



GLOBAL SIGNAL HOLDINGS V LLC
n/k/a CC Holdings GS V LLC
Consolidated Financial Statements
December 31, 2007 and 2008
(With Independent Auditors' Report Thereon)

GLOBAL SIGNAL HOLDINGS V LLC
n/k/a CC Holdings GS V LLC

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Independent Auditors' Report

The Board of Directors
Global Signal Holdings V LLC
n/k/a CC Holdings GS V LLC:

We have audited the accompanying consolidated balance sheets of Global Signal Holdings V LLC (n/k/a CC Holdings GS V LLC) (the "Company") as of December 31, 2007 and 2008, and the related consolidated statements of operations, changes in member's equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Signal Holdings V LLC (n/k/a CC Holdings GS V LLC) as of December 31, 2007 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, effective January 12, 2007, Crown Castle International Corp., Global Signal, and CCGS Holdings LLC merged. As a result of the merger, the consolidated financial statements of Global Signal Holdings V LLC (n/k/a CC Holdings GS V LLC) for the period after the merger are presented on a different cost basis (reflecting the fair value of assets and liabilities at the time of the merger as required by push-down accounting) than for financial statements for the period prior to the merger and, therefore, are not comparable.

KPMG LLP

April 30, 2009

GLOBAL SIGNAL HOLDINGS V LLC

n/k/a CC Holdings GS V LLC

Consolidated Balance Sheets

December 31, 2007 and 2008

(In thousands)

Assets	2007	2008
Current assets:		
Cash and cash equivalents	\$ —	—
Restricted cash	41,450	35,613
Trade receivables, less allowance for doubtful accounts of \$2,649 and \$2,134	7,310	8,055
Deferred site rental receivables	929	2,846
Deferred income tax assets	11,847	12,632
Prepaid expenses and other current assets	15,120	15,440
Total current assets	<u>76,656</u>	<u>74,586</u>
Deferred site rental receivables	19,971	36,985
Amount due from parent	112,796	219,342
Property and equipment, net	1,330,496	1,308,462
Goodwill	1,333,062	1,337,985
Other intangible assets, net	2,062,659	1,949,618
Other assets	2,982	12,837
	<u>\$ 4,938,622</u>	<u>4,939,815</u>
Liabilities and Member's Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 11,451	13,263
Deferred revenues	26,942	33,717
Total current liabilities	<u>38,393</u>	<u>46,980</u>
Long-term debt	1,547,608	1,548,351
Deferred ground lease payables	14,437	27,675
Deferred income tax liabilities	483,362	473,986
Other liabilities	59,100	62,065
Total liabilities	<u>2,142,900</u>	<u>2,159,057</u>
Commitments and contingencies (note 7)		
Member's equity:		
Member's equity	2,834,473	2,849,833
Accumulated earnings (deficit)	(38,751)	(69,075)
Total member's equity	<u>2,795,722</u>	<u>2,780,758</u>
	<u>\$ 4,938,622</u>	<u>4,939,815</u>

See accompanying notes to consolidated financial statements.

GLOBAL SIGNAL HOLDINGS V LLC
n/k/a CC Holdings GS V LLC

Consolidated Statements of Operations

Years ended December 31, 2007 and 2008

(In thousands)

	2007	2008
Net revenues:		
Site rental revenues	\$ 422,256	442,362
	422,256	442,362
Operating expenses:		
Cost of operations (excluding depreciation, amortization and accretion)	162,246	169,667
Management fee	30,023	31,910
Asset write-down charges	378	5,749
Depreciation, amortization and accretion	199,579	191,542
	392,226	398,868
Operating income	30,030	43,494
Other income (expense):		
Interest and other income (expense)	(880)	(105)
Interest expense, including amortization of discount on long-term debt	(89,104)	(89,333)
	(59,954)	(45,944)
(Loss) income before income taxes	(59,954)	(45,944)
Benefit (provision) for income taxes	20,819	15,620
Net (loss) income	\$ (39,135)	(30,324)

See accompanying notes to consolidated financial statements.

GLOBAL SIGNAL HOLDINGS V LLC
n/k/a CC Holdings GS V LLC

Consolidated Statements of Changes in Member's Equity

Years ended December 31, 2007 and 2008

(In thousands)

	<u>Member's equity</u>	<u>Accumulated other comprehensive income</u>	<u>Accumulated earnings (deficit)</u>	<u>Total</u>
Balance at December 31, 2006	\$ (2,256)	24,614	(47,933)	(25,575)
Net income (loss)	—	—	(384)	(384)
Balance at January 11, 2007	(2,256)	24,614	(48,317)	(25,959) (a)
Balance at January 12, 2007	2,808,813	—	—	2,808,813 (a)
Equity contribution – income taxes (note 6)	25,660	—	—	25,660
Net income (loss)	—	—	(38,751)	(38,751)
Balance at December 31, 2007	2,834,473	—	(38,751)	2,795,722
Equity contribution – income taxes (note 6)	15,360	—	—	15,360
Net income (loss)	—	—	(30,324)	(30,324)
Balance at December 31, 2008	\$ <u>2,849,833</u>	<u>—</u>	<u>(69,075)</u>	<u>2,780,758</u>

- (a) Difference in equity balances at January 11, 2007 and January 12, 2007 is due to the application of push-down accounting reflecting the merger of Global Signal Inc. (the ultimate parent company of Global Signal Holdings V LLC) into a wholly-owned subsidiary of Crown Castle International Corp. (see note 1).

