify towers and add new customers as they expand their tower network infrastructure. Regulatory and other barriers could adversely affect

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

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

We have agreed to complete the lease or sublease of 600 towers from SBC between May 2003 and August 2004. The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties, divert managerial attention or require significant financial resources. These leases or subleases and other future acquisitions may require us to incur additional indebtedness and contingent liabilities, which may limit our revenue growth and our ability to achieve or sustain profitability. Alternatively, these acquisitions may be financed through the issuance of additional equity, which would dilute your interest as a stockholder. Moreover, any future acquisitions may not generate any additional income for us or provide any benefit to our business.

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

After giving effect to the offering, affiliates of Apollo Management V, L.P. will own approximately 8.3 million shares, or 17.4%, of our common stock and certain funds managed by Oaktree Capital Management, LLC will own approximately 7.2 million shares, or 15.2%, of our common stock. Two of our directors are associated with these stockholders. As a result, Apollo and Oaktree could exert significant influence over our management and policies and may have interests that are different from yours.

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

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

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

We are subject to a variety of regulations, including those at the federal, state and local levels. Both the FCC and the FAA regulate towers and other sites used for wireless communications transmitters and receivers. See Business Regulatory and Environmental Matters. In addition, under the FCC's rules, we are fully liable for the acts or omissions of our



contractors. We generally indemnify our customers against any failure by us to comply with applicable standards. Our failure to comply with any applicable laws and regulations (including as a result of acts or omissions of our contractors, which may be beyond our control) may lead to monetary forfeitures or other enforcement actions, as well as civil penalties, contractual liability and tort liability and, in some cases, losing our right to conduct some of our business, any of which could have an adverse impact on our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Even after our recent restructuring, we are, and may continue to be, highly leveraged. As of June 30, 2003, we had \$680.2 million of consolidated indebtedness. Our high level of indebtedness could have important negative consequences for us. For example, it could:

increase our vulnerability to general adverse economic and industry conditions;

limit our ability to obtain additional financing;

require the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, reducing available cash flow to fund other projects;

limit our flexibility in planning for, or reacting to, changes in our business and the industry; and

place us at a competitive disadvantage relative to less leveraged competitors.

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

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

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

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

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

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

incur additional debt;

pay dividends and make other restricted payments;

create liens;

make investments;

engage in sales of assets and subsidiary stock;

enter into sale-leaseback transactions;

enter into transactions with affiliates;

transfer all or substantially all of our assets or enter into merger or consolidation transactions; and

make capital expenditures.

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

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

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any earnings to finance the development and expansion of our business, and we

do not anticipate paying any cash dividends on our common stock in the immediate future. In addition, our credit facility and the indenture governing our senior notes restrict our ability to pay dividends. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that our Board of Directors considers relevant. Furthermore, Communications credit facility imposes restrictions on our subsidiaries ability to distribute cash to us. As a holding company, we are dependent on our subsidiaries, including primarily Communications, for our cash flow. If Communications is unable to distribute cash to us for any reason, including due to restrictions in the credit facility, we would be unable to pay dividends or possibly to satisfy our obligations under our debt instruments.

***Sales of our common stock after this offering could adversely affect our stock price.***

Sales of a substantial number of shares of our common stock into the public market after this offering, or the perception that these sales could occur, could adversely affect our stock price. As of June 30, 2003, we had 47,487,030 shares of common stock outstanding. We have reserved an additional 135,866 shares of common stock issuable in connection with further distributions pursuant to our plan of reorganization. We have also reserved an additional 5,877,164 shares of common stock for issuance under our stock option plan and 2,499,940 shares of common stock for issuance upon the exercise of warrants. All of our outstanding shares of common stock, as well as the shares of common stock issuable in connection with our emergence from bankruptcy and upon exercise of outstanding stock options and warrants, are or will be freely tradable without restriction or further registration under the federal securities laws, except to the extent they are held by one or our affiliates, as that term is defined in Rule 144 under the Securities Act. Upon the completion of this offering, the selling stockholders will together hold approximately 50.0% of the outstanding shares of our common stock, or approximately 47.2% if the underwriters over-allotment option is exercised in full. After the expiration of the 120 day lock-up period to which all of the selling stockholders and our directors and executive officers are subject, these individuals and entities will be entitled to dispose of their remaining shares, although the shares of common stock held by our affiliates will continue to be subject to the volume and other restrictions of Rule 144 under the Securities Act. In addition, Goldman, Sachs & Co. may, in its sole discretion and at any time without notice, release all or a portion of the shares subject to the lock-up. The shares that are released from the lock-up will be freely tradable without restriction or further registration under the federal securities laws, except to the extent they are held by one of our affiliates.

After giving effect to the sale of common stock in this offering (and assuming that the underwriters do not exercise the over-allotment option granted to them by the selling stockholders), three stockholders holding an aggregate of approximately 20.4 million shares of our common stock (including shares issuable upon the exercise of outstanding options) have the right (subject to limited conditions) to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Sales by these stockholders in a registered public offering would not be subject to the limitations of Rule 144 under the Securities Act. By exercising their registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline.

### FORWARD-LOOKING STATEMENTS

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

substantial leverage and capital requirements, even after our emergence from chapter 11;

dependence on demand for wireless communications;

our ability to add customers on our towers;

material adverse changes in economic conditions in the markets we serve;

future regulatory actions and conditions in our operating areas;

competition from others in the communications tower industry;

technological innovation;

the integration of our operations with those of towers or businesses we have acquired or may acquire in the future and the realization of the expected benefits;

dependence upon a small number of significant customers;

disputes with our current and prospective customers and lessors;

the need for additional financing to provide operating and growth capital; and

other risks and uncertainties as may be detailed from time to time in our public announcements and SEC filings.

