GLOBAL SIGNAL INC
Form S-3
March 22, 2006
As filed with the Securities and Exchange Commission on March 22, 2006

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

GLOBAL SIGNAL INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	65-0652634 (I.R.S. Employer Identification No.)

301 North Cattlemen Road
Suite 300
Sarasota, Florida 34232-6427
(941) 364-8886

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey A. Klopf, Esq.
Executive Vice President, General Counsel and Secretary
Global Signal Inc.
301 North Cattlemen Road
Suite 300
Sarasota, Florida 34232-6427
(941) 364-8886

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to :
Joseph A. Coco, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square

New York, New York 10036-6522
(212) 735-3000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement as determined by a Lender only in the event of a foreclosure.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

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, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please 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 registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered[(1)]	Proposed Maximum Offering Price Per Unit[(2)]	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value $0.01 per share	10,511,778	$48.95	$514,551,533.10	$55,057.01

(1) These shares are owned by several stockholders and pledged as collateral for a loan. These shares may be offered from time to time by the lenders to whom the shares are pledged, only in the event the applicable borrower or pledging stockholder defaults under the applicable credit agreement. In accordance with Rule 416 promulgated under the Securities Act of 1933, this Registration Statement shall be deemed to cover any additional securities to be offered or issued from stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) promulgated under the Securities Act of 1933, as amended, based on the average high and low prices of the common stock on March 21, 2006, as reported by the New York Stock Exchange.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrants 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 the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH , 2006

PROSPECTUS

10,511,778 Shares

GLOBAL SIGNAL INC.

Common Stock

This prospectus relates to 10,511,778 shares of Common Stock, par value $0.01, that are expected to be pledged as collateral to certain lenders named herein and may be sold from time to time by such a lender only in the event of a foreclosure upon such shares.

As of the date of this prospectus, the shares of common stock covered by this prospectus are held by the following affiliates of Greenhill Capital Partners, LLC (''Greenhill''), which together with its affiliates is our second-largest stockholder:

- GCP SPV1, LLC holds 9,727,464 shares;
- GCP SPV2 LLC holds 784,314 shares.

In this prospectus, we refer to these affiliates of Greenhill as the ''Greenhill Entities.'' All of such shares held by the Greenhill Entities are expected to be pledged as collateral for one or more loans from Morgan Stanley Mortgage Capital Inc. (together with its assignees, the ''Lenders''), pursuant to one or more credit agreements (the ''Credit Agreements''). The Credit Agreements are expected to replace the current credit agreement, dated as of February 16, 2005, under which GCP SPV1, LLC, has pledged 8,383,234 shares of our common stock to Morgan Stanley Asset Funding Inc. Until these 8,383,234 shares are pledged to the Lenders as collateral in connection with the Credit Agreements, such shares will continue to be covered by a prospectus we filed on June 6, 2005 with the Securities and Exchange Commission with another registration statement on Form S-3 (No. 333-125577).

The Lenders are not currently stockholders with respect to the shares of common stock covered by this prospectus. The Greenhill Entities may not offer their shares pursuant to this prospectus. In the event of a default by the applicable Greenhill Entity under the Credit Agreement to which it is a party, the applicable Lender thereunder may foreclose upon any and all shares of common stock pledged to them. After a foreclosure, the applicable Lender may sell the foreclosed shares of common stock through ordinary brokerage transactions, directly to market makers of our shares or through any other means described in the section ''Plan of Distribution'' beginning on page 28 of this prospectus. We cannot assure you that the Lenders will sell all or any portion of the common stock offered under this prospectus. We have filed the registration statement on Form S-3, of which this prospectus forms a part, pursuant to a demand made by the Greenhill Entities in accordance with the Amended and Restated Investor Agreement, dated as of March 31, 2004, by and among us, Fortress Pinnacle Acquisition LLC, Greenhill Capital Partners, L.P., and its related partnerships named therein, and Abrams Capital Partners II, L.P. and certain of its related partnerships named therein, and other parties named therein. We will not receive any of the proceeds from the sale of these shares of our common stock by the Lenders. We will bear all costs, fees and expenses incurred in connection with the registration of all shares registered by the registration statement of which this prospectus forms a part.