See accompanying notes to consolidated financial statements.

GLOBAL SIGNAL HOLDINGS V LLC
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Consolidated Statements of Cash Flows
Years ended December 31, 2007 and 2008

(In thousands)

	2007	2008
Cash flow from operating activities:		
Net income (loss)	\$ (39,135)	(30,324)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion	199,579	191,542
Amortization of discount on long-term debt	704	743
Asset write-down charges	378	5,749
Deferred tax provision (benefit)	(22,545)	(12,394)
Other adjustments	834	13,430
Changes in assets and liabilities:		
Increase (decrease) in accounts payable and accrued expenses	(3,316)	1,812
Increase (decrease) in deferred revenues, deferred ground lease payable and other liabilities	7,866	16,878
Decrease (increase) in receivables	3,998	(745)
Decrease (increase) in prepaid expenses, deferred site rental receivables and other current assets	(12,014)	(19,692)
Decrease (increase) in other assets	7,446	(10,485)
Net cash provided by operating activities	143,795	156,514
Cash flows from investing activities:		
Capital expenditures	(18,153)	(55,956)
Net proceeds from disposition of property	—	151
Net cash (used for) investing activities	(18,153)	(55,805)
Cash flows from financing activities:		
(Increase) decrease in amount due from parent	(112,796)	(106,546)
Net (increase) decrease in restricted cash	(12,855)	5,837
Net cash (used for) financing activities	(125,651)	(100,709)
Net increase (decrease) in cash and cash equivalents	(9)	—
Cash and cash equivalents at beginning of year	9	—
Cash and cash equivalents at end of year	\$ —	—
Supplemental disclosure of cash flow information:		
Interest paid	\$ 81,169	88,590
Income taxes paid	—	—
Supplemental schedule of non-cash financing:		
Net assets recorded in connection with push-down accounting (note 1)	\$ 2,834,772	—

See accompanying notes to consolidated financial statements.

GLOBAL SIGNAL HOLDINGS V LLC

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Notes to Consolidated Financial Statements

December 31, 2007 and 2008

(Dollars in thousands)

(1) Basis of Presentation and Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The accompanying consolidated financial statements reflect the consolidated financial position, results of operations, and cash flows of Global Signal Holdings V LLC and its consolidated wholly-owned subsidiaries (“the Company,” n/k/a “CC Holdings GS V LLC,” see note 10). The Company is a wholly-owned subsidiary of Global Signal Operating Partnership, L.P., which is an indirect subsidiary of Crown Castle International Corp. (“CCIC” or “Crown Castle,” a Delaware corporation). All significant inter-company accounts, transactions, and profits have been eliminated.

The Company owns and leases communications towers and other communications sites to providers of wireless communications and broadcast services, such as wireless telephony services, paging, mobile radio, wireless data transmission and radio and television broadcasting, and to operators of private networks such as federal, state, and local government agencies. The Company’s towers and sites are geographically dispersed across the United States. Management services of the communications towers and other communications sites are performed by Crown Castle USA Inc. (“CCUSA”), an affiliate of the Company, under a management agreement, as the Company has no employees.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosure for contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results may vary from estimates used and such variances could be material.

(b) *Merger*

On October 5, 2006, Global Signal Inc. (“Global Signal”), CCIC and CCGS Holdings LLC, a Delaware limited liability company and a wholly-owned subsidiary of Crown Castle (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) pursuant to which Global Signal will merge with and into CCGS Holdings LLC (the “Merger”), with CCGS Holdings LLC continuing as the surviving company and a wholly-owned subsidiary of Crown Castle following the transaction. The Merger closed on January 12, 2007 (the “Merger Date”).

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(Dollars in thousands)

The financial statements reflect adjustments to record assets and liabilities at fair value at the Merger Date as required by “push-down” purchase accounting. The impact of the “push-down” purchase accounting is shown below and resulted in an increase to members’ equity of \$2.8 billion.