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

**USE OF PROCEEDS**

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

**PRICE RANGE OF COMMON STOCK**

Our common stock was initially available for trading on the Pink Sheets as of February 11, 2003 and now trades on the OTC Bulletin Board under the ticker symbol SPCS. Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol SSI.

The following table sets forth on a per share basis the high and low sales prices for consolidated trading in our common stock as reported on the Pink Sheets or OTC Bulletin Board, as applicable, through September 12, 2003. Historical prices are adjusted to give effect to our two-for-one stock split effected August 21, 2003.

	Common Stock	
	High	Low
<b>2003</b>		
First quarter (beginning February 11, 2003)	\$ 16.00	\$ 12.25
Second quarter	\$ 27.05	\$ 14.00
Third quarter (through September 12, 2003)	\$ 34.50	\$ 24.88

As of September 12, 2003, there were approximately eleven holders of record of our common stock, including record holders on behalf of an indeterminate number of beneficial owners. On September 12, 2003, the last reported sale price of our common stock price was \$31.65.

**DIVIDEND POLICY**

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

## CAPITALIZATION

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

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

	As of June 30, 2003(1)
	(dollars in thousands)
Cash and cash equivalents	\$ 58,753
Long-term debt:	
Credit facility(2)	\$ 479,955
8 1/4% senior notes due 2010	200,000
Other debt	281
Total long-term debt	680,236
Stockholders' equity:	
Common Stock, \$0.01 par value, 250,000,000 shares authorized, 47,487,030 issued and outstanding(3)	475
Additional paid-in-capital	686,861
Accumulated other comprehensive income	3,524
Accumulated deficit	(9,266)
Total stockholders' equity	681,594
Total capitalization	\$ 1,361,830

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- (1) Our capitalization as of June 30, 2003 does not give effect to the estimated expenses of \$1.0 million payable by us in connection with this offering.
- (2) The credit facility includes a revolving credit facility, a multiple draw term loan and a term loan. As of June 30, 2003, the revolving credit facility was undrawn and the term loans were fully drawn with outstanding balances of \$204.8 million under the multiple draw term loan and \$275.2 million under the term loan. The weighted average interest rate on outstanding borrowings under the credit facility was 4.83% as of June 30, 2003.
- (3) As of June 30, 2003, we had 47,487,030 shares outstanding. An additional 135,866 shares are subject to issuance pursuant to further distributions under our plan of reorganization. In addition, as of June 30, 2003, we have 2,499,940 shares of common stock reserved for issuance upon exercise of warrants at an exercise price of \$16.00 per share. As of June 30, 2003, options to purchase 5,462,714 shares of our common stock are outstanding and 414,450 shares are available for future awards under our equity incentive plan.

**SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

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

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

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

The information set forth below should be read in conjunction with Use of Proceeds, Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus. Prior period information has been restated to present the operations of the network services division as a discontinued operation.



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	Predecessor Company(1)					Reorganized Company (1)(2)		
	Year Ended December 31,					Six Months Ended	One Month Ended	Five Months Ended
	1998	1999	2000	2001	2002	June 30, 2002(2)	January 31, 2003(2)	June 30, 2003
(dollars and shares in thousands, except per share amounts)								
<b>Statement of Operations Data:</b>								
Revenues:								
Site operations	\$ 656	\$ 46,515	\$ 116,476	\$ 221,614	\$ 282,525	\$ 135,585	\$ 25,556	\$ 128,567
Broadcast services	8,142	12,624	38,593	38,211	26,809	12,688	1,237	6,988
<b>Total revenues</b>	<b>8,798</b>	<b>59,139</b>	<b>155,069</b>	<b>259,825</b>	<b>309,334</b>	<b>148,273</b>	<b>26,793</b>	<b>135,555</b>
Operating expenses:								
Costs of operations (excluding depreciation, amortization and accretion expense):								
Site operations	299	17,825	46,667	91,689	108,540	52,210	8,840	42,824
Broadcast services	2,492	5,572	26,245	29,538	21,158	10,375	1,492	6,427
Selling, general and administrative expenses	9,690	31,243	51,825	72,431	58,037	30,976	4,280	21,275
Depreciation, amortization and accretion expense(3)	1,268	32,038	78,103	165,267	189,936	95,263	16,075	42,452
Restructuring and non-recurring charges		7,727		142,599	28,570	28,570		
<b>Total operating expenses</b>	<b>13,749</b>	<b>94,405</b>	<b>202,840</b>	<b>501,524</b>	<b>406,241</b>	<b>217,394</b>	<b>30,687</b>	<b>112,978</b>
Operating income (loss)	\$ (4,951)	\$ (35,266)	\$ (47,771)	\$ (241,699)	\$ (96,907)	\$ (69,121)	\$ (3,894)	\$ 22,577
Gain on debt discharge							1,034,764	
Income (loss) from continuing operations	(9,079)	(94,282)	(163,059)	(660,627)	(338,979)	(200,561)	1,025,788	(8,670)
Reorganization items:								
Adjust accounts to fair value							(644,688)	
Professional and other fees							(23,894)	
Income (loss) from discontinued operations		(3,386)	5,443	5,858	(59,252)	(2,785)		(596)
Cumulative effect of change in accounting principle					(376,753)	(376,753)	(12,236)	
Net income (loss)	\$ (9,079)	\$ (97,668)	\$ (157,616)	\$ (654,769)	\$ (774,984)	\$ (580,099)	\$ 344,970	\$ (9,266)
Net income (loss) applicable to common stockholders	\$ (11,235)	\$ (98,428)	\$ (157,616)	\$ (654,769)	\$ (774,984)	\$ (580,099)	\$ 344,970	\$ (9,266)
Net loss per share (basic and diluted)	\$ (11.98)	\$ (12.48)	\$ (1.31)	\$ (4.36)	\$ (5.03)	\$ (3.77)	\$ 2.24	\$ (0.20)
Weighted average common shares outstanding (basic and diluted)	938	7,886	120,731	150,223	153,924	153,834	154,014	47,216

