

CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
November 01, 2016

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period _____ to _____

Commission File Number 001-16441

CROWN CASTLE INTERNATIONAL CORP.
(Exact name of registrant as specified in its charter)

Delaware 76-0470458
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

1220 Augusta Drive, Suite 600, Houston, Texas
77057-2261
(Address of principal executives office) (Zip Code)
(713) 570-3000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

Number of shares of common stock outstanding at October 28, 2016: 338,916,436

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

INDEX

	Page
<u>PART I—FINANCIAL INFORMATION</u>	<u>2</u>
ITEM 1. <u>FINANCIAL STATEMENTS</u>	<u>2</u>
<u>CONDENSED CONSOLIDATED BALANCE SHEET</u>	<u>2</u>
<u>CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)</u>	<u>4</u>
<u>CONDENSED CONSOLIDATED STATEMENT OF EQUITY (Unaudited)</u>	<u>5</u>
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited</u>	<u>7</u>
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>20</u>
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>34</u>
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	<u>35</u>
<u>PART II—OTHER INFORMATION</u>	<u>36</u>
ITEM 1. LEGAL PROCEEDINGS	<u>36</u>
ITEM 1A. <u>RISK FACTORS</u>	<u>36</u>
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	<u>36</u>
ITEM 6. <u>EXHIBITS</u>	<u>36</u>
<u>SIGNATURES</u>	<u>37</u>
<u>EXHIBIT INDEX</u>	<u>38</u>

Cautionary Language Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements that are based on our management's expectations as of the filing date of this report with the Securities and Exchange Commission ("SEC"). Statements that are not historical facts are hereby identified as forward-looking statements. In addition, words such as "estimate," "anticipate," "project," "plan," "intend," "believe," "expect," "likely," "predicted," any variations of these words and similar expressions are intended to identify forward-looking statements. Such statements include plans, projections and estimates contained in "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") and "Part I—Item 3. Quantitative and Qualitative Disclosures About Market Risk" herein. Such forward-looking statements include (1) expectations regarding anticipated growth in the wireless industry, carriers' investments in their networks, tenant additions, customer consolidation or ownership changes, or demand for our wireless infrastructure, (2) expectations regarding non-renewals of tenant leases (including the impact of our customers' decommissioning of the former Leap Wireless, MetroPCS and Clearwire networks (collectively, the "Acquired Networks")), (3) availability and adequacy of cash flows and liquidity for, or plans regarding, future discretionary investments including capital expenditures, (4) potential benefits of our discretionary investments, (5) anticipated growth in our financial results, including future revenues, margins, Adjusted EBITDA, segment site rental gross margin, segment network services and other gross margin, segment operating profit, and operating cash flows, (6) expectations regarding our capital structure and the credit markets, our availability and cost of capital, or our ability to service our debt and comply with debt covenants and the benefits of any future refinancings, (7) expectations related to remaining qualified as a real estate investment trust ("REIT") and the advantages, benefits or impact of, or opportunities created by, our REIT status, (8) the realization and utilization of our net operating loss carryforwards ("NOLs"), (9) our dividend policy and the timing, amount, growth or tax characterization of any dividends and (10) the anticipated closing of the Proposed FiberNet Acquisition (as defined in note 13).

Such forward-looking statements should, therefore, be considered in light of various risks, uncertainties and assumptions, including prevailing market conditions, risk factors described in "Item 1A. Risk Factors" of our Annual

Report on Form 10-K for the fiscal year ended December 31, 2015 ("2015 Form 10-K") and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected. As used herein, the term "including," and any variation thereof, means "including without limitation." The use of the word "or" herein is not exclusive.

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands of dollars, except share amounts)

	September 30, 2016	December 31, 2015
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 156,219	\$ 178,810
Restricted cash	116,932	130,731
Receivables, net	276,259	313,296
Prepaid expenses	157,102	133,194
Other current assets	133,163	225,214
Total current assets	839,675	981,245
Deferred site rental receivables	1,321,777	1,306,408
Property and equipment, net of accumulated depreciation of \$6,410,830 and \$5,798,875, respectively	9,714,149	9,580,057
Goodwill	5,750,033	5,513,551
Other intangible assets, net	3,737,448	3,779,915
Long-term prepaid rent and other assets, net	808,641	775,790
Total assets	\$ 22,171,723	\$ 21,936,966
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 148,916	\$ 159,629
Accrued interest	84,244	66,975
Deferred revenues	358,683	322,623
Other accrued liabilities	204,533	199,923
Current maturities of debt and other obligations	101,362	106,219
Total current liabilities	897,738	855,369
Debt and other long-term obligations	12,491,596	12,043,740
Other long-term liabilities	2,028,672	1,948,636
Total liabilities	15,418,006	14,847,745
Commitments and contingencies (note 9)		
CCIC stockholders' equity:		
Common stock, \$.01 par value; 600,000,000 shares authorized; shares issued and outstanding: September 30, 2016—337,569,931 and December 31, 2015—333,771,660	3,375	3,338
4.50% Mandatory Convertible Preferred Stock, Series A, \$.01 par value; 20,000,000 shares authorized; shares issued and outstanding: September 30, 2016 and December 31, 2015—9,775,000; aggregate liquidation value: September 30, 2016 and December 31, 2015—\$977,500	98	98
Additional paid-in capital	9,914,844	9,548,580
Accumulated other comprehensive income (loss)	(5,541)	(4,398)
Dividends/distributions in excess of earnings	(3,159,059)	(2,458,397)
Total equity	6,753,717	7,089,221
Total liabilities and equity	\$ 22,171,723	\$ 21,936,966

See notes to condensed consolidated financial statements.

2

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (Unaudited)

(In thousands of dollars, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net revenues:				
Site rental	\$812,032	\$764,606	\$2,415,926	\$2,233,077
Network services and other	179,984	153,501	472,883	484,938
Net revenues	992,016	918,107	2,888,809	2,718,015
Operating expenses:				
Costs of operations ^(a) :				
Site rental	256,750	247,000	762,223	716,244
Network services and other	109,228	86,859	286,066	263,177
General and administrative	89,941	76,699	278,909	223,880
Asset write-down charges	8,339	7,477	28,251	19,652
Acquisition and integration costs	2,680	7,608	11,459	12,001
Depreciation, amortization and accretion	280,824	261,662	834,725	766,621
Total operating expenses	747,762	687,305	2,201,633	2,001,575
Operating income (loss)	244,254	230,802	687,176	716,440
Interest expense and amortization of deferred financing costs	(129,916)	(129,877)	(385,656)	(398,782)
Gains (losses) on retirement of long-term obligations	(10,274)	—	(52,291)	(4,157)
Interest income	175	789	454	1,170
Other income (expense)	(832)	(1,214)	(4,623)	58,510
Income (loss) from continuing operations before income taxes	103,407	100,500	245,060	373,181
Benefit (provision) for income taxes	(5,041)	3,801	(12,797)	9,380
Income (loss) from continuing operations	98,366	104,301	232,263	382,561
Discontinued operations (see note 3):				
Income (loss) from discontinued operations, net of tax	—	—	—	19,690
Net gain (loss) from disposal of discontinued operations, net of tax	—	(522)	—	981,018
Income (loss) from discontinued operations, net of tax	—	(522)	—	1,000,708
Net income (loss)	98,366	103,779	232,263	1,383,269
Less: Net income (loss) attributable to the noncontrolling interest	—	—	—	3,343
Net income (loss) attributable to CCIC stockholders	98,366	103,779	232,263	1,379,926
Dividends on preferred stock	(10,997)	(10,997)	(32,991)	(32,991)
Net income (loss) attributable to CCIC common stockholders	\$87,369	\$92,782	\$199,272	\$1,346,935
Net income (loss)	\$98,366	\$103,779	\$232,263	\$1,383,269
Other comprehensive income (loss):				
Interest rate swaps reclassified into "interest expense and amortization of deferred financing costs", net of taxes	—	3,744	—	18,725
Foreign currency translation adjustments	(1,535)	(632)	(1,143)	(13,493)
Amounts reclassified into discontinued operations for foreign currency translation adjustments (see note 3)	—	—	—	(25,678)
Total other comprehensive income (loss)	(1,535)	3,112	(1,143)	(20,446)
Comprehensive income (loss)	96,831	106,891	231,120	1,362,823
Less: Comprehensive income (loss) attributable to the noncontrolling interest	—	—	—	—
Comprehensive income (loss) attributable to CCIC stockholders	\$96,831	\$106,891	\$231,120	\$1,362,823

Net income (loss) attributable to CCIC common stockholders, per common share:

Income (loss) from continuing operations, basic	\$0.26	\$0.28	\$0.59	\$1.05
Income (loss) from discontinued operations, basic	\$—	\$—	\$—	\$3.00
Net income (loss) attributable to CCIC common stockholders, basic	\$0.26	\$0.28	\$0.59	\$4.05
Income (loss) from continuing operations, diluted	\$0.26	\$0.28	\$0.59	\$1.05
Income (loss) from discontinued operations, diluted	\$—	\$—	\$—	\$2.99
Net income (loss) attributable to CCIC common stockholders, diluted	\$0.26	\$0.28	\$0.59	\$4.04
Weighted-average common shares outstanding (in thousands):				
Basic	337,564	333,049	336,426	332,951
Diluted	338,409	333,711	337,076	333,735

(a) Exclusive of depreciation, amortization and accretion shown separately.
See notes to condensed consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
 (In thousands of dollars)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss) from continuing operations	\$232,263	\$382,561
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used for) operating activities:		
Depreciation, amortization and accretion	834,725	766,621
Gains (losses) on retirement of long-term obligations	52,291	4,157
Gains (losses) on settled swaps	2,608	(54,475)
Amortization of deferred financing costs and other non-cash interest	11,293	32,394
Stock-based compensation expense	60,402	44,711
Asset write-down charges	28,251	19,652
Deferred income tax benefit (provision)	6,626	(16,199)
Other adjustments, net	(1,060)	(7,240)
Changes in assets and liabilities, excluding the effects of acquisitions:		
Increase (decrease) in accrued interest	17,269	2,241
Increase (decrease) in accounts payable	(12,469)	(8,310)
Increase (decrease) in deferred revenues, deferred ground lease payables, other accrued liabilities and other liabilities	118,144	214,607
Decrease (increase) in receivables	38,231	(703)
Decrease (increase) in prepaid expenses, deferred site rental receivables, long-term prepaid rent, restricted cash and other assets	(83,859)	(89,141)
Net cash provided by (used for) operating activities	1,304,715	1,290,876
Cash flows from investing activities:		
Payments for acquisitions of businesses, net of cash acquired	(545,162)	(1,083,319
Capital expenditures	(614,178)	(658,240)
Net receipts from settled swaps	8,141	54,475
Other investing activities, net	11,616	(1,561)
Net cash provided by (used for) investing activities	(1,139,583	(1,688,645
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	5,201,010	1,000,000
Principal payments on debt and other long-term obligations	(69,717)	(78,049)
Purchases and redemptions of long-term debt	(4,044,834	(1,069,337
Borrowings under revolving credit facility	3,440,000	1,560,000
Payments under revolving credit facility	(4,155,000	(1,240,000
Payments for financing costs	(41,471)	(17,415)
Net proceeds from issuance of capital stock	323,798	—
Purchases of capital stock	(24,759)	(29,576)
Dividends/distributions paid on common stock	(896,628)	(821,056)
Dividends paid on preferred stock	(32,991)	(32,991)
Net (increase) decrease in restricted cash	40	28,435
Net cash provided by (used for) financing activities	(300,552)	(699,989)
Net increase (decrease) in cash and cash equivalents - continuing operations	(135,420)	(1,097,758
Discontinued operations (see note 3):		
Net cash provided by (used for) operating activities	—	4,359
Net cash provided by (used for) investing activities	113,150	1,103,577