Investing in our securities involves risks. You should read the section entitled ''Risk Factors'' beginning on page 5 before buying our common stock.

Our common stock is listed on the New York Stock Exchange under the trading symbol ''GSL.''

We are organized and conduct our operations to qualify as a real estate investment trust, or a REIT, for federal income tax purposes. To assist us in complying with certain federal income tax requirements applicable to REITs, our amended and restated certificate of incorporation and amended and restated bylaws contain certain restrictions relating to the ownership and transfer of our common stock, including a 9.9% ownership limit unless otherwise approved by our board of directors.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS OR THE ACCOMPANYING PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is   .

TABLE OF CONTENTS

Unless otherwise stated or the context otherwise requires, references in this prospectus to ''GSL,'' ''Global Signal,'' ''the company,'' ''we,'' ''our,'' and ''us'' refer to Global Signal Inc. and its direct and indirect subsidiaries.

i

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the ‘‘SEC’’) using a ‘‘shelf’’ registration process. Under this shelf process, the Lenders may, in the event of default and foreclosure under the Credit Agreements, as described in the section ‘‘Selling Stockholders’’ beginning on page 26 of this prospectus, offer from time to time up to an aggregate of 10,511,778 shares of our common stock in one or more offerings. You should read this prospectus together with additional information described under the heading ‘‘Where You Can Find More Information.’’

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Lenders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should assume that the information in this prospectus is accurate as of the date of the prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings can be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available over the Internet at the SEC's website at www.sec.gov. Our common stock is listed and traded on the New York Stock Exchange, or NYSE, under the trading symbol ‘‘GSL.’’ Our reports, proxy statements and other information can also be read at the offices of the NYSE, 20 Broad Street, New York, New York 10005. General information about us, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website at www.gsignal.com as soon as reasonably practicable after we file them with, or furnish them to, the SEC. Information on our website is not incorporated into this prospectus or our other securities filings and is not a part of these filings.

The SEC allows ‘‘incorporation by reference’’ into this prospectus of information that we file with the SEC. This permits us to disclose important information to you by referencing these filed documents. Any information referenced this way is considered to be a part of this prospectus and any information filed by us with the SEC subsequent to the date of this prospectus will automatically be deemed to update and supersede this information. We incorporate by reference the following documents, which we have already filed with the SEC:

- Our Annual Report on Form 10-K for the year ended December 31, 2005;
- Our Proxy Statement on Schedule 14A for our May 17, 2005 annual meeting of stockholders;
- Our Current Reports on Form 8-K filed on January 9, 2006, February 14, 2006, March 2, 2006 and March 15, 2006; and
- The description of our common stock contained in our Registration Statement on Form 8-A filed under the Securities Exchange Act of 1934, as amended (the ‘‘Exchange Act), on May 4, 2004.

Whenever after the date of this prospectus, and before the termination of the offering of the securities made under this prospectus, we file reports or documents under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, those reports and documents will be deemed to be incorporated by reference into this prospectus from the time they are filed. We do not incorporate by reference any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K in any future filings, unless specifically stated otherwise. Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus

---

or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide without charge, upon written or oral request, a copy of any or all of the documents that are incorporated by reference into this prospectus, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part. Requests should be directed to Global Signal Inc., Attn: Secretary, 301 North Cattlemen Road, Suite 300, Sarasota, Florida 34232, 941-364-8886.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements which are subject to various risks and uncertainties, including, but not necessarily limited to, statements relating to our ability to deploy capital, close accretive acquisitions, close dispositions of under-performing sites, close acquisitions under letters of intent and purchase agreements, anticipate, manage and address industry trends and their effect on our business, the rate and timing of the deployment of new wireless communications systems and equipment by our customers, whether we successfully address other future technological changes in the wireless industry, pay or grow dividends, generate growth organically or through acquisitions, secure financing, and increase revenues and/or earnings, add telephony tenants and statements relating to the integration of and final costs of the Sprint transaction, the incremental costs of operating the Sprint sites, and how the proceeds of future financings will be used. Forward-looking statements are generally identifiable by use of forward-looking terminology such as ‘‘may,’’ ‘‘will,’’ ‘‘should,’’ ‘‘potential,’’ ‘‘intend,’’ ‘‘expect,’’ ‘‘en
‘‘seek,’’ ‘‘anticipate,’’ ‘‘estimate,’’ ‘‘overestimate,’’ ‘‘underestimate,’’ ‘‘believe,’’ ‘‘could,’’ ‘‘would,’’ ‘‘project,’’ ‘‘predict,’’ similar words or expressions. Forward-looking statements are based on certain assumptions or estimates, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, actual results and performance could differ materially from those set forth in the forward-looking statements. Factors which could have a material adverse effect on our operations and future prospects or which could cause events or circumstances to differ from the forward-looking statements include,