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**Statement of Cash Flows**

<b>Data:</b>								
Net cash provided by (used in) operating activities	\$ (2,347)	\$ 17,555	\$ 11,365	\$ (12,133)	\$ 36,286	\$ (15,688)	\$ 5,892	\$ 28,550
Net cash provided by (used in) investing activities	(45,002)	(813,225)	(1,108,690)	(984,724)	(69,966)	(59,347)	(2,737)	65,702
Net cash provided by (used in) financing activities	144,663	733,900	1,612,200	475,751	83,094	88,795	(10,884)	(108,731)
Purchases of property and equipment	26,598	644,778	658,283	958,945	71,248	48,530	2,737	6,181
<b>Balance Sheet Data (at end of period):</b>								
Cash and cash equivalents	\$ 114,962	\$ 37,778	\$ 552,653	\$ 31,547	\$ 80,961	\$ 45,307	\$ 73,442	\$ 58,753
Total assets	161,946	1,219,953	3,054,105	3,203,425	2,578,456	2,721,271	2,577,575	1,556,185
Total long-term obligations	132,913	716,639	1,708,273	2,326,177	792,083	2,477,881	849,350	732,929
Liabilities subject to compromise					1,763,286		1,763,286	
Redeemable convertible preferred stock	40,656							
Total stockholders' equity (deficit)	(14,067)	457,756	1,224,800	719,345	(75,127)	119,984	(96,678)	681,594

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	Predecessor Company(1)					Reorganized Company (1)(2)		
	Year Ended December 31,					Six Months Ended	One Month Ended	Five Months Ended
	1998	1999	2000	2001	2002	June 30, 2002(2)	January 31, 2003(2)	June 30, 2003
(dollars and shares in thousands, except per share amounts)								
<b>Selected Operating Data (at end of period):</b>								
Adjusted EBITDA(4)	\$ (3,210)	\$ (3,682)	\$ 21,761	\$ (143,284)	\$ 82,100	\$ 14,960	\$ 11,688	\$ 61,959
Number of owned or operated towers	106	2,765	5,030	7,925	8,036	7,994	8,036	7,539

- (1) On February 10, 2003, we emerged from chapter 11. In accordance with AICPA Statement of Position 90-7 Financial Reporting by Entities in Reorganization Under the Bankruptcy Code ( SOP 90-7 ), we adopted fresh start accounting as of January 31, 2003 and our emergence from chapter 11 resulted in a new reporting entity. Under fresh start accounting, the reorganization value of the entity is allocated to the entity's assets based on fair values, and liabilities are stated at the present value of amounts to be paid determined at appropriate current interest rates. The net effect of all fresh start accounting adjustments resulted in a charge of \$644.7 million, which is reflected in the statement of operations for the one month ended January 31, 2003. The effective date is considered to be the close of business on January 31, 2003 for financial reporting purposes. The periods presented prior to January 31, 2003 have been designated predecessor company and the periods subsequent to January 31, 2003 have been designated reorganized company. As a result of the implementation of fresh start accounting as of January 31, 2003, our financial statements after the effective date are not comparable to our financial statements for prior periods because of differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company.
- (2) On February 10, 2003, we sold 545 towers to Cingular. See Management's Discussion and Analysis of Financial Condition and Results of Operations Tower Acquisitions and Dispositions for a discussion of the impact of the sale of these towers on our results of operations and financial position.
- (3) Depreciation, amortization and accretion expense for the one-month and five-month periods are not proportional because the predecessor company and the reorganized company used different bases of accounting.
- (4) Adjusted EBITDA consists of net income (loss) before depreciation, amortization and accretion, interest, income tax expense (benefit) and, if applicable, before discontinued operations and cumulative effect of change in accounting principle. For the periods prior to January 31, 2003, Adjusted EBITDA also excludes gain on debt discharge, reorganization items and writeoffs of investments in and loans to affiliates. We use a different definition of Adjusted EBITDA for the fiscal periods prior to our reorganization to enable investors to view our operating performance on a consistent basis before the impact of the items discussed above on the predecessor company. Each of these historical items was incurred prior to, or in connection with, our bankruptcy and is excluded from Adjusted EBITDA to reflect, as accurately as possible, the results of our core operations. Management does not expect any of our pre-reorganization items to have a material financial impact on our operations on a going-forward basis because none of these pre-reorganization items is expected to occur in the foreseeable future. Investors may use both of these definitions of Adjusted EBITDA to evaluate and compare the results of our operations from period to period before the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation and amortization) on our operating results. We discuss Adjusted EBITDA and the limitations of this financial measure

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more fully under Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures Adjusted EBITDA.