Assets:	
Other current assets	\$ 7,794
Property and equipment	188,524
Goodwill	1,337,985
Other intangible assets	1,869,799
Other assets	<u>(38,659)</u>
Total assets	<u>3,365,443</u>
Liabilities:	
Deferred rental revenues and other accrued liabilities	(2,222)
Deferred tax liability	524,571
Long-term debt	(3,096)
Other liabilities	<u>11,418</u>
Total liabilities	<u>530,671</u>
	<u>\$ 2,834,772</u>

The results of operations for the period from January 1, 2007 through January 11, 2007 included site rental revenues of \$11.9 million, operating income of \$2.1 million, and a net loss of \$0.4 million.

(c) *Summary of Significant Accounting Policies*

Cash Equivalents

Cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Restricted Cash

As of December 31, 2007 and December 31, 2008, the Company had restricted cash of \$41.5 million and \$35.6 million, respectively. These escrowed funds relate to amounts held in escrow in connection with the Company’s February 2006 mortgage loan for insurance, real estate taxes, ground lease rental payments, and debt service. Based on the terms of the Company’s mortgage loan, as cash is received from tenants it is directly deposited to this account and is subsequently released to the Company’s general cash operating account as the escrow reaches a pre-established funding level. The increases and decreases in restricted cash have aspects of cash flows from financing as well as cash flows from operating activities and, as such, could be classified as either on the statement of cash flows. The Company has classified these increases and decreases in restricted cash as cash

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flows from financing activities based on consideration of the terms of the February 2006 mortgage loan.

Allowance for Doubtful Accounts Receivable

An allowance for doubtful accounts is recorded as an offset to accounts receivable in order to present a net balance that the Company believes will be collected. In estimating the appropriate balance for this allowance, the Company considers (1) specific reserves for accounts it believes may prove to be uncollectible and (2) additional reserves, based on historical collections, for the remainder of its accounts. Additions to the allowance for doubtful accounts are charged to “costs of operations,” and deductions from the allowance are recorded when specific accounts receivable are written off as uncollectible.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed utilizing the straight-line method at rates based upon the estimated useful lives of the various classes of assets. Depreciation of towers is generally computed with a useful life equal to the shorter of 20 years or the term of the underlying ground lease (including optional renewal periods). Additions, renewals, and improvements are capitalized, while maintenance and repairs are expensed. Upon the sale or retirement of an asset, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized. The carrying value of property and equipment will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the estimated future cash flows (undiscounted) expected to result from the use and eventual disposition of an asset is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss is based on the fair value of the asset.

Asset Retirement Obligations

The Company records obligations associated with retirement of long-lived assets and the associated asset retirement costs in accordance with Statement of Financial Accounting Standards No. 143 (“SFAS 143”), *Accounting for Asset Retirement Obligations*, and Financial Accounting Standards Board (“FASB”) Interpretation No. 47 (“FIN 47”), *Accounting for Conditional Asset Retirement Obligations*. The fair value of the liability for asset retirement obligations is recognized in the period in which it is incurred and the fair value of the liability can reasonably be estimated. Changes subsequent to initial measurement resulting from revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the carrying amount of the liability and related carrying amount of the capitalized asset. Asset retirement obligations are included in “other liabilities” on the Company’s consolidated balance sheet. The liability accretes as a result of the passage of time and the related accretion expense is included in “depreciation, amortization, and accretion” expense on the Company’s consolidated statement of operations. The associated asset retirement costs are capitalized as an additional carrying amount of the related long-lived asset and depreciated over the useful life of the related long-lived asset.

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Goodwill

Goodwill represents the excess of the purchase price for an acquired business over the allocated value of the related net assets. Goodwill is not amortized, but rather is tested for impairment on an annual basis. The annual test begins with goodwill and all intangible assets being allocated to applicable reporting units. Goodwill is then tested using a two-step process that begins with an estimation of fair value of the reporting unit using an income approach, which looks to the present value of expected future cash flows. The first step is a screen for potential impairment while the second step measures the amount of any impairment if there is an indication from the first step that one may exist. The Company's measurement of the fair value for goodwill is based on an estimate of discounted future cash flows of the reporting unit. The Company performed its annual test of goodwill as of October 1, 2008 and determined goodwill was not impaired.

During the quarter ended December 31, 2008, based on changes in market conditions, including a decline in the Company's enterprise value allocated from Crown Castle International Corp., the Company concluded there were sufficient indicators to require it to perform an interim goodwill impairment analysis as of December 31, 2008. The fair value of the Company was estimated using the income approach, which estimates fair value by discounting future cash flows. The most important estimates for such calculations are the expected additions of new tenants on our towers, the terminal multiple for our projected cash flows, our weighted-average cost of capital and control premium. The Company performed the second step and determined goodwill was not impaired.

Other Intangible Assets

Other intangible assets include (1) in-place customer site rental contracts, (2) below-market leases for land under its towers, (3) term easement rights for land under its towers, and (4) trademarks recorded in conjunction with acquisitions. Intangible assets with finite useful lives are amortized on a straight-line basis over the estimated useful lives. Deferred credits related to above-market leases for land under its towers recorded in conjunction with acquisitions are recorded at the estimated fair value and are included in "other liabilities" on the Company's consolidated balance sheet.