but are not limited to, failure to successfully and efficiently integrate the Sprint transaction into our operations, difficulties in acquiring towers at attractive prices, or integrating acquisitions with our operations, the reduced likelihood of closing a transaction which is at a letter of intent stage as opposed to one which is subject to a purchase agreement, a decrease in the demand for our communications sites and our ability to attract additional tenants, the economies, real estate markets and wireless communications industries in the regions where our sites are located, consolidation in the wireless industry, changes to the regulations governing wireless services, the creditworthiness of our tenants, customer concentration and the loss of one or more of our major customers, the terms of our leases, integration of new software systems, our ability to compete, competing technologies, equipment and software developments, our ability to modify our towers, our ability to obtain credit facilities or mortgage loans on favorable terms, our failure to comply with federal, state and local laws and regulations and changes in the law, our failure to comply with environmental laws, our ability to conduct our business effectively, secure financing and generate revenues, the termination of site management agreements, disasters and other unforeseen events, the demonstrated or perceived negative health effects from our towers or tenants' equipment on our towers, our ability to qualify as a REIT, REIT distributions requirements and the stock ownership limit imposed by the Internal Revenue Code of 1986, as amended (the ‘‘Internal Revenue Code’’), for REITs. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management's views as of the date of this prospectus.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ significantly from those contained in any forward-looking statement. Such forward-looking statements speak only as of the date of this prospectus, and we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

GLOBAL SIGNAL INC.

Global Signal, formerly known as Pinnacle Holdings Inc., is one of the largest communications tower operators in the United States. On May 26, 2005, we, Sprint Corporation (a predecessor Sprint Nextel Corporation), or Sprint, and certain Sprint subsidiaries, consummated an agreement to contribute, lease and sublease communications sites from Sprint, for a period of 32 years, 6,553 communications sites and the related towers and assets (the ‘‘Sprint Transaction’’). The consummation of the Sprint Transaction has substantially increased the size and scope of our operations.

As of December 31, 2005, we owned, leased or managed a total of 10,961 wireless communications sites, primarily located throughout the United States, and we believe we are the third largest communications tower operator in North America based on number of towers owned, managed or leased. For the year ended December 31, 2005, substantially all of our revenues came from our ownership, leasing and management of communications towers and other communications sites. Our customers include a wide variety of wireless service providers, government agencies, operators of private networks and broadcasters. These customers operate networks from our communications sites and provide wireless telephony, mobile radio, paging, broadcast and data services. As of December 31, 2005, we had an aggregate of more than 26,000 tenant leases on our communications sites and over 2,000 customers. We are organized as a real estate investment trust, or REIT, and as such are required to distribute at least 90% of our taxable income to our stockholders.

We were incorporated in the State of Delaware in 2002. Our predecessor company was incorporated in the State of Delaware in 1995. Our principal executive offices are located at 301 North Cattlemen Road, Suite 300, Sarasota, Florida 34232. Our telephone number is (941) 364-8886. Our website address is www.gsignal.com. Information on our website does not constitute part of this prospectus.

4

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risk factors set forth in this prospectus, the accompanying prospectus supplement and the reports that we file with the SEC, together with the other information we include or incorporate by reference in this prospectus and any prospectus supplement, before buying any of the securities offered hereby. In connection with the forward-looking statements that appear in this prospectus, you should also carefully review the cautionary statement referred to under ‘‘Cautionary Statement Regarding Forward-Looking Statements.’’

Risks Relating to Our Business

We emerged from Chapter 11 bankruptcy reorganization in November 2002, have a history of losses and do not expect to have net income in the near future.