Adjusted EBITDA was calculated as follows for the periods indicated:

	Predecessor Company					Reorganized Company		
	Year Ended December 31,					Six Months	One Month	Five Months
	1998	1999	2000	2001	2002	Ended June 30, 2002	Ended January 31, 2003	Ended June 30, 2003
	(dollars in thousands)							
Net income (loss)	\$ (9,079)	\$ (97,668)	\$ (157,616)	\$ (654,769)	\$ (774,984)	\$ (580,099)	\$ 344,970	\$ (9,266)
Depreciation, amortization and accretion expense	1,268	32,038	78,103	165,267	189,936	95,263	16,075	42,452
Interest income	(3,569)	(8,951)	(28,391)	(17,037)	(855)	(377)	(137)	(496)
Interest expense	8,170	67,513	134,664	212,174	226,536	120,492	4,721	27,865
Gain on debt discharge							(1,034,764)	
Writeoff of investments in affiliates				129,404				
Writeoff of loans to affiliates				26,980				
Income tax expense			444	555	1,133	143	5	808
Reorganization items:								
Adjust accounts to fair value							644,688	
Professional and other fees					4,329		23,894	
Loss (income) from operations of discontinued segment, net of income tax expense		3,386	(5,443)	(5,858)	12,268	2,785		
Loss on disposal of discontinued segment					46,984			596
Cumulative effect of change in accounting principle					376,753	376,753	12,236	
Adjusted EBITDA	\$ (3,210)	\$ (3,682)	\$ 21,761	\$ (143,284)	\$ 82,100	\$ 14,960	\$ 11,688	\$ 61,959

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

**Business Overview**

We are one of the largest, in terms of number of towers, and fastest growing, in terms of revenue growth, wireless tower operators in the United States. Our primary business is owning, leasing and licensing antenna sites on wireless and broadcast towers, owning and licensing in-building shared infrastructure systems and managing rooftop telecommunications access on commercial real estate. We also provide design, construction, modification and maintenance services for the broadcast tower industry. After the sale of 545 towers to Cingular, we owned or operated 7,539 towers and in-building systems as of June 30, 2003, located primarily in the top 100 BTA markets in the United States.

On December 31, 2002, we completed the sale of our network services division. Network services revenues for the years ended December 31, 2001 and 2002 were \$213.1 million and \$136.2 million, respectively, and \$77.6 million for the six months ended June 30, 2002. In conjunction with the sale, we recorded a loss on disposal of the network services division of \$47.0 million. The results of the network services operations have been reported separately as discontinued operations in the statements of operations. Prior period financial statements have been restated to present the operations of the division as a discontinued operation.

For the five months ended June 30, 2003, approximately 95% of our revenues came from our site operations business and approximately 5% of our revenues came from our broadcast services division. Factors affecting the growth in our site operations revenues include, among other things, the rate at which wireless carriers choose to deploy capital to improve and expand their wireless networks and contractual escalation clauses associated with existing site leasing and licensing agreements. We expect our broadcast service revenues to continue to approximate 5% of our revenues in the immediate future.

During the last six months, we have experienced a decline in revenues in our broadcast services division as compared to prior periods. This decline is attributable to reduced demand from our primary customers in the radio and television broadcast industries. In addition to lower revenues, Adjusted EBITDA for the broadcast services division for the three and five months ended June 30, 2003 and the one month ended January 31, 2003 were (\$0.6) million, (\$0.4) million and (\$0.5) million, respectively, compared to Adjusted EBITDA of (\$0.7) million and (\$0.8) million for the three months and six months ended June 30, 2002, respectively. Certain of our competitors in this industry have experienced similar business declines and one competitor has recently discontinued its broadcast services operation. Our Board of Directors has initiated an effort to evaluate whether similar actions may be required. In the event that our Board of Directors decides to discontinue our broadcast services business, we estimate that the resulting loss could be as much as \$20.0 million, depending on the nature of the disposition.

We generate site operations revenues primarily from wireless communication and broadcast companies by leasing and licensing space on our towers and access to our in-building neutral host distributed antenna systems. Our site operations business consists of our wireless segment and the broadcast leasing component of our broadcast segment. Typically, our site leasing and licensing agreements are specific to each site and are for the initial term of five to ten years, renewable for additional pre-determined periods at the option of the customer. Payments under leasing and licensing agreements are generally paid on a monthly basis, and revenue from each agreement is recorded monthly. Rate increases based on fixed escalation clauses included in certain lease and licensing agreements are recognized on a straight-line basis over the terms of

the agreement. We also generate revenue by providing engineering and site inspection services to our customers for a fee. Revenues from fees originate at the time the customer applies for space on our towers or we provide certain services required in order to process the customer's application. Additionally, we generate revenues related to the management of sites on rooftops. Under each site management agreement, we are entitled to a fee based on a percentage of the gross revenue derived from the rooftop site subject to the agreement. We recognize this fee as revenue when earned.

Broadcast services revenues consist of fees from construction contracts that are either fixed priced or on a time and materials basis. For the time and material contracts, revenues are recognized as services are performed. For long-term construction contracts primarily related to the construction of broadcast towers, revenues are recognized under the percentage-of-completion method. Design, construction and fabrication services are provided to the customer's specifications. Costs to complete projects can be reasonably estimated. Revenues are recognized by the percentage of contract cost incurred to date compared to estimated total contract cost.

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

Costs of operations related to broadcast services revenue include the direct costs of the fabrication, construction, modification and maintenance services that we provide. These costs include labor, subcontractors, materials, equipment rental and engineering services. The profit margins for broadcast services are highly susceptible to changes in service mix and demand. A substantial decline in capital expenditures by our broadcast customers in 2003 has adversely affected our broadcast services profit margins. Our declining profit margin in the broadcast services sector is primarily due to uncertainties regarding the requirements and timing for multicasting of digital television. These uncertainties have caused broadcasters to delay their capital expenditures for new construction and make minimum modifications to their towers.