The carrying value of other intangible assets with finite useful lives will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the estimated future cash flows (undiscounted) expected to result from the use and eventual disposition of an asset is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss is based on the fair value of the asset.

Accrued Property Taxes

The accrual for estimated property tax obligations is based on assessments currently in effect and estimates of possible additional taxes. The Company recognizes the benefit of tax appeals upon ultimate resolution of the appeal.

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(Dollars in thousands)

Revenue Recognition

Site rental revenues are recognized on a monthly basis over the fixed, non-cancelable term of the relevant lease or agreement, with such terms generally ranging from five to fifteen years. In accordance with applicable accounting standards, including Statement of Financial Accounting Standards No. 13 (“SFAS 13”), *Accounting for Leases*, these revenues are recognized on a monthly basis regardless of whether the payments from the customer are received in equal monthly amounts. The Company’s leases contain fixed escalation clauses (such as fixed dollar or fixed percentage increases) or inflation-based escalation clauses (such as those tied to the consumer price index (“CPI”). If the payment terms call for fixed escalations, the effect of such increases is recognized on a straight-line basis over the fixed, non-cancelable term of the agreement. When calculating straight-line rental revenues, the Company considers all fixed elements of tenant leases’ escalation provisions, even if such escalation provisions also include a variable element. The Company’s asset related to straight-line site rental revenues is included in “deferred site rental receivables” on the Company’s consolidated balance sheet.

Sales taxes and value-added taxes collected from customers and remitted to governmental authorities are presented on a net basis.

Costs of Operations

Costs of operations consist primarily of ground leases, repairs and maintenance, utilities, property taxes, insurance, and monitoring costs. Generally, the ground lease agreements are specific to each site and are for an initial term of five years and are renewable for pre-determined periods. Ground lease expense is recognized on a monthly basis, regardless of whether the lease agreement payment terms require the Company to make payments annually, quarterly, or in equal monthly amounts. The Company’s ground leases contain fixed escalation clauses (such as fixed dollar or fixed percentage increases) or inflation-based escalation clauses (such as those tied to the CPI). If the payment terms include fixed escalation provisions, the effect of such increases is recognized on a straight-line basis. The Company calculates the straight-line ground lease expense using a time period that equals or exceeds the remaining depreciable life of the tower asset. Further, when a tenant has exercisable renewal options that would compel the Company to exercise existing ground lease renewal options, the Company has straight-lined the ground lease expense over a sufficient portion of such ground lease renewals to coincide with the final termination of the tenant’s renewal options. The Company’s liability related to straight-line ground lease expense is included in “deferred ground lease payables” on the Company’s consolidated balance sheet.

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Management Fee

The Company is charged a management fee by CCUSA, a wholly-owned indirect subsidiary of CCIC. The management fee is equal to 7.5% of the Company's revenue excluding the revenues related to the accounting for leases with fixed escalators as required by Statement of Financial Accounting Standard No. 13 ("SFAS 13"), *Accounting for Leases*. The management fee charged from CCUSA totaled \$30.0 million for the year ended December 31, 2007 and \$31.9 million for the year ended December 31, 2008. See note 5.

Income Taxes

The Company accounts for income taxes using an asset and liability approach, which requires the recognition of deferred income tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred income tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the asset will not be realized. The Company records interest or penalties related to income taxes as components of the benefit (provision) for income taxes in its consolidated financial statements. The amount of interest and penalties accrued as of December 31, 2007 and 2008 is immaterial.

The Company is included in the consolidated federal income tax return of its ultimate parent, CCIC. The Company does not currently maintain a tax sharing agreement with its parent. Federal net operating losses have been absorbed based upon application of the federal consolidated return rules. No reimbursements have been made for the use of net operating losses generated by members of the consolidated group that are not included in these consolidated financial statements.

The Company recognizes a tax position if it is more likely than not it will be sustained upon examination. The tax position is measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement.

Fair Values

The Company's assets and liabilities recorded at fair value are categorized based upon a fair value hierarchy in accordance with Statement of Financial Accounting Standards No. 157 ("SFAS 157"), *Fair Value Measurements*. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value.

The following is a description of the levels of the fair value hierarchy. The Company evaluates level classifications quarterly, and transfers between levels are effective at the end of the quarterly period.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

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- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, as well as inputs other than quoted prices that are observable for the asset or liability, such as interest rates.
- Level 3 inputs are unobservable inputs and are not corroborated by market data.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are described below.

- *Market approach.* Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- *Cost approach.* Based on the amount that would be required to replace the service capacity of an asset (replacement cost).
- *Income approach.* Uses valuation techniques to convert future amounts to a single present amount based on market expectations.