We emerged from Chapter 11 bankruptcy reorganization in November 2002, have a history of losses and do not expect to have positive net income in the near future due to the increased interest expense and non-cash depreciation, amortization and accretion that we are generating in connection with the Sprint Transaction and other tower acquisitions, and their respective financings. Prior to our emergence from bankruptcy, we were unable to meet our financial obligations due primarily to (1) our highly leveraged capital structure, (2) the non-strategic acquisition of assets we have subsequently disposed of that were unrelated to our core tower business and (3) the inability of our former management to efficiently integrate and manage our communications sites. To a lesser extent, we were unable to meet our financial obligations due to the reduced amount of capital spending by wireless carriers on their networks in 2001 and 2002. Prior to our reorganization, we incurred net losses of approximately $448.2 million in 2001 and $124.3 million in 2000.

In accordance with AICPA Statement of Position 90-7 Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, we adopted fresh start accounting as of November 1, 2002, 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 effective date was considered to be the close of business on November 1, 2002, for financial reporting purposes. The periods presented prior to November 1, 2002, have been designated ‘‘predecessor company’’ and the periods starting on November 1, 2002, have been designated ‘‘successor company.’’ As a result of the implementation of fresh start accounting as of November 1, 2002, our financial statements after that date are not comparable to our financial statements for prior periods because of the differences in the basis of accounting and the debt and equity structure for the predecessor company and the successor company. The more significant effects of the differences in the basis of accounting on the successor company's financial statements are (1) lower depreciation and amortization expense as a result of the revaluation of our long-lived assets downward by $357.2 million through the application of fresh start accounting, and (2) lower interest expense in the periods immediately following our reorganization as a result of the discharge of $404.8 million of debt upon our emergence from bankruptcy.

On May 26, 2005, we closed an agreement with Sprint under which we have the exclusive right to lease or operate 6,553 communications towers and related assets of Sprint for a period of 32 years, for which we have paid an upfront rental payment of approximately $1.2 billion. We have accounted for the Sprint Transaction as a capital lease and allocated the upfront rental payment to the leased assets (primarily towers and identifiable intangible assets) based on their fair market values similar to an acquisition of tower assets. We will depreciate and amortize the tangible and intangible assets over their estimated useful lives and as a result, we have incurred and will continue to incur significant additional depreciation, amortization and accretion expense. We also financed the Sprint Transaction in part with borrowings under an $850.0 million bridge loan, which was repaid with a portion of the net proceeds from our February 2006 mortgage loan, which has resulted and will continue to result in significant additional interest expense. We also have incurred significant integration costs and

additional selling, general and administrative expenses. Because of the significant interest expense, depreciation, amortization, accretion, integration costs and selling, general and administrative expenses we have incurred and expect to continue to incur in connection with the Sprint Transaction, we expect to generate net losses in future periods.

For the year ended December 31, 2005, we generated a loss from continuing operations of $38.2 million.

We may encounter difficulties in acquiring towers at attractive prices or integrating acquisitions with our operations, which could limit our revenue growth, increase our selling, general and administrative expenses, and increase our expected net losses.

In 2005, we acquired or entered into definitive agreements to acquire 876 communications sites, including fee and easement interests in certain real estate parcels under our towers, which we previously leased from third parties, for an aggregate purchase price of approximately $235.3 million, including fees and expenses. Additionally, on May 26, 2005, we closed an agreement with Sprint under which we have the exclusive right to lease or operate 6,553 communications towers and related assets of Sprint for a period of 32 years, for which we paid an upfront rental payment of approximately $1.2 billion.