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

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

On November 15, 2002, we filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of North Carolina, Raleigh Division. On November 18, 2002, we filed a Proposed Plan of Reorganization with the Bankruptcy Court. A plan confirmation hearing was held on January 28, 2003, and the Proposed Plan of Reorganization, as modified on that date (the Plan of Reorganization), was confirmed by the Bankruptcy Court. All conditions precedent to the effectiveness of the Plan of Reorganization were met by February 10, 2003, thereby allowing us to emerge from bankruptcy.

Our emergence from bankruptcy and adoption of fresh start accounting resulted in the extinguishment of \$1.76 billion of indebtedness and significantly reduced our interest expense and our depreciation, amortization, and accretion expense. In addition to our reorganization, we have taken a number of other measures to minimize the potential net losses in the future, including the sale of non-performing assets and the reduction of overhead and capital expenditures.

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

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

### **Tower Acquisitions and Dispositions**

Our portfolio has grown from 106 towers as of December 31, 1998, to 7,539 towers and in-building systems as of June 30, 2003. We have accomplished this growth through acquisitions or new construction (principally pursuant to build-to-suit arrangements). The majority of our towers were acquired from (or built under agreements with) affiliates of SBC Communications and Nextel.

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

For the one month ended January 31, 2003, these towers represented \$1.2 million of a total of \$25.6 million of site operations revenues and \$0.5 million of a total of \$8.8 million of costs of site operations, excluding depreciation, amortization and accretion expense. For the five months

ended June 30, 2003, these towers represented \$0.4 million of a total of \$128.6 million of site operations revenues and \$0.2 million of a total of \$42.8 million in costs of site operations, excluding depreciation, amortization and accretion expense. For the six months ended June 30, 2002 the same towers represented \$5.4 million of a total of \$135.6 million of site operations revenues and \$2.9 million of a total of \$52.2 million in costs of site operations, excluding depreciation, amortization and accretion expense.

We remain contractually obligated to purchase an additional 600 towers from SBC from May 2003 through August 2004 for an aggregate purchase price of approximately \$156 million. These commitments will require approximately \$78 million in each of 2003 and 2004.

### Results of Operations

#### *Five Months Ended June 30, 2003, One Month Ended January 31, 2003 and the Six Months Ended June 30, 2002*

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

Consolidated revenues for the five months ended June 30, 2003 and the one month ended January 31, 2003 were \$135.6 million and \$26.8 million, respectively. Consolidated revenues for the six months ended June 30, 2002 were \$148.3 million. Site operations revenues were \$128.6 million and \$25.6 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Site operations revenues were \$135.6 million for the six months ended June 30, 2002. Wireless revenues were \$119.4 million and \$23.8 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Wireless revenues were \$126.1 million for the six months ended June 30, 2002. Revenues from broadcast leasing were \$9.2 million and \$1.8 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Revenues from broadcast leasing were \$9.5 million for the six months ended June 30, 2002. Revenues in 2003 were primarily affected by incremental revenue in 2003 from new customers on towers that were part of our portfolio on June 30, 2002, revenues derived from towers acquired or built subsequent to June 30, 2002 and increases in fee revenues, offset by reductions in revenues relating to the 545 SBC towers sold in February 2003. Based on trailing twelve-months revenue on the towers that we owned or operated as of June 30, 2002 and June 30, 2003, same tower revenue growth was 15%. After the sale of 545 towers to Cingular, we owned or operated 7,539 towers and in-building systems at June 30, 2003, as compared to 7,994 towers and in-building systems at June 30, 2002.

Revenues from broadcast services were \$7.0 million and \$1.2 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Revenues from broadcast services were \$12.7 million in the six months ended June 30, 2002. Our declining profit margin in the broadcast services sector is primarily due to uncertainties regarding the requirements and timing for multicasting of digital television. These uncertainties have caused broadcasters to delay their capital expenditures for new construction and make minimum modifications to their towers.

Costs of operations, excluding depreciation, amortization and accretion expenses, were \$49.3 million and \$10.3 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Costs of operations, excluding depreciation, amortization and accretion expenses, were \$62.6 million for the six months ended June 30, 2002. Costs of



operations, excluding depreciation, amortization and accretion expenses, for site operations were \$42.8 million and \$8.8 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Costs of operations, excluding depreciation, amortization and accretion expenses, for site operations were \$52.2 million for the six months ended June 30, 2002. Costs of operations, excluding depreciation, amortization and accretion expenses, for the wireless segment were \$41.8 million and \$8.7 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Costs of operations, excluding depreciation, amortization and accretion expenses, for the wireless segment were \$50.0 million for the six months ended June 30, 2002. Costs of operations, excluding depreciation, amortization and accretion expenses, for the wireless segment as a percentage of wireless segment revenues were 35.0% for the five months ended June 30, 2003, 36.3% for the one month ended January 31, 2003 and 39.6% for the six months ended June 30, 2002. Broadcast leasing costs of operations, excluding depreciation, amortization and accretion expenses, were \$1.0 million and \$0.1 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Broadcast leasing costs of operations, excluding depreciation, amortization and accretion expenses, were \$2.2 million for the six months ended June 30, 2002. Broadcast leasing costs of operations, excluding depreciation, amortization and accretion expenses, as a percentage of broadcast leasing revenues were 10.9%, 10.6% and 23.6% for the five months ended June 30, 2003, the one month ended January 31, 2003 and the six months ended June 30, 2002, respectively. Costs of operations, excluding depreciation, amortization and accretion expenses, for the wireless and broadcast leasing segments in 2003 were primarily affected by increased revenues generated from new customers on existing towers. As our wireless and broadcast leasing operations mature, we expect that additional customers on towers will generate increases in our margins for wireless and broadcast leasing operations and in cash flow because a significant percentage of tower operating costs are fixed and do not increase with additional customers.

Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast services were \$6.4 million and \$1.5 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast services were \$10.4 million for the six months ended June 30, 2002. Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast services as a percentage of broadcast services revenues were 92.0% for the five months ended June 30, 2003, 120.6% for the one month ended January 31, 2003 and 81.8% for the six months ended June 30, 2002. Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast services in 2003 were primarily affected by lower revenue volumes in 2003.

Selling, general and administrative expenses were \$21.3 million and \$4.3 million for the five months ended June 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative expenses were \$31.0 for the six months ended June 30, 2002. Selling, general and administrative expenses were 15.7% and 16.0% of total revenues for the five months ended June 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative expenses were 20.9% of total revenues for the six months ended June 30, 2002. Selling, general and administrative expenses were primarily affected in amount and as a percentage of revenues as a result of cost cutting measures that were implemented late in 2002 across all segments of the business.

Site operations selling, general and administrative expenses were \$10.1 million and \$2.2 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Site operations selling, general and administrative expenses were \$14.7 million for the six months ended June 30, 2002. Selling, general and administrative expenses for our wireless segment were \$9.4 million and \$2.1 million for the five months ended June 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative

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expenses for this segment were \$13.8 million for the six months ended June 30, 2002. Selling, general and administrative expenses for our wireless segment were 7.9% and 8.9% of wireless revenues for the five months ended June 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative expenses for this segment were 10.9% of wireless revenues for the six months ended June 30, 2002. Selling, general and administrative expenses for the broadcast leasing component of our broadcast segment were \$0.7 million and \$0.1 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Selling, general and administrative expenses for this component were \$0.9 million for the six months ended June 30, 2002. Selling, general and administrative expenses for the broadcast leasing component of our broadcast segment as a percentage of broadcast leasing revenues were 9.0% and 6.2% for the five months ended June 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative expenses for this component as a percentage of broadcast leasing revenues were 9.1% for the six months ended June 30, 2002.

Selling, general and administrative expenses for the broadcast services component of our broadcast segment were \$1.0 million and \$0.3 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Selling, general and administrative expenses for this component were \$1.9 million for the six months ended June 30, 2002. Selling, general and administrative expenses for the broadcast services component of our broadcast segment were 13.8% and 22.4% of broadcast services revenues for the five months ended June 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative expenses for this component were 15.2% of broadcast services revenues for the six months ended June 30, 2002.

Selling, general and administrative expenses not specific to the above business segments were \$10.2 million and \$1.8 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Selling, general and administrative expenses not specific to the above business sectors were \$14.4 million for the six months ended June 30, 2002. Selling, general and administrative expenses not specific to the above business sectors were 7.5% and 6.6% of total revenues for the five months ended June 30, 2003 and the one-month ended January 31, 2003, respectively. Selling, general and administrative expenses not specific to the above business sectors were 9.7% of total revenues for the six months ended June 30, 2002.

As a result of the factors discussed above, Adjusted EBITDA was \$62.0 million and \$11.7 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Adjusted EBITDA was \$15.0 million for the six months ended June 30, 2002.

Adjusted EBITDA for site operations was \$72.6 million and \$14.0 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Adjusted EBITDA for site operations was \$39.5 million for the six months ended June 30, 2002. Adjusted EBITDA for our wireless segment was \$65.2 million and \$12.6 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Adjusted EBITDA for this segment was \$35.8 million for the six months ended June 30, 2002. Adjusted EBITDA for the broadcast leasing component of our broadcast segment was \$7.4 million and \$1.4 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. EBITDA for this component was \$3.7 million for the six months ended June 30, 2002.

Adjusted EBITDA for the broadcast services component of our broadcast segment were (\$0.4) million and (\$0.5) million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Adjusted EBITDA for this component was (\$0.8) million for the six months ended June 30, 2002.

Depreciation, amortization and accretion expenses were \$42.5 million and \$16.1 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively.

Depreciation, amortization and accretion expenses were \$95.3 million for the six months ended June 30, 2002. Depreciation, amortization and accretion expenses for 2003 were affected primarily by the implementation of fresh start accounting, which reduced the depreciable bases of property and equipment by \$957.2 million, resulting in decreased depreciation expense, offset by an increase in amortization expense relating to customer contracts and an increase in accretion of the asset retirement obligation.

In May 2002, we announced that we would terminate our build-to-suit programs with Cingular and other carriers and implement other cost-cutting measures as a part of the curtailment of tower development activities. As a result of these actions, we recorded restructuring charges of \$24.3 million in the six months ended June 30, 2002. Of this amount, \$16.4 million was related to the write-off of work in progress related to sites in development that were terminated, \$3.2 million was related to the costs of closing offices and \$4.7 million was related to the costs of employee severance. In addition, we recorded a non-recurring impairment charge of \$4.3 million in the six months ended June 30, 2002 to write-down the carrying value of 21 towers that were not marketable. The charge was based on the difference between the carrying value and the estimated discounted cash flows of the towers.

Interest income was \$0.5 million and \$0.1 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Interest income was \$0.4 million in the six months ended June 30, 2002. Interest income for 2003 was affected by higher cash balances on hand and lower interest rates. Interest expense was \$27.9 million and \$4.7 million for the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. Interest expense was \$120.5 million for the six months ended June 30, 2002. Interest expense in 2003 was affected by the extinguishment of indebtedness pursuant to our Plan of Reorganization and a reduction of amounts outstanding under our credit facility, offset by increases in interest expense as a result of the issuance of the 8 1/4% Senior Notes due 2010 and writeoffs of \$8.2 million of debt issuance costs resulting from prepayments of amounts outstanding under our credit facility.