The fair value of cash and cash equivalents and restricted cash approximate the carrying value. The estimated fair value of the Company's debt securities is based on indicative quotes (that is non-binding quotes) from brokers that require judgment to interpret market information including implied credit spreads for similar borrowings on recent trades or bid/ask prices. The estimated fair values of the Company's financial instruments, along with the carrying amounts of the related assets (liabilities), are as follows:

	December 31, 2007		December 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents (a)	\$ —	—	\$ —	—
Restricted cash (a)	41,450	41,450	35,613	35,613
Long-term debt	(1,547,608)	(1,532,426)	(1,548,351)	(1,268,754)

(a) Cash and restricted cash are measured at fair value on a recurring basis as of December 31, 2008.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 ("SFAS 157"), *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The FASB amended SFAS 157 to exclude leases accounted for pursuant to SFAS 13 from its scope. On January 1, 2008, the Company adopted the provisions of SFAS 157,

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with the exception of a one-year deferral of implementation for non-financial assets and liabilities that are not recognized or disclosed at fair value on a recurring basis (at least annually). In October 2008, the FASB clarified SFAS 157 as it relates to determining the fair value of a financial asset when the market for that financial asset is inactive. The significant categories of assets and liabilities included in the Company's deferred implementation of SFAS 157 are (1) non-financial assets and liabilities initially measured at fair value in a business combination, (2) impairment assessments of long-lived assets, goodwill, and other intangible assets, and (3) asset retirement obligations initially measured at fair value. The requirements of SFAS 157 were applied prospectively. The adoption of SFAS 157 did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 ("SFAS 160"), *Non-controlling Interests in Consolidated Financial Statements – an Amendment to Accounting Research Bulletin No. 51*. SFAS 160 amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. The provisions of SFAS 160 are effective for the Company as of January 1, 2009. The Company believes that the adoption of SFAS 160 will not have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS 141(R), *Business Combinations (revised 2007)*. SFAS 141(R) replaces Statement of Financial Accounting Standards No. 141 ("SFAS 141"), *Business Combinations*. SFAS 141(R) establishes principles and requirements for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any non-controlling interest in an acquisition, at their fair value as of the acquisition date. SFAS 141(R) will change the accounting treatment of certain items, including (1) acquisition and restructuring costs will be generally expensed as incurred, (2) non-controlling interests will be valued at fair value at the acquisition date, (3) acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for nonacquired contingencies, and (4) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date will affect provision for income taxes. The provisions of SFAS 141(R) will be applied prospectively to the Company's business combinations for which the acquisition date is on or after January 1, 2009. SFAS 141(R) may have a material impact on business combinations after adoption. The impact from application of SFAS 141(R) will depend on the facts and circumstances of a business combination after adoption.

In April 2008, the FASB issued FASB Staff Position No. 142-3 ("FSP 142-3"), *Determination of the Useful Life of Intangible Assets*. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. Specifically, the Company shall consider its own historical experience in renewing

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or extending similar arrangements, even when there is likely to be substantial cost or material modifications. Also, in the absence of its own experience, an entity shall consider the assumptions that market participants would use. The provisions of FSP 142-3 are applied prospectively to intangible assets acquired after January 1, 2009. FSP 142-3 may have a material impact on the determination of the useful lives of intangible assets acquired after January 1, 2009. This impact, if any, from the application of FSP 142-3 will depend on the facts and circumstances of the intangible assets acquired after adoption.

In November 2008, the Emerging Issues Task Force reached a consensus on Issue No. 08-6 (“EITF 08-6”), *Equity Method Investment Accounting Considerations*. EITF 08-6 addresses questions about the potential effect of SFAS 141(R) and SFAS 160 on equity-method accounting. The provisions of EITF 08-6 are effective January 1, 2009 and will be applied prospectively. We do not expect the adoption of EITF 08-6 to have a material impact on the consolidated financial statements.

(2) Property and Equipment

The major classes of property and equipment are as follows:

	<u>Estimated useful lives</u>	<u>December 31, 2007</u>	<u>December 31, 2008</u>
Land and buildings	40 years	\$ 75,958	77,330
Telecommunications towers	1 – 20 years	1,347,327	1,407,269
		1,423,285	1,484,599
Less: accumulated depreciation		(92,789)	(176,137)
		<u>\$ 1,330,496</u>	<u>1,308,462</u>

Depreciation expense for the years ended December 31, 2007 and 2008 was \$95.5 million and \$84.2 million, respectively.

(3) Goodwill and Intangible Assets

See note 1 for further discussion of goodwill.

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A summary of goodwill is as follows:

	December 31, 2008
Application of push-down accounting on January 12, 2007	\$ 1,333,062
Balance as of December 31, 2007	1,333,062
Adjustments to push-down accounting (a)	4,923
Balance as of December 31, 2008	\$ 1,337,985

- (a) During 2008, the Company adjusted the push-down purchase accounting related to the Merger for adjustments related to the tax bases of fixed assets. The result of this adjustment was to increase goodwill and deferred tax liabilities by \$4.9 million.