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Net increase (decrease) in cash and cash equivalents - discontinued operations	113,150	1,107,936
Effect of exchange rate changes	(321)	(1,682)
Cash and cash equivalents at beginning of period	178,810	175,620 ^(a)
Cash and cash equivalents at end of period	\$156,219	\$184,116

^(a)Inclusive of cash and cash equivalents included in discontinued operations.
See notes to condensed consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(In thousands of dollars, except share data) (Unaudited)

CCIC Stockholders									
	Common Stock		4.50% Mandatory Convertible Preferred Stock			Accumulated Other Comprehensive Income (Loss) ("AOCI")			
	Shares	(\$.01 Par)	Shares	(\$.01 Par)	Additional paid-in capital	Foreign Currency Translation Adjustments	Derivative Instruments net of Excess of Earnings tax	Dividends/ Distributions in Excess of Earnings	Noncontrolling Interests from Total discontinued operations
Balance, July 1, 2016	337,562,378	\$3,375	9,775,000	\$98	\$9,894,921	\$(4,006)	\$(2,946,081)		\$-6,948,307
Stock-based compensation related activity, net of forfeitures	10,784	—	—	—	20,222	—	—	—	—20,222
Purchases and retirement of capital stock	(3,231)	) —	—	—	(299)	) —	—	—	—(299)
Other comprehensive income (loss) ^(a)	—	—	—	—	—	(1,535)	) —	—	—(1,535)
Common stock dividends/distributions	—	—	—	—	—	—	—(300,347)	) —	—(300,347)
Preferred stock dividends	—	—	—	—	—	—	—(10,997)	) —	—(10,997)
Net income (loss)	—	—	—	—	—	—	—98,366	—	—98,366
Balance, September 30, 2016	337,569,931	\$3,375	9,775,000	\$98	\$9,914,844	\$(5,541)	\$(3,159,059)		\$-6,753,717

(a) See the condensed statement of operations and other comprehensive income (loss) for the components of "other comprehensive income (loss)."

CCIC Stockholders									
	Common Stock		4.50% Mandatory Convertible Preferred Stock			AOCI			
	Shares	(\$.01 Par)	Shares	(\$.01 Par)	Additional paid-in capital	Foreign Currency Translation Adjustments	Derivative Instruments net of Excess of Earnings tax	Dividends/ Distributions in Excess of Earnings	Noncontrolling Interests from Total discontinued operations
Balance, July 1, 2015	333,762,344	\$3,339	9,775,000	\$98	\$9,518,103	\$(3,122)	\$(3,744)	\$(2,110,438)	\$-7,404,236
Stock-based compensation related activity, net of	10,198	—	—	—	14,579	—	—	—	—14,579

forfeitures												
Purchases and retirement of capital stock	(1,043	)	—	—	—	(85	)	—	—	—(85)	
Other comprehensive income (loss) ^(a)	—		—	—	—	—	(632	)	3,744	—	—3,112
Common stock dividends/distributions	—		—	—	—	—	—	—	(274,321)	—(274,321)
Preferred stock dividends	—		—	—	—	—	—	—	(10,997)	—(10,997)
Net income (loss)	—		—	—	—	—	—	—	103,779		—103,779	
Balance, September 30, 2015	3,333,771,499		\$3,339	9,775,000	\$98	\$9,532,597	\$(3,754)	\$—	\$(2,291,977)		\$(7,240,303	

(a) See the condensed statement of operations and other comprehensive income (loss) for the components of "other comprehensive income (loss)" and note 5 with respect to the reclassification adjustments.

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	CCIC Stockholders		4.50% Mandatory Convertible Preferred Stock			AOCI		Derivative Instruments/Dividends/Disinterests		Noncontrolling Interests	
	Common Stock		Common Stock		Additional paid-in capital	Foreign Currency Translation Adjustments	net of tax	in Excess of Earnings	from discontinued operations	Total	
	Shares	(\$.01 Par)	Shares	(\$.01 Par)							
Balance, January 1, 2016	333,771,660	\$3,338	9,775,000	\$98	\$9,548,580	\$(4,398)	\$(2,458,397)			\$(7,089,221)	
Stock-based compensation related activity, net of forfeitures	257,720	2	—	—	67,260	—	—			67,262	
Purchases and retirement of capital stock	(287,513)	(3)	—	—	(24,756)	—	—			(24,759)	
Net proceeds from issuance of Common Stock	3,828,064	38	—	—	323,760	—	—			323,798	
Other comprehensive income (loss) ^(a)	—	—	—	—	—	(1,143)	—			(1,143)	
Common stock dividends/distributions	—	—	—	—	—	—	(899,934)			(899,934)	
Preferred stock dividends	—	—	—	—	—	—	(32,991)			(32,991)	
Net income (loss)	—	—	—	—	—	—	232,263			232,263	
Balance, September 30, 2016	337,569,931	\$3,375	9,775,000	\$98	\$9,914,844	\$(5,541)	\$(3,159,059)			\$(6,753,717)	

(a) See the condensed statement of operations and other comprehensive income (loss) for the components of "other comprehensive income (loss)."

	CCIC Stockholders		4.50% Mandatory Convertible Preferred Stock			AOCI		Derivative Instruments/Dividends/Disinterests		Noncontrolling Interests	
	Common Stock		Common Stock		Additional paid-in capital	Foreign Currency Translation Adjustments	net of tax	in Excess of Earnings	from discontinued operations	Total	
	Shares	(\$.01 Par)	Shares	(\$.01 Par)							
Balance, January 1, 2015	333,856,632	\$3,339	9,775,000	\$98	\$9,512,396	\$34,545	\$(18,725)	\$(2,815,428)	\$21,003	\$6,000	
	250,443	2	—	—	49,775	—	—	—	—	49,775	

Stock-based compensation related activity, net of forfeitures										
Purchases and retirement of capital stock	(335,576)	(2)	—	—	(29,574)	—	—	—	—	(29)
Other comprehensive income (loss) ^(a)	—	—	—	—	—	(38,299)	18,725	—	(872)	(20)
Disposition of CCAL Common stock	—	—	—	—	—	—	—	—	(23,474)	(23)
dividends/distributions	—	—	—	—	—	—	—	(823,484)	—	(82)
Preferred stock dividends	—	—	—	—	—	—	—	(32,991)	—	(32)
Net income (loss)	—	—	—	—	—	—	—	1,379,926	3,343	1,3
Balance, September 30, 2015	3,333,771,499	\$3,339	9,775,000	\$98	\$9,532,597	\$(3,754)	\$—	\$(2,291,977)	\$—	\$7

(a) See the condensed statement of operations and other comprehensive income (loss) for the components of "other comprehensive income (loss)" and note 5 with respect to the reclassification adjustments.

See notes to condensed consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited
(Tabular dollars in thousands, except per share amounts)

1. General

The information contained in the following notes to the consolidated financial statements is condensed from that which would appear in the annual consolidated financial statements; accordingly, the consolidated financial statements included herein should be reviewed in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2015, and related notes thereto, included in the 2015 Form 10-K filed by Crown Castle International Corp. ("CCIC") with the SEC. References to the "Company" include CCIC and its predecessor, as applicable, and their subsidiaries, unless otherwise indicated or the context indicates otherwise. As used herein, the term "including," and any variation thereof means "including without limitation." The use of the word "or" herein is not exclusive.

The Company owns, operates and leases shared wireless infrastructure, including: (1) towers and other structures, such as rooftops (collectively, "towers"), and (2) small cell networks supported by fiber (collectively, "small cells" and, together with towers, "wireless infrastructure"). The Company's wireless infrastructure is geographically dispersed throughout the United States, including Puerto Rico ("U.S."). See note 3 for a discussion of the May 2015 sale of the Company's formerly 77.6% owned subsidiary that operated towers in Australia (referred to as "CCAL"). The Company's core business is providing access, including space or capacity, to its shared wireless infrastructure via long-term contracts in various forms, including licenses, subleases and lease agreements.

During the first quarter of 2016, the Company changed its operating segments to consist of (1) towers and (2) small cells. The Company has recast its prior period presentation to conform to its current reporting presentation. See note 11.

As part of the Company's effort to provide comprehensive wireless infrastructure solutions, it offers certain network services relating to its wireless infrastructure, consisting of (1) the following site development services relating to existing or new tenant equipment installations on its wireless infrastructure: site acquisition, architectural and engineering, or zoning and permitting and (2) tenant equipment installation or subsequent augmentations.

The Company operates as a REIT for U.S. federal income tax purposes. In addition, the Company has certain taxable REIT subsidiaries ("TRSs"). See note 7.

Approximately 54% of the Company's towers are leased or subleased or operated and managed under master leases, subleases, and other agreements with AT&T, Sprint, and T-Mobile. The Company has the option to purchase these towers at the end of their respective lease terms. The Company has no obligation to exercise such purchase options.

Basis of Presentation

The condensed consolidated financial statements included herein are unaudited; however, they include all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to state fairly the consolidated financial position of the Company at September 30, 2016, and the consolidated results of operations and the consolidated cash flows for the nine months ended September 30, 2016 and 2015. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the Company's condensed consolidated financial statements are disclosed in the 2015 Form 10-K, other than certain recent accounting pronouncements described below.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued new guidance on the presentation of debt issuance costs. The guidance requires debt issuance costs be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts and premiums. The Company adopted the guidance as of January 1, 2016, and has applied the guidance

7

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)
 (Tabular dollars in thousands, except per share amounts)

retrospectively. As a result, the Company reclassified \$99.3 million of deferred financing costs as of December 31, 2015 from "long-term prepaid rent and other assets, net" as a direct reduction of "debt and other long-term obligations."

In September 2015, the FASB issued new guidance which requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The Company adopted the guidance as of January 1, 2016 on a prospective basis. This standard did not have a material impact on the Company's condensed consolidated financial statements upon adoption.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued new guidance on the recognition, measurement, presentation and disclosure of leases. The new guidance requires lessees to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments for all leases with a term greater than 12 months. The accounting for lessors remains largely unchanged from existing guidance. This guidance is effective for the Company as of January 1, 2019 and is required to be applied using a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest comparative period presented. Early adoption is permitted. The Company expects this guidance to have a material impact on its condensed consolidated financial statements and is currently evaluating the impact.