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

Other income (expense) was a net expense of \$3.1 million and \$0.5 million in the five months ended June 30, 2003 and the one month ended January 31, 2003, respectively. In the five months ended June 30, 2003, this amount consisted primarily of \$1.7 million of loss on sale of assets and \$0.6 million related to the writedown of our interest rate cap to fair value. For the one month ended January 31, 2003, this amount consisted of \$0.6 million related to losses from investments in affiliates accounted for under the equity method offset by a gain on sale of assets of \$0.1 million. Other income (expense) was a net expense of \$11.2 million in the six months ended June 30, 2002. Of this amount, \$9.3 million was related to expenses associated with the proposed debt tender and exchange offers, \$0.1 million related to losses from investments in affiliates accounted for under the equity method and \$1.8 million was related to losses on sale of assets.

In accordance with AICPA Statement of Position 90-7 *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* ( SOP 90-7 ), the Company adopted fresh start accounting as of January 31, 2003, and the Company's emergence from bankruptcy resulted in a new reporting entity. Under fresh start accounting, the reorganization value of the entity is allocated to the entity's assets based on fair values, and liabilities are stated at the present value of amounts to be paid determined at appropriate current interest rates. The net effect of all fresh start accounting adjustments resulted in a charge of \$644.7 million, which is recorded in the one

month ended January 31, 2003. In addition, we incurred costs directly associated with the chapter 11 proceedings of \$23.9 million in the one month ended January 31, 2003. These costs are included in reorganization items in the unaudited condensed consolidated statement of operations.

Loss on disposal of discontinued segment was \$0.6 million in the five months ended June 30, 2003. This amount consisted of the settlement of a disputed item related to the disposal of our network services business. This segment was sold on December 31, 2002.

Loss from operations of discontinued segment was \$2.8 million in the six months ended June 30, 2002. This segment was sold on December 31, 2002.

As a result of the factors discussed above, net loss for the five months ended June 30, 2003 was \$9.3 million, and net income for the one month ended January 31, 2003 was \$345.0 million. Net loss for the six months ended June 30, 2002 was \$580.1 million.

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

Consolidated revenues increased to \$309.3 million for the year ended December 31, 2002 from \$259.8 million for the year ended December 31, 2001. Site operations revenues were \$282.5 million for the year ended December 31, 2002 as compared to \$221.6 million for the year ended December 31, 2001. Revenues from wireless operations increased to \$261.2 million for the year ended December 31, 2002 from \$210.2 million for the year ended December 31, 2001. Revenues from broadcast leasing increased to \$21.3 million for the year ended December 31, 2002 from \$11.4 million for the year ended December 31, 2001. The increase was primarily a result of incremental revenue in 2002 from new customers on towers that were part of our portfolio on December 31, 2001 and revenues derived from towers acquired in 2001 and 2002. Based on trailing twelve-months revenue on the towers that we owned or operated as of December 31, 2001, same tower revenue growth was 18%. We owned or operated 8,036 towers at December 31, 2002, as compared to 7,925 towers at December 31, 2001.

Revenues from broadcast services decreased to \$26.8 million for the year ended December 31, 2002 compared to \$38.2 million for the year ended December 31, 2001. Our declining profit margin in the broadcast services sector is primarily due to uncertainties regarding the requirements and timing for multicasting of digital television. These uncertainties have caused broadcasters to delay their capital expenditures for new construction and make minimum modifications to their towers.

For the year ended December 31, 2002, one wireless customer, which was a significant stockholder of the Company at the time, and its affiliates accounted for \$88.0 million or 28% of the Company's revenues. For the year ended December 31, 2001, this customer and its affiliates accounted for \$78.5 million or 30% of the Company's revenues. In addition, another wireless customer, which was an affiliate of a significant stockholder of the Company at the time, accounted for \$63.2 million or 20% of the Company's revenues in the year ended December 31, 2002 and \$33.9 million or 13% of the Company's revenues in the year ended December 31, 2001. Both of these customers remain significant customers, but neither they nor their affiliates are significant stockholders following our reorganization and thus are no longer considered to be our related parties.

Accounts receivable, net of allowance, decreased by \$7.2 million from December 31, 2001 to December 31, 2002. This decrease is primarily due to an increase in the allowance for doubtful accounts, which grew by \$6.4 million for the same period. We analyze the adequacy of our accounts receivable on a periodic basis to ensure that we appropriately reflect the amount we expect to collect. The economic factors affecting the wireless communications industry as a whole, our customers' ability to meet their financial obligations and the age of our outstanding accounts receivable are all factors we take into consideration when evaluating the adequacy of

our estimate for the allowance for doubtful accounts. During 2002, numerous wireless carriers experienced financial difficulties and their balances owed to us continued to age; these circumstances caused us to increase our allowance.

Costs of operations, excluding depreciation, amortization and accretion expenses, increased to \$129.7 million for the year ended December 31, 2002 from \$121.2 million for the year ended December 31, 2001. The increase was due to increases in site operations costs attributable to operating costs of the communications towers acquired or constructed during 2001 and 2002 partially offset by a decrease in costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast services resulting from lower revenue volumes.