We intend to continue to target strategic tower and tower company acquisitions as opportunities arise. The process of integrating acquired sites into our existing operations may result in unforeseen operating difficulties, diversion of managerial attention or the requirement of significant financial resources. These acquisitions and other future acquisitions may require us to incur additional indebtedness and contingent liabilities, and may result in unforeseen expenses or compliance issues, which may limit our revenue growth, cash flows and our ability to make distributions. In addition, as a result of increased depreciation, amortization and accretion expense and interest expense associated with our acquisitions, we are incurring net losses. For example, in connection with the Sprint Transaction we borrowed $850.0 million under a bridge loan with Morgan Stanley Asset Funding Inc. and Bank of America, N.A., which we recently repaid with a portion of the net proceeds from our February 2006 mortgage loan. We expect to finance other future acquisitions with additional borrowings, which would further increase our interest expense, or through the issuance of additional equity, which would dilute the interests of our stockholders. Furthermore, in anticipation of the closing of the Sprint Transaction, on May 9, 2005, we closed an underwritten public offering of 6,325,000 shares of our common stock at $30.70 per share and, on May 26, 2005, we issued $250.0 million of our common stock to our three largest stockholders at a price of $25.50 per share. Moreover, the towers we have acquired may not provide us with the cash flows we projected and future acquisitions may not generate any additional income or cash flows for us or provide any benefit to our business.

Competition for communication towers has become greater in the last several months, leading sellers to generally demand higher prices, thus reducing the attractiveness of certain possible investments. This increased competition has caused a significant decrease in the number of towers we have acquired during the second half of 2005 and in our acquisition pipeline. As of December 31, 2005, we had outstanding purchase agreements to acquire 12 communications sites from various sellers for a total estimated purchase price of $6.5 million. This compares to outstanding purchase agreements on 214 sites, excluding the Sprint Transaction, as of April 29, 2005. Thus, we cannot assure you that we will be able to identify and acquire towers at attractive prices, or at all, in locations that are compatible with our strategy, or that competition for the acquisition of towers will not increase further. Finally, when we are able to locate towers and enter into definitive agreements to acquire them, we cannot assure you that the transactions will be completed. Failure to complete transactions after we have entered into definitive agreements may result in significant expenses to us.

A decrease in the demand for our communications sites and our ability to attract additional tenants could negatively impact our financial position.

Our business depends on wireless service providers' demand for communications sites, which in turn, depends on consumer demand for wireless services. A reduction in tenant demand for our

---

communications sites or increased competition for additional tenants could negatively impact our cash flows and harm our ability to attract additional tenants. Our wireless service provider customers lease communications site space on our towers based on a number of factors, including the location of our towers, 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, government regulation of communications licenses, and the characteristics of each company's technology and geographic terrain.

To a lesser degree, demand for site space is also dependent on the needs of television and radio broadcasters. Among other things, technological advances, including the development of satellite-delivered radio and television, may reduce the need for tower-based broadcast transmission. Any decrease in the demand for our site space from current levels or in our ability to attract additional customers could negatively impact our financial position and could decrease the value of your investment in our common stock.

Increasingly, transmissions that were previously effected by means of paging and mobile radio technologies have shifted to wireless telephony. As a result, we have experienced, and expect to continue to experience, decreases in the percentage of our revenues generated by our paging and mobile radio customers offset by increases in the percentage of our revenues that are generated from wireless telephony customers. We cannot assure you that the increases in our revenues from wireless telephony customers will offset the reduction in our revenues from paging and mobile radio customers. Some of our towers may not be as attractive to, or suitable for, wireless telephony customers as for our other types of customers, which could negatively impact our financial position.

Failure to successfully and efficiently integrate the Sprint Transaction into our operations may adversely affect our operations and financial condition.

Our ability to successfully integrate the Sprint Transaction is uncertain. The Sprint Transaction is significantly larger than any acquisition we have previously completed. We are leasing more towers from Sprint than the total number of communications sites we operated before closing the Sprint Transaction. The integration of the 6,553 Sprint towers into our operations is a significant undertaking and has required, and will continue to require, significant resources, as well as attention from our management team. To manage the Sprint towers, we have added over 100 additional employees, which has added significant labor costs and overhead. In addition, the integration of the Sprint towers into our operations required significant one-time costs. We incurred $7.1 million of integration costs related to the Sprint Transaction during the year ended December 31, 2005, and expect to incur additional expenses in the first quarter of 2006. Additional integration challenges include:

- successfully marketing space on the Sprint towers;
- retaining existing tenants on the Sprint towers;
- retaining and integrating talented new employees;
- incorporating the Sprint towers into our business and accounting operations; and
- maintaining our standards, controls, procedures, and policies.

If we are not able to successfully overcome these integration and operating challenges, we may not achieve the benefits we expect from the Sprint Transaction, and our business, financial condition and results of operations may be adversely affected.