In June 2016, the FASB issued new guidance on the recognition and measurement of expected credit losses for certain types of financial instruments, including accounts receivable. The new guidance requires entities to estimate the expected credit loss over the life of certain financial instruments at initial recognition of the financial instrument. The guidance is effective for the Company as of January 1, 2020. Early adoption is permitted. The Company does not expect this guidance to have a material impact on its condensed consolidated financial statements.

3. Discontinued Operations

On May 14, 2015, the Company entered into a definitive agreement to sell CCAL to a consortium of investors led by Macquarie Infrastructure and Real Assets (collectively, "Buyer"). On May 28, 2015, the Company completed the sale. At closing, the Company received net proceeds of approximately \$1.1 billion after accounting for the Company's 77.6% ownership interest, repayment of intercompany debt owed to the Company by CCAL and estimated transaction fees and expenses, exclusive of the impact of foreign currency swaps related to the CCAL sale.

As part of the sale of CCAL, in January 2016, the Company received an installment payment from the Buyer totaling approximately \$124 million, inclusive of the impact of the related foreign currency swap.

CCAL was historically a separate operating segment of the Company. The sale of the Company's CCAL operating segment is treated as discontinued operations for all periods presented pursuant to ASU 2014-8, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which the Company adopted on January 1, 2015. The gain from disposal of CCAL is included in discontinued operations on the condensed consolidated statement of operations. The table below sets forth the results of operations related to discontinued operations for the nine months ended September 30, 2015.

	Nine Months Ended September 30, 2015 (b)(c)
Total revenues	\$ 65,293
Total cost of operations ^(a)	17,498
Depreciation, amortization, and accretion	10,168
Total other expenses	10,481

Pre-tax income from discontinued operations	27,146
Income (loss) from discontinued operations, net of tax ^(d)	\$ 19,690

- (a) Exclusive of depreciation, amortization, and accretion shown separately.
- (b) No interest expense has been allocated to discontinued operations.
- (c) CCAL results are through May 28, 2015, which was the closing date of the Company's sale of CCAL.
- (d) Exclusive of the gain (loss) from disposal of discontinued operations, net of tax, as presented on the condensed consolidated financial statement of operations.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

4. Acquisitions

In April 2016, the Company acquired Tower Development Corporation ("TDC"), a portfolio of approximately 330 towers, for approximately \$461 million in cash ("TDC Acquisition"). The Company funded the acquisition with cash on hand, cash from borrowings under the 2016 Revolver, and cash from equity issuances under the ATM Program (see note 10). As of September 30, 2016, the preliminary purchase price allocation was primarily composed of other intangible assets of approximately \$155 million, property and equipment of approximately \$106 million, and goodwill of approximately \$200 million. The preliminary purchase price allocation, including the valuation of fixed assets and intangible assets, is based upon a preliminary valuation, which is subject to change as the Company obtains additional information.

See note 13.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)
 (Tabular dollars in thousands, except per share amounts)

5. Debt and Other Obligations

	Original Issue Date	Contractual Maturity Date ^(a)	Balance as of September 30, 2016 ^(g)	Balance as of December 31, 2015 ^(g)	Stated Interest Rate as of September 30, 2016 ^(a)
Bank debt - variable rate:					
2016 Revolver	Jan. 2016	Jan. 2021	^{(d)(e)(f)} \$410,000	^(b) \$—	1.8 %
2016 Term Loan A	Jan. 2016	Jan. 2021	1,966,109	^(b) —	1.9 %
2012 Revolver	Jan. 2012	Jan. 2019	—	^(b) 1,125,000	N/A
Tranche A Term Loans	Jan. 2012	Jan. 2019	—	^(b) 627,846	N/A
Tranche B Term Loans	Jan. 2012	Jan. 2021	—	^(b) 2,219,602	N/A
Total bank debt			2,376,109	3,972,448	
Securitized debt - fixed rate:					
Secured Notes, Series 2009-1, Class A-1	July 2009	Aug. 2019	56,122	70,219	6.3 %
Secured Notes, Series 2009-1, Class A-2	July 2009	Aug. 2029	68,718	68,658	9.0 %
Tower Revenue Notes, Series 2010-2	Jan. 2010	Jan. 2037	^(e) —	349,171	N/A
Tower Revenue Notes, Series 2010-3	Jan. 2010	Jan. 2040	^(c) 1,243,769	1,242,368	6.1 %
Tower Revenue Notes, Series 2010-5	Aug. 2010	Aug. 2037	^(e) —	298,774	N/A
Tower Revenue Notes, Series 2010-6	Aug. 2010	Aug. 2040	^(c) 993,097	991,749	4.9 %
Tower Revenue Notes, Series 2015-1	May 2015	May 2042	^(c) 296,414	295,937	3.2 %
Tower Revenue Notes, Series 2015-2	May 2015	May 2045	^(c) 691,025	690,247	3.7 %
Total securitized debt			3,349,145	4,007,123	
Bonds - fixed rate:					
5.250% Senior Notes	Oct. 2012	Jan. 2023	1,636,571	1,634,989	5.3 %
2.381% Secured Notes	Dec. 2012	Dec. 2017	^(f) —	497,160	2.4 %
3.849% Secured Notes	Dec. 2012	Apr. 2023	990,933	989,895	3.9 %
4.875% Senior Notes	Apr. 2014	Apr. 2022	839,884	838,579	4.9 %
3.400% Senior Notes	Feb./May 2016	Feb. 2021	849,706	^{(d)(e)} —	3.4 %
4.450% Senior Notes	Feb. 2016	Feb. 2026	889,804	^(d) —	4.5 %
3.700% Senior Notes	May 2016	June 2026	741,705	^(e) —	3.7 %
2.250% Senior Notes	Sept. 2016	Sept. 2021	693,630	^(f) —	2.3 %
Total bonds			6,642,233	3,960,623	
Other:					
Capital leases and other obligations	Various	Various	225,471	209,765	Various
Total debt and other obligations			12,592,958	12,149,959	
Less: current maturities and short-term debt and other current obligations			101,362	106,219	
Non-current portion of long-term debt and other long-term obligations			\$12,491,596	\$12,043,740	

(a) See the 2015 Form 10-K, including note 8, for additional information regarding the maturity and principal amortization provisions and interest rates relating to the Company's indebtedness.

(b)

In January 2016, the Company completed a Senior Unsecured Credit Facility ("2016 Credit Facility"), comprised of (1) a \$2.5 billion Senior Unsecured Revolving Credit Facility ("2016 Revolver") maturing in January 2021, (2) a \$2.0 billion Senior Unsecured Term Loan A Facility ("2016 Term Loan A") maturing in January 2021 and (3) a previously outstanding \$1.0 billion Senior Unsecured 364-Day Revolving Credit Facility ("364-Day Facility") maturing in January 2017. The 2016 Credit Facility bears interest at a per annum rate equal to LIBOR plus 1.125% to 2.000%, based on the Company's senior unsecured debt rating. The Company used the net proceeds from the 2016 Credit Facility (1) to repay the previously outstanding 2012 Credit Facility and (2) for general corporate purposes. In February 2016, the Company used a portion of the net proceeds from the 2016 Senior Notes offering to repay in full all outstanding borrowings under the previously outstanding 364-Day Facility. As of September 30, 2016, the undrawn availability under the 2016 Revolver was \$2.1 billion.

If the respective series of such debt is not paid in full on or prior to an applicable date then Excess Cash Flow (as defined in the indenture) of the issuers of such notes will be used to repay principal of the applicable series, and (c) additional interest (of an additional approximately 5% per annum) will accrue on the respective series. See the 2015 Form 10-K for additional information regarding these provisions.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

(d) In February 2016, the Company issued \$1.5 billion aggregate principal amount of senior unsecured notes ("2016 Senior Notes"), which consist of (1) \$600.0 million aggregate principal amount of 3.40% senior notes with a final maturity date of February 2021 and (2) \$900.0 million aggregate principal amount of 4.45% senior notes with a final maturity date of February 2026. The Company used net proceeds from the 2016 Senior Notes offering, together with cash on hand, to (1) repay in full all outstanding borrowings under the previously outstanding 364-Day Facility and (2) repay \$500.0 million of outstanding borrowings under the 2016 Revolver.

(e) In May 2016, the Company issued \$1.0 billion aggregate principal amount of senior unsecured notes ("May 2016 Senior Notes"), which consist of (1) \$250.0 million aggregate principal amount of 3.40% senior notes that were issued pursuant to the same indenture as the 3.40% senior notes of the 2016 Senior Notes with a final maturity date of February 2021 and (2) \$750.0 million aggregate principal amount of 3.70% senior notes with a final maturity date of June 2026. The Company used net proceeds from the May 2016 Senior Notes offering to repay in full the Tower Revenue Notes, Series 2010-2 and Series 2010-5, each issued by certain of its subsidiaries, and to repay a portion of the outstanding borrowings under the 2016 Revolver.

(f) In September 2016, the Company issued \$700.0 million aggregate principal amount of 2.25% senior unsecured notes ("September 2016 Senior Notes"). The Company used net proceeds from the September 2016 Senior Notes offering (1) to repay in full the 2.381% Secured Notes issued by certain of its subsidiaries and (2) to repay a portion of the outstanding borrowings under the 2016 Revolver.

(g) Balances reflect debt issuance costs as a direct reduction from the respective carrying amounts of debt, with the exception of debt issuance costs associated with the Company's revolving credit facilities. See note 2.

Contractual Maturities

The following are the scheduled contractual maturities of the total debt and other long-term obligations of the Company outstanding as of September 30, 2016. These maturities reflect contractual maturity dates and do not consider the principal payments that will commence following the anticipated repayment dates on the Tower Revenue Notes.

	Three Months Ending December 31, 2016						Total Cash Obligations	Unamortized Adjustments Net	Total Debt and Other Obligations Outstanding
	2017	2018	2019	2020	Thereafter				
Scheduled contractual maturities	\$ 25,054	\$ 101,049	\$ 134,864	\$ 138,883	\$ 202,640	\$ 12,085,120	\$ 12,687,610	\$(94,652)	\$ 12,592,958

Purchases and Redemptions of Long-Term Debt

The following is a summary of purchases and redemptions of long-term debt during the three months ended September 30, 2016.

	Three Months Ended September 30, 2016		
	Principal Amount	Cash Paid ^(a)	Gains (Losses) ^(b)
2.381% Secured Notes	\$ 500,000	\$ 508,472	\$(10,274)

(a) Exclusive of accrued interest.

(b) Inclusive of \$1.8 million related to the write off of deferred financing costs.

The following is a summary of purchases and redemptions of long-term debt during the nine months ended September 30, 2016.