The components of the intangible assets predominately related to the allocation of the purchase price in acquisitions of businesses are as follows:

Year ended December 31, 2007				
	Gross carrying amount	Weighted average amortization period	Accumulated amortization	Net book value
		(In years)		
Site rental contracts	\$ 2,099,526	20.0	(100,600)	1,998,926
Below-market leases	56,498	25.9	(3,342)	53,156
Other	12,298	15.2	(1,721)	10,577
	<u>\$ 2,168,322</u>		<u>(105,663)</u>	<u>2,062,659</u>

Year ended December 31, 2008				
	Gross carrying amount	Weighted average amortization period	Accumulated amortization	Net book value
		(In years)		
Site rental contracts	\$ 2,099,517	20.0	(205,576)	1,893,941
Below-market leases	53,453	19.6	(6,482)	46,971
Other	12,198	15.2	(3,492)	8,706
	<u>\$ 2,165,168</u>		<u>(215,550)</u>	<u>1,949,618</u>

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During the years ended December 31, 2007 and 2008, the Company recorded amortization expense relating to intangible assets as an increase to “depreciation, amortization, and accretion” of \$103.4 million and \$106.8 million, respectively, and an increase to “site rental costs of operations” of \$3.4 million and \$3.5 million, respectively. The estimated annual amortization expense related to intangible assets (inclusive of those recorded to “site rental costs of operations”) for the years ended December 31, 2009 to 2013 are as follows:

	Years ending December 31,				
	2009	2010	2011	2012	2013
Estimated annual amortization	\$ 109,916	109,868	109,828	108,176	108,084

See note 1 for a further discussion of deferred credits related to above-market leases for land under the Company’s towers recorded in connection with acquisitions. During the year ended December 31, 2007, the Company recorded \$57.7 million related to above-market leases as a result of applying push-down accounting related to the Merger (see note 1). The above-market leases recorded during the year ended December 31, 2007 had an initial weighted-average amortization period of 16.5 years. For each of the years ended December 31, 2007 and 2008, the Company recorded \$3.5 million as a decrease to “site rental costs of operations.” As of December 31, 2007 and 2008, the net book value of the above-market leases was \$51.9 million and \$45.6 million, respectively.

(4) Debt

The Company’s outstanding debt as of December 31, 2008 consists entirely of the February 2006 Mortgage Loan of \$1.550 billion described below. The February 2006 Mortgage Loan has a weighted average interest rate of approximately 5.7% and is secured by first priority mortgage liens on substantially all tangible assets of the Company. Monthly interest-only installments began in March 2006 and continue to the contractual maturity date of February 2011. The difference between the principal amount of \$1.550 billion and the carrying amount of \$1.548 billion, which represents the fair value of the debt at the time of merger as required by push-down accounting, is being amortized as an increase to interest expense.

(a) *February 2006 Mortgage Loan*

On February 28, 2006, the three special purpose entities and their direct subsidiaries (“Borrowers”), all of which are wholly-owned subsidiaries of the Company, borrowed a total of \$1.550 billion under a mortgage loan made payable to a newly formed trust, Global Signal Trust III (“February 2006 Mortgage Loan”).

The principal amount of the February 2006 Mortgage Loan is divided into seven tranches, each having a different level of seniority. Interest accrues on the February 2006 Mortgage Loan at a weighted-average interest rate of approximately 5.7%. The February 2006 Mortgage Loan requires monthly payments of interest until its repayment date in February 2011. The February 2006 Mortgage Loan is secured by, among other things, (1) mortgage liens on the Borrowers’ interests (fee, leasehold, or easement) in over 80% of their communications sites, (2) a security interest in

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substantially all of the Borrowers' personal property and fixtures and (3) a pledge of the capital stock (or equivalent equity interests) of each of the Borrowers by the Company.

On a monthly basis, the excess cash flows from the Borrowers, after the payment of principal, interest, reserves, and expenses, are distributed to the Borrowers. If the debt service coverage ratio ("DSCR"), defined in the February 2006 Mortgage Loan as the net cash flow for the sites for the immediately preceding twelve calendar month period divided by the amount of interest that we will be required to pay over the succeeding twelve months on the February 2006 Mortgage Loan, as of the end of any calendar quarter falls to 1.35 times or lower, then all excess cash flow will be deposited into a reserve account instead of being released to the Borrowers. The funds in the reserve account will not be released to the Borrowers until the DSCR exceeds 1.35 times for two consecutive calendar quarters. If the DSCR falls below 1.20 times as of the end of any calendar quarter, then all funds on deposit in the reserve account along with future excess cash flows will be applied to prepay the February 2006 Mortgage Loan.

Prepayment is permitted provided it is accompanied by any applicable prepayment consideration. If the prepayment occurs within three months of the February 2011 monthly payment date, no prepayment consideration is due.