Our revenues may be adversely affected by the economies, real estate markets and communications industries in the regions where our sites are located.

The revenues generated by our sites could be adversely affected by the conditions of the economies, the real estate markets and the communications industries in regions where our sites are located, changes in governmental rules and fiscal policies, acts of nature including hurricanes (which may result in uninsured or under-insured losses), and other factors particular to the locales of the respective sites. Our sites are located in all 50 states, the District of Columbia, Canada and the United Kingdom.

The economy of any state or region in which a site is located may be adversely affected to a greater degree than that of other regions by developments affecting industries concentrated in such state or region. To the extent that general economic or other relevant conditions in states or regions in which sites representing significant portions of our revenues are located, decline or result in a decrease in demand communications services in the region, our revenues from such sites may be adversely affected. For example, our sites in Florida, Texas, and Georgia together accounted for approximately 25.2% of our revenues for the year ended December 31, 2005. A deterioration of general economic or other relevant conditions in those states could result in a decrease in the demand for our services and a decrease in our revenues from those markets, which in turn may have an adverse effect on our results of operations and financial condition.

Consolidation in the wireless industry and changes to the regulations governing wireless services 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, have entered into mergers and acquisitions, and others could enter into mergers, acquisitions or joint ventures with each other over time. For example, on October 26, 2004, Cingular Wireless merged with AT&T Wireless. On August 12, 2005, Sprint merged with Nextel Communications, resulting in the creation of Sprint Nextel Corporation. In addition, in 2005 and through February 28, 2006, Sprint Nextel acquired five Sprint-branded wireless affiliates: U.S. Unwired, Gulf Coast Wireless, IWO Holdings, Alamosa Holdings, and Enterprise Communications. In addition, the shareholders of Nextel Partners, a Nextel-branded affiliate of Sprint Nextel, exercised its put right requiring Sprint Nextel to acquire that company. On August 1, 2005, Alltel completed its acquisition of Western Wireless. Such consolidations could reduce the size of our customer base and have a negative impact on the demand for our services. In addition, consolidation among our customers is often likely to result in duplicate networks, which could result in network rationalization and impact the revenues at our sites. For example, Cingular recently announced plans to eliminate approximately 7,000 of its cell sites as part of its integration of the AT&T Wireless network. This will adversely impact tenant lease revenues at some of our communications sites. Recent regulatory developments have made consolidation in the wireless industry easier and more likely.

In November 2002, the FCC's, Spectrum Policy Task Force issued a report containing a number of specific recommendations for spectrum policy reform, including market-oriented spectrum rights, increased access to spectrum and new interference protections. Subsequently, in May and October of 2003 and September of 2004, the FCC adopted and proceeded to implement new rules authorizing wireless radio services holding exclusive licenses to freely lease unused spectrum. Additionally, in November 2003, the FCC made additional spectrum available for unlicensed use. In September 2004, the FCC adopted amendments to its spectrum regulations in order to promote the deployment of spectrum-based services in rural America, allowing carriers to use higher power levels at base stations in certain rural areas. Finally, in August 2004, the FCC took steps to remedy the interference caused by commercial mobile radio services (CMRS) operators on public safety operations in the 800 MHz band and provided for the relocation of various CMRS and private mobile service operators in the 800 and 1900 MHz bands. It is possible that at least some wireless service providers may take advantage of the relaxation of spectrum and ownership limitations and other deregulatory actions of the FCC and consolidate or modify their business operations.

Regarding our broadcast customers, in 1996, Congress authorized the FCC to assign a second channel to every eligible television station licensee to begin the process of converting over the air television signals from analog to digital. In 2005, Congress mandated that the transition to digital television be completed by February 17, 2009. After assigning the new DTV channels in 1996 and 1997, the FCC imposed certain DTV build-out deadlines on both commercial and non-commercial stations, ranging from May 1, 1999, to May 1, 2003, although the Commission approved hundreds of DTV construction extensions on a case-by-case basis. According to the FCC, a total of 1,722 DTV stations were on the air as of February 1, 2006, representing over 90 percent of the DTV channels awarded. 705 of these stations (nearly 41%) were operating under a Special Temporary Authority (STA) with very low power levels. In September 2004, the FCC released a Report and Order

8

---

establishing full power DTV build-out deadlines in July 2005 and July 2006. These full power DTV build-out deadlines could increase the demand for broadcast towers. Congress and/or the FCC may take further actions regarding the transition to DTV and return of the broadcasters' analog spectrum. We cannot predict the nature or timing of any such actions or their effects on our business or results of operations.