	Nine Months Ended September 30, 2016		
	Principal Amount	Cash Paid ^(a)	Gains (Losses) ^(b)
2012 Revolver ^(c)	\$—	\$—	\$ (1,930)
Tranche A Term Loans	629,375	629,375	(1,498)
Tranche B Term Loans	2,247,015	2,247,015	(27,122)
Tower Revenue Notes, Series 2010-2	350,000	352,796	(3,338)
Tower Revenue Notes, Series 2010-5	300,000	307,176	(8,129)
2.381% Secured Notes	500,000	508,472	(10,274)
Total	\$4,026,390	\$4,044,834	\$ (52,291)

(a) Exclusive of accrued interest.

(b) Inclusive of \$33.8 million related to the write off of deferred financing costs.

(c) See discussion of the repayment of the Company's 2012 Credit Facility above.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)
 (Tabular dollars in thousands, except per share amounts)

Interest Expense and Amortization of Deferred Financing Costs

The components of interest expense and amortization of deferred financing costs are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Interest expense on debt obligations	\$126,616	\$121,287	\$374,363	\$366,388
Amortization of deferred financing costs and adjustments on long-term debt	4,601	5,567	14,522	15,478
Amortization of interest rate swaps ^(a)	—	3,744	—	18,725
Other, net of capitalized interest	(1,301)	(721)	(3,229)	(1,809)
Total	\$129,916	\$129,877	\$385,656	\$398,782

(a) Amounts reclassified from "accumulated other comprehensive income (loss)."

6. Fair Value Disclosures

	Level in Fair Value Hierarchy	September 30, 2016		December 31, 2015	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	1	\$156,219	\$156,219	\$178,810	\$178,810
Restricted cash, current and non-current	1	121,932	121,932	135,731	135,731
Foreign currency swaps	2	—	—	10,749	10,749
Liabilities:					
Total debt and other obligations	2	12,592,958	13,523,464	12,149,959	12,555,143

The fair value of cash and cash equivalents and restricted cash approximate the carrying value. The Company determines the fair value of its debt securities based on indicative, non-binding quotes from brokers. Quotes from brokers require judgment and are based on the brokers' interpretation of market information, including implied credit spreads for similar borrowings on recent trades or bid/ask prices or quotes from active markets if available. Foreign currency swaps are valued at settlement amounts using observable exchange rates and, if material, reflect an adjustment for the Company's and contract counterparty's credit risk. There were no changes since December 31, 2015 in the Company's valuation techniques used to measure fair values.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

7. Income Taxes

The Company operates as a REIT for U.S. federal income tax purposes. As a REIT, the Company is generally entitled to a deduction for dividends that it pays and therefore is not subject to U.S. federal corporate income tax on its net taxable income that is currently distributed to its stockholders. The Company also may be subject to certain federal, state, local, and foreign taxes on its income and assets, including (1) alternative minimum taxes, (2) taxes on any undistributed income, (3) taxes related to the TRSs, (4) certain state, local, or foreign income taxes, (5) franchise taxes, (6) property taxes, and (7) transfer taxes. In addition, the Company could in certain circumstances be required to pay an excise or penalty tax, which could be significant in amount, in order to utilize one or more relief provisions under the Internal Revenue Code of 1986, as amended ("Code") to maintain qualification for taxation as a REIT. During the fourth quarter of 2015, the Company completed the necessary steps to include small cells that were previously included in one or more TRSs in the REIT. As a result, during the fourth quarter 2015, the Company de-recognized the net deferred tax liabilities in conjunction with the inclusion of small cells in the REIT. Effective January 4, 2016 the Company's small cells that were previously included in one or more TRSs are included in the REIT.

The Company's TRS assets and operations will continue to be subject, as applicable, to federal and state corporate income taxes or to foreign taxes in the jurisdictions in which such assets and operations are located. The Company's foreign assets and operations (including its tower operations in Puerto Rico) most likely will be subject to foreign income taxes in the jurisdictions in which such assets and operations are located, regardless of whether they are included in a TRS or not.

For the nine months ended September 30, 2016 and 2015, the Company's effective tax rate differed from the federal statutory rate predominately due to the Company's REIT status, including the dividends paid deduction.

8. Per Share Information

Basic net income (loss) attributable to CCIC common stockholders, per common share, excludes dilution and is computed by dividing net income (loss) attributable to CCIC common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) attributable to CCIC common stockholders, per common share is computed by dividing net income (loss) attributable to CCIC common stockholders by the weighted-average number of common shares outstanding during the period plus any potential dilutive common share equivalents, including shares issuable (1) upon the vesting of restricted stock awards and restricted stock units as determined under the treasury stock method and (2) upon conversion of the Company's Convertible Preferred Stock, as determined under the if-converted method.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)
 (Tabular dollars in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income (loss) from continuing operations	\$98,366	\$104,301	\$232,263	\$382,561
Dividends on preferred stock	(10,997)	(10,997)	(32,991)	(32,991)
Net income (loss) from continuing operations attributable to CCIC common stockholders for basic and diluted computations	\$87,369	\$93,304	\$199,272	\$349,570
Income (loss) from discontinued operations, net of tax	—	(522)	—	1,000,708
Less: Net income (loss) attributable to the noncontrolling interest	—	—	—	3,343
Net income (loss) from discontinued operations attributable to CCIC common stockholders for basic and diluted computations	\$—	\$(522)	\$—	\$997,365
Weighted-average number of common shares outstanding (in thousands):				
Basic weighted-average number of common stock outstanding	337,564	333,049	336,426	332,951
Effect of assumed dilution from potential common shares relating to restricted stock units and restricted stock awards	845	662	650	784
Diluted weighted-average number of common shares outstanding	338,409	333,711	337,076	333,735
Net income (loss) attributable to CCIC common stockholders, per common share:				
Income (loss) from continuing operations, basic	0.26	0.28	0.59	1.05
Income (loss) from discontinued operations, basic	—	—	—	3.00
Net income (loss) attributable to CCIC common stockholders, basic	0.26	0.28	0.59	4.05
Income (loss) from continuing operations, diluted	0.26	0.28	0.59	1.05
Income (loss) from discontinued operations, diluted	—	—	—	2.99
Net income (loss) attributable to CCIC common stockholders, diluted	0.26	0.28	0.59	4.04

During the nine months ended September 30, 2016, the Company granted 1.3 million restricted stock units. For the nine months ended September 30, 2016 and 2015, 11.6 million and 12.4 million common share equivalents, respectively, related to the Convertible Preferred Stock were excluded from the dilutive common shares because the impact of such conversion would be anti-dilutive, based on the Company's common stock price as of the end of the respective periods. See note 13 for a discussion of the October and November 2016 conversion of the Company's previously outstanding Convertible Preferred Stock to common stock.

9. Commitments and Contingencies

The Company is involved in various claims, lawsuits or proceedings arising in the ordinary course of business. While there are uncertainties inherent in the ultimate outcome of such matters and it is 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. Additionally, the Company and certain of its subsidiaries are contingently liable for commitments or performance guarantees arising in the ordinary course of business, including certain letters of credit or surety bonds. In addition, the Company has the option to purchase approximately 54% of the Company's towers at the end of their respective lease terms. The Company has no obligation to exercise such purchase options.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

10. Equity

Declaration and Payment of Dividends

During the nine months ended September 30, 2016, the following dividends were declared or paid:

Equity Type	Declaration Date	Record Date	Payment Date	Dividends Per Share	Aggregate Payment Amount (In millions)	
Common Stock	February 18, 2016	March 18, 2016	March 31, 2016	\$ 0.885	\$ 300.0	(a)
Common Stock	May 20, 2016	June 17, 2016	June 30, 2016	\$ 0.885	\$ 300.8	(a)
Common Stock	August 2, 2016	September 16, 2016	September 30, 2016	\$ 0.885	\$ 300.3	(a)
Convertible Preferred Stock	December 16, 2015	January 16, 2016	February 1, 2016	\$ 1.1250	\$ 11.0	
Convertible Preferred Stock	March 22, 2016	April 15, 2016	May 2, 2016	\$ 1.1250	\$ 11.0	
Convertible Preferred Stock	June 28, 2016	July 15, 2016	August 1, 2016	\$ 1.1250	\$ 11.0	
Convertible Preferred Stock	September 17, 2016	October 15, 2016	November 1, 2016	\$ 1.1250	\$ 11.0	

(a) Inclusive of dividends accrued for holders of unvested restricted stock units and payments of previously accrued dividends for holders of restricted stock units that have vested during the nine months ended September 30, 2016. See note 13 for a discussion of (1) the October and November 2016 conversion of the Company's previously outstanding Convertible Preferred Stock to common stock and (2) the Company's October 2016 declaration of its quarterly cash common stock dividend.

Purchases of the Company's Common Stock

For the nine months ended September 30, 2016, the Company purchased 0.3 million shares of its common stock utilizing \$24.8 million in cash. The common stock shares purchased relate to shares withheld in connection with the payment of withholding taxes upon vesting of restricted stock.

"At the Market" Stock Offering Program

In August 2015, the Company established an "at the market" stock offering program ("ATM Program") through which it may, from time to time, issue and sell shares of its common stock having an aggregate cumulative gross sales price of up to \$500.0 million to or through sales agents. Sales, if any, under the ATM Program may be made by means of ordinary brokers' transactions on the New York Stock Exchange or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or, subject to specific instructions of the Company, at negotiated prices. The Company intends to use the net proceeds from any sales under the ATM Program for general corporate purposes, which may include the funding of future acquisitions or investments and the repayment or repurchase of any outstanding indebtedness. During the nine months ended September 30, 2016, 3.8 million shares of common stock were sold under the ATM Program generating net proceeds of \$323.8 million after giving effect to sales agent commissions of \$3.3 million. The net proceeds from the sales under the ATM Program were used, in part, to fund the TDC Acquisition. See note 4.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)

(Tabular dollars in thousands, except per share amounts)

11. Operating Segments

During the first quarter of 2016, the Company changed its operating segments to consist of (1) towers and (2) small cells. This change was as a result of growth in small cells from a combination of organic growth, capital expenditures, and acquisitions, as well as the continued progression of the integration of Quanta Fiber Networks, Inc. ("Sunesys"), which led to changes in how the Company's chief operating decision maker ("CODM") reviews financial information. The Company's operating segment change aligns with how the CODM views and evaluates the Company's operations, including how the CODM allocates capital and assesses segment performance. The Company has recast its prior period presentation to conform to its current reporting presentation.

The towers segment provides access, including space or capacity, to the Company's approximately 40,000 towers geographically dispersed throughout the United States. The tower segment also reflects certain network services relating to the Company's towers, consisting of site development services and installation services. The small cells segment provides access, including space or capacity, to the Company's small cell networks designed to facilitate wireless connectivity and supported by 17,000 miles of fiber. To a lesser extent, the small cells segment offers other fiber based solutions, including dark fiber (dedicated fiber strands lit by the customer) and lit fiber (bandwidth provided to the customer using the Company's own optronics).