The February 2006 Mortgage Loan documents include covenants customary for mortgage loans subject to rated securitizations. Among other things, the Borrowers are prohibited from incurring additional indebtedness or further encumbering their assets.

See note 10.

(5) Related Party Transactions

The Company is charged a management fee by CCUSA under a management agreement whereby CCUSA has agreed to employ, supervise, and pay at all times a sufficient number of capable employees as may be necessary to perform services in accordance with the operation standards defined in the management agreement. The management fee is equal to 7.5% of the Company's revenue excluding the revenues related to the accounting for leases with fixed escalators as required by SFAS 13. The fee is compensation for tower site management services and administrative services other than the operating expenses, which includes but is not limited to real estate and personal property taxes, ground lease and easement payments, and insurance premiums. The management fee charged from CCUSA totaled \$30.0 million for the year ended December 31, 2007 and \$31.9 million for the year ended December 31, 2008.

The Company receives rent revenue from affiliates for land owned by the Company that affiliates have towers on and pays ground rent expense to affiliates for land owned by affiliates that the Company has towers on. For the years ended December 31, 2007 and December 31, 2008, rent revenue from affiliates totaled \$0.1 million and \$0.1 million, respectively. Rent expense to affiliates totaled \$3.0 million for the year ended December 31, 2007 and \$10.4 million for the year ended December 31, 2008. See note 10 for additional related party transactions.

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(6) Income Taxes

The Company is a limited liability corporation (“LLC”). Under the federal and state income tax laws, regulations, and administrative rulings, single member LLC’s are treated as disregarded entities for income tax return filing purposes (unless elected otherwise). Single member LLC’s are flow through entities which do not pay income tax at the LLC level. The Company is included in the consolidated CCIC U.S. federal tax return.

The provision (benefit) for income taxes consists of the following:

	Years ended December 31,	
	2007	2008
Current:		
Federal	\$ (1,466)	3,917
State	(260)	(691)
Deferred:		
Federal	22,545	12,394
State	—	—
	<u>\$ 20,819</u>	<u>15,620</u>

A reconciliation between the benefit (provision) for income taxes and the amount computed by applying the federal statutory income tax rate to the loss from continuing operations before income taxes is as follows:

	Years ended December 31,	
	2007	2008
Benefit (provision) for income taxes at statutory rate	\$ 20,983	16,080
Non-deductible expenses and other	(147)	(11)
State tax (provision) benefit, net of federal benefit	(169)	(449)
Other	152	—
	<u>\$ 20,819</u>	<u>15,620</u>

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The components of the net deferred income tax assets and liabilities are as follows:

	Years ended December 31,	
	2007	2008
Deferred income tax liabilities:		
Intangible assets	\$ 699,060	661,731
Property and equipment	209,453	244,220
Deferred site rental receivables	8,367	16,054
Total deferred income tax liabilities	<u>916,880</u>	<u>922,005</u>
Deferred income tax assets:		
Net operating carryforwards	68,011	78,873
Deferred ground lease payable	5,785	11,467
Accrued liabilities	17,827	16,391
Alternate minimum tax carryforward	1,466	878
Receivables allowance	1,060	860
Prepaid lease	374,105	371,044
Valuation allowances	(22,889)	(18,862)
Total deferred income tax assets, net	<u>445,365</u>	<u>460,651</u>
Net deferred income tax liabilities	<u>\$ 471,515</u>	<u>461,354</u>

Valuation allowances of \$22.9 million and \$18.9 million were recognized to offset net state deferred income tax assets as of December 31, 2007 and 2008, respectively. If the benefits related to the valuation allowance are recognized in the future, such benefits would be recorded to the consolidated statement of operations. During 2007 and 2008, the Company recorded net equity contributions of \$25.7 million and \$15.4 million, respectively, related to the use of net operating losses from members in its federal consolidated group that are not members of the Company's group of companies.

At December 31, 2008, the Company had U.S. federal and state net operating loss carryforwards of approximately \$224.0 million and \$9.5 million, respectively, which are available to offset future taxable income. The federal loss carryforwards will expire in 2022 through 2027. The state net operating loss carryforwards generally expire in 2009 through 2027. The utilization of the loss carryforwards is subject to certain limitations.

From time to time, the Company is subject to examination by various tax authorities in jurisdictions in which the Company has significant business operations. The Company regularly assesses the likelihood of additional assessments in each of the tax jurisdictions resulting from these examinations.

(7) Commitments and Contingencies

The Company is involved in various claims, lawsuits and proceedings arising in the ordinary course of business. While there are uncertainties inherent in the ultimate outcome of such matters, and it is

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impossible to presently determine the ultimate costs or losses that may be incurred, if any, management believes the resolution of such uncertainties and the incurrence of such costs should not have a material adverse effect on the Company's consolidated financial position or results of operations.