Our revenues are dependent on the creditworthiness of our tenants, which could result in uncollectible accounts receivable and the loss of significant customers and anticipated lease revenues.

Our revenues are dependent on the creditworthiness of our tenants and would be adversely affected by the loss, or bankruptcy of, or default by, significant tenants. Our tenant leases are generally not guaranteed by the parent companies of our tenants or supported by other credit enhancement and, as a result, we must rely solely on the creditworthiness of our tenants. Many wireless service providers operate with substantial leverage and some of our customers, representing 0.5% of our revenues for the years ended December 31, 2005 and December 31, 2004 are in bankruptcy. Other customers are having financial difficulties due to their declining subscriber bases and/or their inability to access additional capital. If one or more of our major customers experience financial difficulties, it could result in uncollectible accounts receivable and the loss of significant customers and anticipated lease revenues.

We have significant customer concentration and the loss of one or more of our major customers or a reduction in their utilization of our site space could result in a material reduction in our revenues.

Our three largest customers for the year ended December 31, 2005, represented 53.2% of our revenues for the year ended December 31, 2005, and our five largest customers for the year ended December 31, 2004, represented 52.3% of our revenues for the year ended December 31, 2004. Our three largest customers for the year ended December 31, 2005, were Sprint Nextel (after giving effect to the Nextel merger and three Sprint-branded wireless affiliate acquisitions), Cingular and T-Mobile, which represented 31.1%, 14.9% and 7.2%, respectively, of our revenues. Our five largest customers for the year ended December 31, 2004, were USA Mobility (after giving effect to the Arch Wireless and Metrocall merger), Cingular (after giving effect to its merger with AT&T Wireless), Sprint (after giving effect to its merger with Nextel Communications and three Sprint-branded wireless affiliate acquisitions), Verizon Wireless (after giving effect to its merger with MCI) and T-Mobile. These customers represented 14.9%, 13.2%, 13.1%, 6.1%, and 5.0%, respectively, of our revenues for the year ended December 31, 2004. These customers operate under multiple lease agreements that have initial terms generally ranging from three to five years and which are renewable, at our customer's option, over multiple renewal periods also generally ranging from three to five years. The Sprint collocation leases entered into as part of the Sprint Transaction have an initial period of ten years. One of our primary master tenant leases with USA Mobility, the Arch Lease, expired in May 2005 and we executed a new master tenant lease, effective July 1, 2005, with USA Mobility on terms less favorable to us than the prior lease. For the year ended December 31, 2005, approximately 67% of our revenues from our three largest customers were from leases in their initial term, 32% were from leases in a renewal period, and 1% was from month-to-month and year to year leases. The loss of one or more of our major customers or a reduction in their utilization of our site space could result in a material reduction of the utilization of our site space and in our revenues.

We have had material weaknesses in our internal controls and these have not been remedied.

During our assessment of our internal controls as of December 31, 2005, we noted two material weaknesses:

- Lack of adequate controls over the accuracy of automated computations related to accounting for non-cash aspects of tenant and ground leases and the data used in these computations; and
- Lack of adequate controls over acquisition accounting, detail account analyses supporting certain account balances, and reviews thereof, primarily due to lack of tenured financial accounting and reporting personnel.

These material weaknesses led us to conclude that our internal controls were ineffective as of December 31, 2005. These material weaknesses resulted in adjustments to certain accounts in our annual financial statements. We believe the material weaknesses were primarily a result of the implementation of a new lease administration system, the effort required to effectively integrate and account for the Sprint Transaction and other acquisitions, and many changes to our financial accounting and reporting staff.