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)
 (Tabular dollars in thousands, except per share amounts)

The measurement of profit or loss used by the CODM to evaluate the results of operations of its operating segments are (1) segment site rental gross margin, (2) segment network services and other gross margin, and (3) segment operating profit. The Company defines segment site rental gross margin as segment site rental revenues less segment site rental cost of operations, which excludes stock-based compensation expense and prepaid lease purchase price adjustments recorded in consolidated cost of operations. The Company defines segment network services and other gross margin as segment network services and other revenues less segment network services and other cost of operations, which excludes stock-based compensation expense recorded in consolidated cost of operations. The Company defines segment operating profit as segment site rental gross margin plus segment network services and other gross margin, less general and administrative expenses attributable to the respective segment. Costs that are directly attributable to towers and small cells are assigned to those respective segments. The "Other" column (1) represents amounts excluded from specific segments, such as restructuring charges (credits), asset write-down charges, acquisition and integration costs, depreciation, amortization and accretion, amortization of prepaid lease purchase price adjustments, interest expense and amortization of deferred financing costs, gains (losses) on retirement of long-term obligations, net gain (loss) on interest rate swaps, gains (losses) on foreign currency swaps, impairment of available-for-sale securities, interest income, other income (expense), cumulative effect of a change in accounting principle, income (loss) from discontinued operations, and stock-based compensation expense, and (2) reconciles segment operating profit to income (loss) before income taxes, as the amounts are not utilized in assessing each segment's performance. The "Other" total assets balance includes corporate assets such as cash and cash equivalents which have not been allocated to specific segments. There are no significant revenues resulting from transactions between the Company's operating segments.

	Three Months Ended September 30, 2016			Three Months Ended September 30, 2015				
	Towers	Small Cells	Other	Consolidated Total	Towers	Small Cells	Other	Consolidated Total
Segment site rental revenues	\$709,603	\$102,429		\$812,032	\$686,934	\$77,672		\$764,606
Segment network services and other revenues	166,979	13,005		179,984	138,566	14,935		153,501
Segment revenues	876,582	115,434		992,016	825,500	92,607		918,107
Segment site rental cost of operations	210,322	37,754		248,076	209,056	30,449		239,505
Segment network services and other cost of operations	97,395	10,194		107,589	75,302	10,213		85,515
Segment cost of operations ^(a)	307,717	47,948		355,665	284,358	40,662		325,020
Segment site rental gross margin	499,281	64,675		563,956	477,878	47,223		525,101
	69,584	2,811		72,395	63,264	4,722		67,986

Segment network services and other gross margin									
Segment general and administrative expenses ^(a)	22,225	14,480	35,526	72,231	22,994	10,194	30,741	63,929	
Segment operating profit	546,640	53,006	(35,526)	) 564,120	518,148	41,751	(30,741)	) 529,158	
Stock-based compensation expense			22,594	22,594			16,466	16,466	
Depreciation, amortization and accretion			280,824	280,824			261,662	261,662	
Interest expense and amortization of deferred financing costs			129,916	129,916			129,877	129,877	
Other income (expenses) to reconcile to income (loss) from continuing operations before income taxes			27,379	27,379			20,653	20,653	
Income (loss) from continuing operations before income taxes				\$ 103,407				\$ 100,500	
Capital expenditures	\$ 103,679	\$ 111,885	\$ 5,617	\$ 221,181	\$ 136,327	\$ 95,067	\$ 5,963	\$ 237,357	
Total assets (at period end)	\$ 18,466,528	\$ 3,298,927	\$ 406,268	\$ 22,171,723	\$ 17,999,121	\$ 3,458,941	\$ 433,406	\$ 21,891,468	

Segment cost of operations exclude (1) stock-based compensation expense of \$4.9 million and \$3.7 million for the three months ended September 30, 2016 and 2015, respectively, and (2) prepaid lease purchase price adjustments (a) of \$5.4 million and \$5.1 million for the three months ended September 30, 2016 and 2015, respectively. Segment general and administrative expenses exclude stock-based compensation expense of \$17.7 million and \$12.8 million for the three months ended September 30, 2016 and 2015, respectively.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)
 (Tabular dollars in thousands, except per share amounts)

	Nine Months Ended September 30, 2016				Nine Months Ended September 30, 2015			
	Towers	Small Cells	Other	Consolidated Total	Towers	Small Cells	Other	Consolidated Total
Segment site rental revenues	\$2,118,159	\$297,767		\$2,415,926	\$2,040,147	\$192,930		\$2,233,077
Segment network services and other revenues	434,042	38,841		472,883	445,683	39,255		484,938
Segment revenues	2,552,201	336,608		2,888,809	2,485,830	232,185		2,718,015
Segment site rental cost of operations	625,331	109,402		734,733	620,726	73,818		694,544
Segment network services and other cost of operations	249,306	30,652		279,958	229,164	30,034		259,198
Segment cost of operations ^(a)	874,637	140,054		1,014,691	849,890	103,852		953,742
Segment site rental gross margin	1,492,828	188,365		1,681,193	1,419,421	119,112		1,538,533
Segment network services and other gross margin	184,736	8,189		192,925	216,519	9,221		225,740
Segment general and administrative expenses ^(a)	68,329	45,720	107,161	221,210	68,245	25,664	90,981	184,890
Segment operating profit	1,609,235	150,834	(107,161)	1,652,908	1,567,695	102,669	(90,981)	1,579,383
Stock-based compensation expense			75,297	75,297			49,282	49,282
Depreciation, amortization and accretion			834,725	834,725			766,621	766,621
Interest expense and amortization of deferred financing costs			385,656	385,656			398,782	398,782
Other income (expenses) to reconcile to income (loss) from continuing operations before income taxes			112,170	112,170			(8,483)	(8,483)
Income (loss) from continuing operations before income taxes				\$245,060				\$373,181
Capital expenditures	\$318,900	\$279,488	\$15,790	\$614,178	\$427,398	\$213,259	\$17,583	\$658,240

(a) Segment cost of operations exclude (1) stock-based compensation expense of \$17.6 million and \$10.3 million for the nine months ended September 30, 2016 and 2015, respectively, and (2) prepaid lease purchase price

adjustments of \$16.0 million and \$15.4 million for the nine months ended September 30, 2016 and 2015, respectively. Segment general and administrative expenses exclude stock-based compensation expense of \$57.7 million and \$39.0 million for the nine months ended September 30, 2016 and 2015, respectively.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Unaudited (Continued)
 (Tabular dollars in thousands, except per share amounts)

12. Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2016	2015
Supplemental disclosure of cash flow information:		
Interest paid	\$357,094	\$364,147
Income taxes paid	11,740	23,865
Supplemental disclosure of non-cash investing and financing activities:		
Increase (decrease) in accounts payable for purchases of property and equipment	1,390	(5,399)
Purchase of property and equipment under capital leases and installment purchases	40,295	41,331
Installment payment receivable for sale of CCAL (see note 3)	—	117,384

13. Subsequent Events

Convertible Preferred Stock Conversion

In October and November 2016, all of the approximately 9.8 million shares of the Company's previously outstanding Convertible Preferred Stock converted to approximately 11.6 million shares of the Company's common stock at a conversion rate (based on the applicable market value of the common stock and subject to certain anti-dilutive adjustments) of 1.188 common shares per each share of Convertible Preferred Stock.

Common Stock Dividend

On October 18, 2016, the Company declared a quarterly common stock cash dividend of \$0.95 per share, which was approved by the Company's board of directors. The common stock dividend will be paid on December 30, 2016, to common stockholders of record as of December 16, 2016.

Proposed FiberNet Acquisition

On November 1, 2016, the Company announced that it has entered into a definitive agreement to acquire FPL FiberNet Holdings, LLC and certain other subsidiaries of NextEra Energy, Inc. (collectively, "FiberNet") for approximately \$1.5 billion in cash, subject to certain limited adjustments ("Proposed FiberNet Acquisition"). FiberNet is a fiber services provider in Florida and Texas. The Company expects to finance the Proposed FiberNet Acquisition using one or more liquidity sources, which may include cash on hand, undrawn availability from the 2016 Revolver, debt financings and issuances of equity or equity related securities. The Company expects the Proposed FiberNet Acquisition to close in the first half of 2017.

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

The following discussion should be read in conjunction with the response to Part I, Item 1 of this report and the consolidated financial statements of the Company including the related notes and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") included in our 2015 Form 10-K. Capitalized terms used but not defined in this Item have the same meaning given to them in our 2015 Form 10-K. Unless this Form 10-Q indicates otherwise or the context otherwise requires, the terms "we," "our," "our company," "the company," or "us" as used in this Form 10-Q refer to Crown Castle International Corp., and its predecessor, as applicable, and their subsidiaries.

General Overview

Overview

We own, operate and lease shared wireless infrastructure that is geographically dispersed throughout the U.S., and which consists of approximately (1) 40,000 towers and (2) small cells supported by 17,000 miles of fiber. Our towers have a significant presence in the top 100 BTAs, and the majority of our fiber is located in major metropolitan areas. Site rental revenues represented 82% of our third quarter 2016 consolidated net revenues. Our towers operating segment and small cells operating segment accounted for 87% and 13% of our third quarter 2016 site rental revenues, respectively. See note 11 to our condensed consolidated financial statements and "Item 2. MD&A—General Overview—Change in Operating Segments." The vast majority of our site rental revenues is of a recurring nature and was contracted for in a prior year.

Strategy

Our strategy is to create long-term stockholder value via a combination of (1) growing cash flows generated from our portfolio of wireless infrastructure, (2) returning a meaningful portion of our cash provided by operating activities to our stockholders in the form of dividends and (3) investing capital efficiently to grow cash flows and long-term dividends per share. We measure our efforts to create "long-term stockholder value" by the combined payment of dividends to stockholders and growth in our per share results. The key elements of our strategy are to:

Grow cash flows from our wireless infrastructure. We seek to maximize the site rental cash flows derived from our wireless infrastructure by adding tenants on our wireless infrastructure through long-term leases. We believe that the rapid growth in wireless connectivity will result in considerable future demand for our existing wireless infrastructure. We seek to maximize additional tenancy on our wireless infrastructure by working with wireless customers to quickly provide them access to our wireless infrastructure via tenant additions or modifications of existing tenant equipment installations to enable them to expand coverage and capacity in order to meet increasing demand for wireless connectivity. We expect increases in our site rental cash flows from tenant additions and the related subsequent impact from contracted escalations to result in growth in our operating cash flows as our wireless infrastructure has relatively fixed operating costs (which tend to increase at the rate of inflation). We believe there is considerable additional future demand for our existing wireless infrastructure based on their location and the anticipated growth in the wireless communication services industry. Substantially all of our wireless infrastructure can accommodate additional tenancy, either as currently constructed or with appropriate modifications to the structure (which may include extensions or structural reinforcement), from which we expect to generate high incremental returns.

Return cash provided by operating activities to stockholders in the form of dividends. We believe that distributing a meaningful portion of our cash provided by operating activities appropriately provides stockholders with increased certainty for a portion of expected long-term stockholder value while still retaining sufficient flexibility to invest in our business and deliver growth. We believe this decision reflects the translation of the high-quality, long-term contractual cash flows of our business into stable capital returns to stockholders.