Costs of operations, excluding depreciation, amortization and accretion expenses, for site operations were \$108.5 million for the year ended December 31, 2002 as compared to \$91.7 million for the year ended December 31, 2001. Costs of operations, excluding depreciation, amortization and accretion expenses, for wireless operations increased to \$103.6 million for the year ended December 31, 2002 from \$89.3 million for the year ended December 31, 2001. Costs of operations, excluding depreciation, amortization and accretion expenses, for wireless operations as a percentage of wireless revenues decreased to 40% for the year ended December 31, 2002 from 43% for the year ended December 31, 2001. Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast leasing increased to \$4.9 million for the year ended December 31, 2002 from \$2.4 million for the year ended December 31, 2001. Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast leasing as a percentage of broadcast leasing revenues increased to 23% for the year ended December 31, 2002 from 20% for the year ended December 31, 2001. Overall, costs of operations, excluding depreciation, amortization and accretion expenses, for site operations as a percentage of site operations revenues decreased to 38% for the year ended December 31, 2002 from 41% for the year ended December 31, 2001. The decrease was primarily due to increased revenues generated from new customers on existing towers. As our operations mature, we expect that additional customers on towers will generate increases in our margins and in cash flow because a significant percentage of tower operating costs are fixed and do not increase with additional customers.

Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast services decreased to \$21.2 million for the year ended December 31, 2002 from \$29.5 million for the year ended December 31, 2001. Costs of operations, excluding depreciation, amortization and accretion expenses, for broadcast services as a percentage of broadcast services revenues increased to 79% for the year ended December 31, 2002 from 77% for the year ended December 31, 2001 primarily due to lower revenue volumes in 2002.

Selling, general and administrative expenses decreased to \$58.0 million for the year ended December 31, 2002 from \$72.4 million for the year ended December 31, 2001. Selling, general and administrative expenses as a percentage of revenues decreased to 19% for the year ended December 31, 2002 from 28% for the year ended December 31, 2001. Selling, general and administrative expenses decreased in amount and as a percentage of revenues as a result of significant cost cutting measures implemented in the second half of 2001 and early 2002. In addition, for the year ended December 31, 2002, we recorded non-cash compensation charges of \$0.7 million related to the issuance of stock options and restricted shares of common stock to employees compared to \$2.1 million in the year ended December 31, 2001.

Site operations selling, general and administrative expenses were \$26.3 million for the year ended December 31, 2002 as compared to \$33.6 million for the year ended December 31, 2001. Selling, general and administrative expenses for wireless operations decreased to \$24.7 million for the year ended December 31, 2002 from \$33.0 million for the year ended December 31, 2001. Selling, general and administrative expenses for wireless operations as a percentage of wireless revenues decreased to 9% for the year ended December 31, 2002 from 16% for the year ended

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December 31, 2001. Selling, general and administrative expenses for broadcast leasing increased to \$1.6 million for the year ended December 31, 2002 from \$0.6 million for the year ended December 31, 2001. Selling, general and administrative expenses for broadcast leasing as a percentage of broadcast leasing revenues increased to 8% for the year ended December 31, 2002 from 6% for the year ended December 31, 2001.

Selling, general and administrative expenses for broadcast services decreased to \$3.3 million for the year ended December 31, 2002 from \$6.9 million for the year ended December 31, 2001. Selling, general and administrative expenses for broadcast services as a percentage of broadcast services revenues decreased to 12% for the year ended December 31, 2002 from 18% for the year ended December 31, 2001.

Selling, general and administrative expenses not specific to the above business segments decreased to \$28.4 million for the year ended December 31, 2002 from \$31.9 million for the year ended December 31, 2001. Selling, general and administrative expenses not specific to the above business segments as a percentage of total revenues decreased to 9% for the year ended December 31, 2002 from 12% for the year ended December 31, 2001.

As a result of the factors discussed above, Adjusted EBITDA increased to \$82.1 million for the year ended December 31, 2002 from (\$143.3) million for the year ended December 31, 2001. Adjusted EBITDA for site operations was \$118.9 million for the year ended December 31, 2002 as compared to (\$46.3) million for the year ended December 31, 2001. Wireless Adjusted EBITDA increased to \$106.9 million for the year ended December 31, 2002 from (\$54.8) million for the year ended December 31, 2001. Adjusted EBITDA for broadcast leasing increased to \$12.0 million for the year ended December 31, 2002 from \$8.5 million for the year ended December 31, 2001. Adjusted EBITDA for broadcast services decreased to \$1.2 million for the year ended December 31, 2002 from \$1.7 million for the year ended December 31, 2001.

Depreciation and amortization expense increased to \$189.9 million for the year ended December 31, 2002 from \$165.3 million for the year ended December 31, 2001. The increase was primarily a result of the increased depreciation from the towers we have acquired or constructed, partially offset by the \$35.5 million reduction in goodwill amortization as a result of the adoption of SFAS 142. See Description of Critical Accounting Policies Goodwill.

In May 2002, we announced that we would terminate our build-to-suit programs with Cingular and other carriers and implement other cost-cutting measures. As a result of these actions, we recorded restructuring charges of \$24.3 million. Of this amount, \$16.4 million was related to the write-off of work in progress related to sites in development that we plan to terminate, \$3.2 million was related to the costs of closing offices and \$4.7 million was related to the costs of employee severance. In addition, we recorded a non-recurring charge of \$4.3 million to write-down the carrying value of 21 towers that are not marketable.

In May 2001, we announced the consolidation of our rooftop management operations and recorded a non-recurring charge of \$35.8 million. Of this amount, \$29.6 million related to the write-off of goodwill, \$5.1 million related to the write-down of assets and \$1.1 million was related to the costs of employee severance and other costs related to the consolidation of those operations.

In June 2001, we an