(a) Asset Retirement Obligations

Pursuant to its ground lease agreements, the Company has the obligation to perform certain asset retirement activities, including requirements upon lease termination to remove towers or remediate the land upon which its towers reside. Accretion expense related to liabilities for contingent retirement obligations amounted to \$0.7 million and \$0.5 million for the years ended December 31, 2007 and 2008, respectively. At December 31, 2007 and 2008, liabilities for contingent retirement obligations amounted to \$7.0 million and \$16.4 million, respectively, representing the net present value of the estimated expected future cash outlay. During the year ended December 31, 2008, the Company increased the liability by \$8.8 million as a result of revisions in the estimated cash flows. As of December 31, 2008, the estimated undiscounted future cash outlay for asset retirement obligations was approximately \$538.1 million. See note 1.

(b) Property Tax Commitments

The Company is obligated to pay, or reimburse others for, property taxes related to the Company's towers pursuant to operating leases with landlords and other contractual agreements. For the year ended December 31, 2008, the Company paid, or reimbursed others for, property taxes of approximately \$18.0 million. For the year ended December 31, 2009, the Company estimates that it will pay, or reimburse others for, property taxes of approximately \$17.9 million. The property taxes for the year ended December 31, 2008 and future periods are contingent upon new assessments of the towers and the Company's appeals of assessments.

(8) Leases

(a) Tenant Leases

The following table is a summary of the rental cash payments to the Company, as a lessor, by tenants pursuant to lease agreements in effect as of December 31, 2008. Generally, the Company's leases with its tenants provide for (1) annual escalations and multiple renewal periods at the tenant's options and (2) only limited termination rights at the tenant's option through the current term. The tenant rental payments included in the table below are through the current term and do not assume exercise of tenant renewal options.

	Years ending December 31,					
	2009	2010	2011	2012	2013	Thereafter
Tenant leases	\$ 413,109	373,900	335,266	296,328	256,616	854,019

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(b) *Operating Leases*

The following table is a summary of rental cash payments owed by the Company, as lessee, to landlords pursuant to lease agreements in effect as of December 31, 2008. The Company is obligated under non-cancelable operating leases for land under 83% of its towers, office space, and equipment. In addition, the Company has operating leases under which it manages space on towers owned by third parties under 5% of its towers. The majority of these operating lease agreements have certain termination rights that provide for cancellation after a notice period. The majority of the land and managed tower leases have multiple renewal options at the Company's option and annual escalations. Lease agreements may also contain provisions for a contingent payment based on revenues or the gross margin derived from the tower located on the leased land. Approximately 64% of the land under the Company's towers has remaining terms to expiration (including renewals at the Company's option) of greater than 15 years. The operating lease payments included in the table below include payments for certain renewal periods at the Company's option up to the estimated tower useful life of 20 years and an estimate of contingent payments based on revenues and gross margins derived from existing tenant leases.

	Years ending December 31,					
	2009	2010	2011	2012	2013	Thereafter
Operating leases	\$ 110,499	110,880	112,935	114,422	115,774	1,393,143

Rental expense from operating leases was \$117.4 million and \$123.7 million for the years ended December 31, 2007 and 2008, respectively. The rental expense was inclusive of contingent payments based on revenues or gross margin derived from the tower located on the leased land of \$28.1 million and \$27.8 million for the years ended December 31, 2007 and 2008, respectively.

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(9) Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and trade receivables. The Company mitigates its risk with respect to cash and cash equivalents by maintaining such deposits at high credit quality financial institutions and monitoring the credit ratings of those institutions. The Company's restricted cash is held and directed by a trustee (see note 1).

The following table summarizes the percentage of the Company's revenue for those customers accounting for more than 10% of the Company's revenues.

	Years ended December 31,	
	2007	2008
Sprint Nextel Corp.	38%	36%
AT&T	14%	14%
T-Mobile	9%	12%
Verizon Wireless	7%	10%

(10) Subsequent Events

The following is a summary of the 2009 purchases of the February 2006 Mortgage Loan as of April 8, 2009 by CCIC. These debt purchases were made by CCIC and as a result, the debt remains outstanding on the Company's consolidated balance sheet.

	Principal amount	Cash paid (1)
February 2006 Mortgage Loan	\$ 247,539	233,984

(1) Exclusive of accrued interest

On April 15, 2009, the Company announced its intention to offer, in a private transaction, up to \$1.2 billion of Senior Secured Notes due 2017 ("Secured Notes"). The Notes will be secured on a first priority basis by a pledge of the equity interests of the Company and by certain other assets of the Company. The Borrowers will repay in full the February 2006 Mortgage Loan and the related prepayment consideration using the net proceeds of the Secured Notes as well as an equity contribution from an indirect subsidiary of CCIC.

On April 30, 2009, the Company was renamed CC Holdings GS V LLC.