Invest capital efficiently to grow cash flows and long-term dividends per share. We seek to invest our available capital, including the net cash provided by our operating activities and external financing sources, in a manner that will increase long-term stockholder value on a risk-adjusted basis. Our historical investments have included the following (in no particular order):

- purchases of shares of our common stock from time to time;
- acquisitions or construction of wireless infrastructure;

acquisitions of land interests under towers;
improvements and structural enhancements to our existing wireless infrastructure; or

20

purchases, repayments or redemptions of our debt.

Our strategy to create long-term stockholder value is based on our belief that additional demand for our wireless infrastructure will be created by the expected continued growth in the demand for wireless connectivity. We believe that such demand for our wireless infrastructure will continue, will result in growth of our cash flows due to tenant additions on our existing wireless infrastructure, and will create other growth opportunities for us, such as demand for new wireless infrastructure.

Business Fundamentals and Results

The following are certain highlights of our business fundamentals and results as of and for the nine months ended September 30, 2016.

We operate as a REIT for U.S. federal income tax purposes.

As a REIT, we are generally entitled to a deduction for dividends that we pay and therefore are not subject to U.S. federal corporate income tax on our taxable income that is distributed to our stockholders.

To qualify and be taxed as a REIT, we will generally be required to distribute at least 90% of our REIT taxable income, after the utilization of our NOLs (determined without regard to the dividends paid deduction and excluding net capital gain), each year to our stockholders.

See note 7 to our condensed consolidated financial statements for further discussion of our REIT status.

Potential growth resulting from wireless network expansion and new entrants

We expect wireless carriers will continue their focus on improving network quality and expanding capacity by utilizing a combination of towers and small cells solutions. We believe our product offerings of towers and small cells provide a comprehensive wireless solution to our customers' growing wireless infrastructure needs.

We expect existing and potential new customer demand for our wireless infrastructure will result from (1) new technologies, (2) increased usage of wireless applications (including mobile entertainment, mobile internet usage, and machine-to-machine applications), (3) adoption of other emerging and embedded wireless devices (including smartphones, laptops, tablets, and other devices), (4) increasing smartphone penetration, (5) wireless carrier focus on expanding both network quality and capacity, including through the use of both towers and small cells, or (6) the availability of additional spectrum.

Substantially all of our wireless infrastructure can accommodate additional tenancy, either as currently constructed or with appropriate modifications to the structure.

U.S. wireless carriers continue to invest in their networks.

Site rental revenues under long-term tenant leases with contractual escalations

Initial terms of five to 15 years with multiple renewal periods at the option of the tenant of five to ten years each.

Weighted-average remaining term of approximately six years, exclusive of renewals at the tenant's option, currently representing approximately \$19 billion of expected future cash inflows.

Revenues predominately from large wireless carriers

Approximately 88% of our site rental revenues were derived from AT&T, Sprint, T-Mobile, and Verizon Wireless.

See also "Item 2. MD&A—General Overview—Outlook Highlights" presented below.

Majority of land interests under our towers under long-term control

Approximately 90% of our tower site rental gross margin and more than 75% of our tower site rental gross margin is derived from towers that reside on land that we own or control for greater than ten and 20 years, respectively. The aforementioned amounts include towers that reside on land interests that are owned, including fee interests and perpetual easements, which represent over one-third of our tower site rental gross margin.

Controlled cost structure on our wireless infrastructure leading to high incremental margins

At current leasing activity levels, operating costs tend to increase at approximately the rate of inflation.

As leasing volume increases, our operating costs tend to increase commensurate with this growth, delivering meaningful incremental margins.

Minimal sustaining capital expenditure requirements

Sustaining capital expenditures represented less than 2% of net revenues.

Debt portfolio with long-dated maturities extended over multiple years, with the majority of such debt having a fixed rate (see "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for a further discussion of our debt) 81% of our debt is fixed rate.

Our debt service coverage and leverage ratios were comfortably within their respective financial maintenance covenants.

During 2016, we completed several debt transactions resulting in lowering our average cost of debt, refinancing certain of our debt, and extending certain of our debt maturities. See note 5 to our condensed consolidated financial statements and "Item 2. Liquidity and Capital Resources".

In January 2016, we completed a new senior unsecured credit facility and utilized the proceeds to repay the previously outstanding 2012 Credit Facility.

In February 2016, we issued 3.4% senior unsecured notes due February 2021 and 4.45% senior unsecured notes due February 2026, in aggregate principal amounts of \$600 million and \$900 million, respectively.

In May 2016, we issued 3.4% senior unsecured notes due February 2021 and 3.7% senior unsecured notes due June 2026, in aggregate principal amounts of \$250 million and \$750 million, respectively.

In September 2016, we issued \$700 million aggregate principal amount of 2.25% senior unsecured notes due September 2021.

Significant cash flows from operations

Net cash provided by operating activities was \$1.3 billion.

We expect to grow our core business of providing access to our wireless infrastructure as a result of contractual escalators and future anticipated additional demand for our wireless infrastructure.

Returning cash flows provided by operations to stockholders in the form of dividends

During the first three quarters of 2016, we paid a common stock cash dividend of \$0.885 per share, totaling approximately \$896.6 million. In October 2016, we increased our quarterly common stock cash dividend, beginning in the fourth quarter of 2016, from an annualized amount of \$3.54 per share to an annualized amount of \$3.80 per share. As such, we declared a quarterly common stock cash dividend of \$0.95 per share in October 2016, which represents an increase of 7% from the quarterly common stock cash dividend declared during each of the first three quarters of 2016. We currently expect our anticipated quarterly dividends to result in aggregate annualized cash payments of at least \$1.3 billion during the next 12 months, or an annualized amount of \$3.80 per share. Over time, we expect to increase our dividend per share generally commensurate with our realized growth in cash flows. Future dividends are subject to the approval of our board of directors.

Investing capital efficiently to grow long-term dividends per share

Discretionary capital expenditures were \$566.4 million, including wireless infrastructure improvements in order to support additional site rentals, construction of wireless infrastructure and land purchases.

See note 13 to our condensed consolidated financial statements for a discussion of our Proposed FiberNet Acquisition.

Change in Operating Segments

During the first quarter of 2016, we changed our operating segments to consist of (1) towers and (2) small cells. This change was as a result of growth in small cells from a combination of organic growth, capital expenditures, and acquisitions, as well as the continued progression of the integration of Sunesys, which led to changes in how our CODM reviews financial information.

Our operating segment change aligns with how the CODM views and evaluates our operations, including how the CODM allocates capital and assesses performance. We have recast our prior period presentation to conform to our current reporting presentation.

Towers. Our towers segment, which represented 88% of our revenues during the first nine months of 2016, provides access, including space or capacity, to our approximately 40,000 towers geographically dispersed throughout the United States. Our towers have a significant presence in the top 100 BTAs. The towers segment also reflects certain network services relating to our towers, consisting of site development services and installation services.

We acquired ownership interests or exclusive rights to the majority of our towers from the four largest wireless carriers (or their predecessors) through transactions consummated since 1999, including transactions with (1) AT&T in 2013, (2) T-Mobile in 2012, (3) Global Signal Inc. in 2007, which had originally acquired the majority of its towers from Sprint, (4) companies now part of Verizon Wireless during 1999 and 2000, and (5) companies now part of AT&T during 1999 and 2000.

Small cells. Our small cells segment, which represented 12% of our revenues during the first nine months of 2016, provides access, including space or capacity, to our small cell networks designed to facilitate wireless connectivity and supported by 17,000 miles of fiber. To a lesser extent, the small cells segment offers other fiber based solutions, including dark fiber (dedicated fiber strands lit by the customer) and lit fiber (bandwidth provided to the customer using our own optronics).

Our small cell assets include those acquired from NextG Networks, Inc. in 2012 and from Sunesys in 2015 ("Sunesys Acquisition"). Our customers in small cells generally are large wireless carriers, and, to a lesser extent, non-wireless

carriers, such as bandwidth-intensive verticals including education, enterprise, and government. See also "Item 1. Business" to our 2015 Form 10-K.

Outlook Highlights

The following are certain highlights of our full year 2016 and 2017 outlook that impact our business fundamentals described above.

We expect that our full year 2016 and 2017 site rental revenue growth will benefit from a healthy environment for tenant additions, as large wireless carriers upgrade and enhance their networks to meet the increasing need for wireless connectivity, partially offset by anticipated non-renewals of tenant leases primarily resulting from our customers' decommissioning of the Acquired Networks.

We expect capital expenditures for 2016 and 2017 to equal or exceed levels from the respective preceding year. We also expect sustaining capital expenditures to be approximately 2% of net revenues for both full year 2016 and full year 2017.

Results of Operations

The following discussion of our results of operations should be read in conjunction with our condensed consolidated financial statements and our 2015 Form 10-K.

The following discussion of our results of operations is based on our condensed consolidated financial statements prepared in accordance with GAAP, which requires us to make estimates and judgments that affect the reported amounts (see "Item 2. MD&A—Accounting and Reporting Matters—Critical Accounting Policies and Estimates" and note 2 to our consolidated financial statements on our 2015 Form 10-K).

Our operating segments for the third quarter of 2016 consist of (1) towers and (2) small cells. See note 11 to our condensed consolidated financial statements and "Item 2. MD&A—General Overview—Change in Operating Segments" for further discussion of our operating segments.

See "Item 2. MD&A—Accounting and Reporting Matters—Non-GAAP Financial Measures" for a discussion of our use of (1) segment site rental gross margin, (2) segment network services and other gross margin, (3) segment operating profit, including their respective definitions, and (4) Adjusted EBITDA, including its definition, and a reconciliation to net income (loss).

Highlights of the Company's results of operations for the three months ended September 30, 2016 and 2015 are depicted below.

(\$ in thousands)	Three Months Ended September 30,			
	2016	2015	\$ Change	% Change
Site rental revenues:				
Towers site rental revenues	\$709,603	\$686,934	+\$22,669	3%
Small cells site rental revenues	\$102,429	\$77,672	+\$24,757	32%
Total site rental revenues	\$812,032	\$764,606	+\$47,426	6%
Site rental gross margin:				
Towers site rental gross margin ^(b)	\$499,281	\$477,878	+\$21,403	4%
Small cells site rental gross margin ^(b)	\$64,675	\$47,223	+\$17,452	37%
Total site rental gross margin	\$555,282	\$517,606	+\$37,676	7%
Network services and other gross margin:				
Towers network services and other gross margin ^(b)	\$69,584	\$63,264	+\$6,320	10%
Small cells network services and other gross margin ^(b)	\$2,811	\$4,722	-\$1,911	-40%
Total network services and other gross margin	\$70,756	\$66,642	+\$4,114	6%
Segment operating profit:				
Towers operating profit ^(b)	\$546,640	\$518,148	+\$28,492	5%
Small cells operating profit ^(b)	\$53,006	\$41,751	+\$11,255	27%
Adjusted EBITDA ^(a)	\$564,120	\$529,158	+\$34,962	7%
Net income attributable to CCIC common stockholders	\$87,370	\$92,782	-\$5,412	-6%

(a)

See reconciliation of Adjusted EBITDA in "Item 2. MD&A—Accounting and Reporting Matters—Non-GAAP Financial Measures."