To remediate these material weaknesses we will spend significant amounts of time, money, and management attention during 2006, including costs related to (i) computer systems enhancements, and the likely replacement of our lease administration system, (ii) data revalidation and (iii) redesigning processes and controls. We will also hire additional qualified, experienced accounting personnel. These material weaknesses have not been remedied and it will take substantial efforts to correct them if we are able to do so, at all, in 2006.

As of December 31, 2005, our tenant leases had a weighted average current term of 6.4 years and a weighted average remaining term of 4.5 years, excluding optional renewal periods. Our revenues depend on the renewal of our tenant leases by our customers.

As of December 31, 2005, our tenant leases had a weighted average current term of 6.4 years and a weighted average remaining term of 4.5 years, excluding optional renewal periods. We cannot assure you that our existing tenants will renew their leases at the expiration of those leases. Further, we cannot assure you that we will be successful in negotiating favorable terms with those customers that renew their tenant leases. Generally, failure to obtain renewals of our existing tenant leases, or the failure to successfully negotiate favorable terms for such renewals, would result in a reduction in our revenues.

We implemented new software systems throughout our business and may encounter integration problems that affect our ability to serve our customers and maintain our records, which in turn could harm our ability to operate our business.

During 2004 and 2005, we implemented new software systems throughout our business. We implemented PeopleSoft financial systems in July 2004 for many of our accounting functions, including accounts receivable, accounts payable, fixed assets, general ledger and all internal reporting functions. PeopleSoft Customer Relationship Management (CRM) was also implemented to manage the process of adding new leases. We may implement additional PeopleSoft modules during 2006 to improve operating performance and to take advantage of the functionality offered by the PeopleSoft system. We also implemented a separate software package, manageStar, to manage data relating to our communications sites, including tenant and ground leases and other operational data. The manageStar system is operating, but we have yet to realize the operating efficiency gains expected. In addition, weaknesses in the manageStar system contributed to our having a material weakness in the operation of our internal controls. We anticipate that the manageStar system will need to be replaced to realize the desired efficiencies, which would entail additional expenses and potential interruptions. The integration of these software systems with our business is a significant undertaking and it is possible that difficulties and systems interruptions could occur. These systems process our most significant business activities and interruptions could adversely affect our operations, including the ability to service customers and get invoices sent in a timely manner which could adversely affect our revenues.

We have experienced high employee turnover.

We have experienced high employee turnover during 2005. Of 297 employees working on December 31, 2005, 151 have been employed by the Company less than one year. In our accounting department, the average tenure of employees is 6 months. This has lead in part to a material weakness in our internal controls, discussed in greater detail in our Annual Report on Form 10-K for the year ended December 31, 2005 under ''Item 9A, Controls and Procedures''. There has also been substantial turnover in our management. Our employment relationship with seven executives has terminated since the beginning of 2005. We have replaced several of these executives with either new hires or promotions from within the Company and we are actively recruiting outside the Company to replace other executives. If we fail to attract and retain qualified and skilled personnel, our ability to conduct our business operations effectively, remediate weaknesses in internal controls and our overall operating results could be harmed.

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 alternative 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 tenants, increase our gross margins, or maintain or increase our market share.

Among tower companies that operate nationally or regionally, our principal competitors include publicly held American Tower Corporation, Crown Castle International Corp. and SBA Communications Corporation, as well as AAT Communications Corporation and Global Tower Partners, which are privately held. Among acquisition companies focused on acquiring real estate interest under towers, our principal competitors are Unison and Wireless Capital Partners, both of which are privately held.

Competing technologies may offer alternatives to ground-based antenna systems, which could reduce the future 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 or high altitude air ships, 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 communications systems, thereby reducing the demand for the services that we provide.

Equipment and software developments are increasing our tenants' ability to more efficiently utilize spectral capacity and to share transmitters, which could reduce the future demand for our sites.

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 space. Technologies that enhance spectral capacity, such as beam forming or ‘‘smart antennas’’, which can increase the capacity at existing sites and reduce the number of additional sites a given carrier needs to serve any given subscriber base, may have the same effect.

Carrier joint ventures and roaming agreements, which allow for the use of competitor transmission facilities and spectrum, may reduce future demand for incremental sites.

Carriers are, through joint ventures, sharing (or considering the sharing of) telecommunications infrastructure in ways that might adversely impact the growth of our business. Furthermore, wireless