- (b) See note 11 to our condensed consolidated financial statements for further discussion of our definitions of segment site rental gross margin, segment network services and other gross margin and segment operating profit.

Site rental revenues grew \$47.4 million, or 6%, from the three months ended September 30, 2015 to the three months ended September 30, 2016. This growth was predominately comprised of the factors depicted in the chart below:

- (a) Includes (1) amortization of up front payments received from long-term tenant contracts and other deferred credits (commonly referred to as prepaid rent) and (2) the construction of small cells.
- (b) Represents initial contribution of acquisitions and tower builds until the one-year anniversary of the acquisition or build.

Towers site rental revenues for the third quarter of 2016 were \$709.6 million and increased by \$22.7 million, or 3%, from \$686.9 million during the same period in the prior year. The increase in towers site rental revenues was impacted by the following items, inclusive of straight-line accounting, in no particular order: tenant additions across our entire portfolio, renewals or extensions of tenant leases, escalations, acquisitions (including the TDC Acquisition in April 2016), and non-renewals of tenant leases predominately arising from our customers' decommissioning of the Acquired Networks. Tenant additions were influenced by our customers' ongoing efforts to improve network quality and capacity.

Small cells site rental revenues for the third quarter of 2016 were \$102.4 million and increased by \$24.7 million, or 32%, from \$77.7 million during the same period in the prior year. The increase in small cells site rental revenues was predominately (1) impacted by the Sunesys Acquisition and (2) due to the leasing of newly constructed small cells. Demand for small cells was influenced by our customers' growing adoption of small cells as an important component of their network strategy to provide capacity and relieve network congestion.

The increase in towers site rental gross margins was related to the previously mentioned 3% increase in towers site rental revenues and relatively fixed costs to operate our towers. The increase in small cells site rental gross margins was predominately related to the previously mentioned 32% increase in small cells site rental revenues.

Towers network services and other gross margin was \$69.6 million for the third quarter of 2016 and increased by \$6.3 million, or 10%, from \$63.3 million during the same period in the prior year, which is a reflection of (1) the volume of activity from carrier network enhancements and (2) the volume and mix of network services and other work. Our network services and other offerings are of a variable nature as these revenues are not under long-term contracts. General and administrative expenses for the third quarter of 2016 were \$89.9 million and increased by \$13.2 million, or approximately 17%, from \$76.7 million during the same period in the prior year.

General and administrative expenses are inclusive of stock-based compensation charges, which increased \$4.9 million from the third quarter of 2015 to the third quarter of 2016. The increase in general and administrative expenses was primarily related to the growth in our small cell business as a result of activities such as (1) the Sunesys Acquisition and (2) the continued expansion in size of our small cell portfolio.

Towers operating profit for the third quarter of 2016 increased by \$28.5 million, or 5%, from the same period in the prior year. Towers operating profit was primarily impacted by the growth in our towers site rental revenues and relatively fixed costs to operate our towers.

Small cells operating profit for the third quarter of 2016 increased by \$11.3 million, or 27%, from the same period in the prior year. Small cells operating profit was positively impacted by the previously mentioned Sunesys Acquisition and due to the leasing of newly constructed small cells.

Adjusted EBITDA increased \$35.0 million, or 7%, from the third quarter of 2015 to the third quarter of 2016.

Adjusted EBITDA was primarily impacted by the growth in our site rental activities in both towers and small cells, including the Sunesys Acquisition as discussed above.

Depreciation, amortization and accretion was \$280.8 million for the third quarter of 2016 and increased by \$19.1 million, or 7%, from \$261.7 million during the same period in the prior year. This increase predominately resulted from a corresponding increase in our gross property and equipment due to capital expenditures and acquisitions, including the Sunesys Acquisition.

Interest expense and amortization of deferred financing costs were \$129.9 million for the third quarter of 2016 and remained consistent with the third quarter of 2015. As a result of repaying certain of our debt, in conjunction with our refinancing activities, we incurred losses of \$10.3 million for the third quarter of 2016. See note 5 to our condensed consolidated financial statements.

For the third quarter of 2016 and 2015, the effective tax rate differs from the federal statutory rate predominately due to our REIT status, including the dividends paid deduction. See note 7 to our condensed consolidated financial statements and also note 11 to our consolidated financial statements in our 2015 Form 10-K.

Net income (loss) attributable to CCIC stockholders was income of \$87.4 million during the third quarter of 2016 compared to income of \$92.8 million during the third quarter of 2015.

Highlights of the Company's results of operations for the nine months ended September 30, 2016 and 2015 are depicted below.

(\$ in thousands)	Nine Months Ended			
	September 30, 2016	2015	\$ Change	% Change
Site rental revenues:				
Towers site rental revenues	\$2,118,159	\$2,040,147	+\$78,012	4%
Small cells site rental revenues	\$297,767	\$192,930	+\$104,837	54%
Total site rental revenues	\$2,415,926	\$2,233,077	+\$182,849	8%
Site rental gross margin:				
Towers site rental gross margin ^(b)	\$1,492,828	\$1,419,421	+\$73,407	5%
Small cells site rental gross margin ^(b)	\$188,365	\$119,112	+\$69,253	58%
Total site rental gross margin	\$1,653,703	\$1,516,833	+\$136,870	9%
Network services and other gross margin:				
Towers network services and other gross margin ^(b)	\$184,736	\$216,519	-\$31,783	-15%
Small cells network services and other gross margin ^(b)	\$8,189	\$9,221	-\$1,032	-11%
Total network services and other gross margin	\$186,817	\$221,761	-\$34,944	-16%
Segment operating profit:				
Towers operating profit ^(b)	\$1,609,235	\$1,567,695	+\$41,540	3%
Small cells operating profit ^(b)	\$150,834	\$102,669	+\$48,165	47%
Adjusted EBITDA ^(a)	\$1,652,908	\$1,579,383	+\$73,525	5%
Net income attributable to CCIC common stockholders	\$199,272	\$1,346,935	-\$1,147,663	-85%

(a) See reconciliation of Adjusted EBITDA in "Item 2. MD&A—Accounting and Reporting Matters—Non-GAAP Financial Measures."

(b) See note 11 to our condensed consolidated financial statements for further discussion of our definitions of segment site rental gross margin, segment network services and other gross margin and segment operating profit.

Site rental revenues grew \$182.8 million, or 8%, from the nine months ended September 30, 2015 to the nine months ended September 30, 2016. This growth was predominately comprised of the factors depicted in the chart below:

- (a) Includes (1) amortization of up front payments received from long-term tenant contracts and other deferred credits (commonly referred to as prepaid rent) and (2) the construction of small cells.
- (b) Represents initial contribution of acquisitions and tower builds until the one-year anniversary of the acquisition or build.

Towers site rental revenues for the first nine months of 2016 were \$2.1 billion and increased by \$78.0 million, or 4%, from \$2.0 billion during the same period in the prior year. The increase in towers site rental revenues was impacted by the following items, inclusive of straight-line accounting, in no particular order: tenant additions across our entire portfolio, renewals or extensions of tenant leases, escalations, acquisitions (including the TDC Acquisition in April 2016), and non-renewals of tenant leases predominately arising from our customers' decommissioning of the Acquired Networks. Tenant additions were influenced by our customers' ongoing efforts to improve network quality and capacity.

Small cells site rental revenues for the first nine months of 2016 were \$297.8 million and increased by \$104.9 million, or 54%, from \$192.9 million during the same period in the prior year. The increase in small cells site rental revenue was predominately (1) impacted by the Sunesys Acquisition and (2) due to the leasing of newly constructed small cells. Demand for small cells was influenced by our customers' growing adoption of small cells as an important component of their network strategy to provide capacity and relieve network congestion.

The increase in towers site rental gross margins was related to the previously mentioned 4% increase in towers site rental revenues and relatively fixed costs to operate our towers. The increase in small cells site rental gross margins was predominately related to the previously mentioned 54% increase in small cells site rental revenues.

Towers network services and other gross margin was \$184.7 million for the first nine months of 2016 and decreased by \$31.8 million, or 15%, from \$216.5 million during the same period in the prior year, which is a reflection of (1) the volume of activity from carrier network enhancements and (2) the volume and mix of network services and other work. Our network services and other offerings are of a variable nature as these revenues are not under long-term contracts. General and administrative expenses for the first nine months of 2016 were \$278.9 million and increased by \$55.0 million, or approximately 25%, from \$223.9 million during the same period in the prior year. General and administrative expenses are inclusive of stock-based compensation charges, which increased \$18.7 million from the first nine months of 2015 to the first nine months of 2016. The increase in general and administrative expenses was primarily related to the growth in our small cell business as a result of activities such as (1) the Sunesys Acquisition and (2) the continued expansion in size of our small cell portfolio.

Towers operating profit for the first nine months of 2016 increased by \$41.5 million, or 3%, from the same period in the prior year. Towers operating profit was positively impacted by the growth in our site rental activities, and partially offset by the aforementioned decrease in towers network services and other gross margin.

Small cells operating profit for the first nine months of 2016 increased by \$48.2 million, or 47%, from the same period in the prior year. Small cells operating profit was positively impacted by the previously mentioned Sunesys Acquisition and due to the leasing of newly constructed small cells.

Adjusted EBITDA increased \$73.5 million, or 5%, from the first nine months of 2015 to the first nine months of 2016. Adjusted EBITDA was (1) positively impacted by the growth in our site rental activities in both towers and small cells, including the Sunesys Acquisition as discussed above and (2) negatively impacted by a decrease in our network services and other activities.

Depreciation, amortization and accretion was \$834.7 million for the first nine months of 2016 and increased by \$68.1 million, or 9%, from \$766.6 million during the same period in the prior year. This increase predominately resulted from a corresponding increase in our gross property and equipment due to capital expenditures and acquisitions, including the Sunesys Acquisition.

Interest expense and amortization of deferred financing costs were \$385.7 million for the first nine months of 2016 and decreased \$13.1 million, or 3%, from \$398.8 million during the first nine months of 2015, predominately as a result of a \$18.7 million decrease in the amortization of interest rate swaps. As a result of repaying certain of our debt, in conjunction with our refinancing activities, we incurred losses of \$52.3 million for the first nine months of 2016. See note 5 to our condensed consolidated financial statements.

For the first nine months of 2016 and 2015, the effective tax rate differs from the federal statutory rate predominately due to our REIT status, including the dividends paid deduction. See note 7 to our condensed consolidated financial statements and also note 11 to our consolidated financial statements in our 2015 Form 10-K.

During the first nine months of 2015, we recorded gains on our sale of CCAL, net of tax, of \$1.0 billion. See our 2015 Form 10-K for further discussion surrounding our sale of CCAL, which occurred in May 2015 and was treated as discontinued operations.

Net income (loss) attributable to CCIC stockholders was income of \$232.3 million compared to income of \$1.4 billion during the first nine months of 2015. The decrease in net income was predominately due to the aforementioned gains recorded on the sale of CCAL during 2015.

Liquidity and Capital Resources

Overview

General. Our core business generates revenues under long-term leases (see "Item 2. MD&A—General Overview—Overview") predominately from the largest U.S. wireless carriers. Our strategy is to create long-term stockholder value via a combination of (1) growing cash flows generated from our portfolio of wireless infrastructure, (2) returning a meaningful portion of our cash provided by operating activities to our stockholders in the form of dividends, and (3) investing capital efficiently to grow cash flows and long-term dividends per share. We measure our efforts to create "long-term stockholder value" by the combined payment of dividends to stockholders and growth in our per share results.

We have engaged, and expect to continue to engage, in discretionary investments that we believe will maximize long-term stockholder value. Our historical discretionary investments include (in no particular order): purchasing our common stock, acquiring or constructing wireless infrastructure, acquiring land interests under towers, improving and structurally enhancing our existing wireless infrastructure, and purchasing, repaying, or redeeming our debt. Based on the growth in small cell activity, we expect to increase our capital spending on the construction of small cell networks. We seek to fund our discretionary investments with both net cash provided by operating activities and cash available from financing capacity, such as the use of our undrawn availability from the 2016 Revolver, debt financings and issuances of equity or equity related securities.

We seek to maintain a capital structure that we believe drives long-term stockholder value and optimizes our weighted-average cost of capital. We target a leverage ratio of approximately four to five times Adjusted EBITDA and interest coverage of approximately three times Adjusted EBITDA, subject to various factors, such as the availability and cost of capital and the potential long-term return on our discretionary investments. We may choose to increase or decrease our leverage or coverage from these targets for various periods of time.

We operate as a REIT for U.S. federal income tax purposes. We expect to continue to pay minimal cash income taxes as a result of our REIT status and our NOLs. See note 7 to our condensed consolidated financial statements and our 2015 Form 10-K.

Liquidity Position. The following is a summary of our capitalization and liquidity position as of September 30, 2016. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk" and note 5 to our condensed consolidated financial statements for additional information regarding our debt.

	September 30, 2016
	(In thousands of dollars)
Cash and cash equivalents ^(a)	\$ 156,219
Undrawn 2016 Revolver availability ^(b)	2,079,110
Total debt and other long-term obligations	12,592,958
Total equity	6,753,717

(a) Exclusive of restricted cash.

(b) Availability at any point in time is subject to certain restrictions based on the maintenance of financial covenants contained in the 2016 Credit Facility. See our 2015 Form 10-K.

Over the next 12 months:

Our liquidity sources may include (1) cash on hand, (2) net cash provided by operating activities, (3) undrawn availability from our 2016 Revolver, and (4) issuances of equity pursuant to our ATM Program. Our liquidity uses over the next 12 months are expected to include (1) debt service obligations of \$101.4 million (principal payments), (2) common stock dividend payments expected to be at least \$3.80 per share, or an aggregate of at least \$1.3 billion, subject to future approval by our board of directors (see "Item 2. MD&A—Business Fundamentals and Results"), and (3) sustaining and discretionary capital expenditures (expected to be equal to or greater than current levels). During the next 12 months, we expect that our liquidity sources should be sufficient to cover our expected uses. As CCIC is a holding company, our cash flow from operations is generated by our operating subsidiaries.

We have no scheduled contractual debt maturities other than principal payments on amortizing debt. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for a tabular presentation as of September 30, 2016 of our scheduled contractual debt maturities and a discussion of anticipated repayment dates.

Summary Cash Flow Information

	Nine Months Ended September 30,		
	2016	2015	Change
	(In thousands of dollars)		
Net increase (decrease) in cash and cash equivalents provided by (used for) continuing operations:			
Operating activities	\$1,304,715	\$1,290,876	\$13,839
Investing activities	(1,139,583)	(1,688,645)	549,062
Financing activities	(300,552)	(699,989)	399,437
Net increase (decrease) in cash and cash equivalents from continuing operations	(135,420)	(1,097,758)	962,338
Net increase (decrease) in cash and cash equivalents from discontinued operations	113,150	1,107,936	(994,786)
Effect of exchange rate changes on cash	(321)	(1,682)	1,361
Net increase (decrease) in cash and cash equivalents	\$(22,591)	\$8,496	\$(31,087)
Operating Activities			

Net cash provided by operating activities from continuing operations for the first nine months of 2016 increased 1% compared to the first nine months of 2015, as net growth in our business was partially offset by changes in working capital. We expect to grow our net cash provided by operating activities in the future (exclusive of movements in working capital) if we realize expected growth in our core business.

Investing Activities

Capital Expenditures

Our capital expenditures are categorized as discretionary or sustaining, as described below.

Discretionary capital expenditures are made with respect to activities which we believe exhibit sufficient potential to enhance long-term stockholder value. They consist of improvements to existing wireless infrastructure, construction of new wireless infrastructure, and, to a lesser extent, purchases of land assets under towers as we seek to manage our interests in the land beneath our towers. Improvements to existing wireless infrastructure to accommodate new leasing typically vary based on, among other factors: (1) the type of wireless infrastructure, (2) the scope, volume, and mix of work performed on the wireless infrastructure, (3) existing capacity prior to installation, or (4) changes in structural engineering regulations and standards. Our decisions regarding capital expenditures are influenced by the availability and cost of capital and expected returns on alternative uses of cash, such as payments of dividends and investments.

Sustaining capital expenditures consist of (1) corporate-related capital improvements and (2) maintenance on our wireless infrastructure assets that enable our customers' ongoing quiet enjoyment of the wireless infrastructure.

Capital expenditures for the nine months ended September 30, 2016 and 2015 were as follows:

Discretionary capital expenditures were impacted by the construction of small cell networks and lower amounts of improvements to existing towers. We expect to invest in discretionary capital expenditures over the next 12 months at levels equal to or greater than current levels, and we expect increases in the construction of small cell networks.

Sale of CCAL. See note 3 to our condensed consolidated financial statements for a discussion of our May 2015 sale of CCAL, our previously 77.6% owned Australian subsidiary, including a discussion of the January 2016 receipt of the installment payment from the Buyer, which was classified within discontinued operations on the condensed consolidated statement of cash flows.

Acquisitions. See note 4 to our condensed consolidated financial statements for a discussion of our TDC Acquisition, which closed in April 2016. See note 13 to our condensed consolidated financial statements for a discussion of our Proposed FiberNet Acquisition.

Financing Activities

We seek to allocate cash generated by our operations in a manner that will enhance long-term stockholder value, which may include various financing activities such as (in no particular order) paying dividends on our common stock (currently expected to total an aggregate of at least \$1.3 billion during the next 12 months), purchasing our common stock, or purchasing, repaying, or redeeming our debt.

Credit Facility. In January 2016, we completed a new senior unsecured credit facility, comprised of a \$2.5 billion Senior Unsecured Revolving Credit Facility maturing in January 2021, a \$2.0 billion Senior Unsecured Term Loan A Facility maturing in January 2021, and a previously outstanding \$1.0 billion Senior Unsecured 364-Day Revolving Credit Facility maturing in January 2017. We utilized the proceeds together with cash on hand, to repay all outstanding borrowings under the previously outstanding 2012 Credit Facility.

In February 2016, we used a portion of the net proceeds from the 2016 Senior Notes offering to repay in full all outstanding borrowings under the previously outstanding 364-Day Facility.

The proceeds of our 2016 Revolver may be used for general corporate purposes, which may include the financing of capital expenditures, acquisitions and purchases of our common stock. As of October 28, 2016, there was \$365 million outstanding and \$2.1 billion in undrawn availability under our 2016 Revolver. See also note 5 to our condensed consolidated financial statements.

Incurrence, Purchases, and Repayments of Debt.

In January 2016, we utilized the proceeds from the 2016 Credit Facility, together with cash on hand, to repay all outstanding borrowings under the previously outstanding 2012 Credit Facility.

In February 2016, we issued \$1.5 billion aggregate principal amount of senior unsecured notes, which consist of (1) \$600.0 million aggregated principal amount of 3.40% senior notes with a final maturity date of February 2021 and (2) \$900.0 million aggregate principal amount of 4.45% senior notes with a final maturity date of February 2026. We utilized the proceeds, along with cash on hand, to (1) repay in full all outstanding borrowings under the previously outstanding \$1.0 billion Senior Unsecured 364-Day Facility and (2) to repay \$500.0 million of outstanding borrowings under the 2016 Revolver. See note 5 to our condensed consolidated financial statements.

In May 2016, we issued (1) \$250.0 million aggregate principal amount of 3.40% senior notes that were issued pursuant to the same indenture as the 3.40% senior notes issued in February 2016 with a final maturity date of February 2021 and (2) \$750.0 million aggregate principal amount of 3.70% senior notes with a final maturity date of June 2026. We utilized the proceeds (1) to repay in full the Tower Revenue Notes, Series 2010-2 and Series 2010-5 each issued by certain of our subsidiaries and (2) to repay a portion of outstanding borrowings under the 2016 Revolver. See note 5 to our condensed consolidated financial statements.

In September 2016, we issued \$700.0 million aggregate principal amount of 2.25% senior notes with a final maturity date of September 2021. We utilized the proceeds (1) to repay in full the 2.381% Secured Notes issued by certain of our subsidiaries and (2) to repay a portion of outstanding borrowings under the 2016 Revolver.

Common Stock Activity. As of September 30, 2016 and December 31, 2015, we had 337.6 million and 333.8 million common shares outstanding, respectively. See note 10 to our condensed consolidated financial statements for further discussion of the common stock dividends. See below for a discussion of the conversion of Convertible Preferred Stock into common stock during October and November 2016.

ATM Program. In August 2015, we established an ATM stock offering program through which we may, from time to time, issue and sell shares of our common stock having an aggregate cumulative gross sales price of up to \$500.0 million to or through sales agents. Sales, if any, under the ATM Program may be made by means of ordinary brokers' transactions on the New York Stock Exchange or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or, subject to our specific instructions, at negotiated prices. We intend to use the net proceeds from any sales under the ATM Program for general corporate purposes, which may include the funding of future acquisitions or investments and the repayment or repurchase of any outstanding indebtedness. During the nine months ended September 30, 2016, 3.8 million shares of common stock were sold under the ATM Program generating net proceeds of \$323.8 million. See note 10 to our condensed consolidated financial

statements. The net proceeds from the sales under the ATM Program were used, in part, to fund the TDC Acquisition. See note 4 to our condensed consolidated financial statements.

Convertible Preferred Stock Activity. As of September 30, 2016 and December 31, 2015, we had approximately 9.8 million shares of preferred stock outstanding. During October and November 2016, our approximately 9.8 million shares of Convertible Preferred Stock converted to approximately 11.6 million shares of our common stock at a conversion rate (based on the applicable market value of the common stock and subject to certain anti-dilutive adjustments) of 1.188 common shares for each share previously outstanding of Convertible Preferred Stock. See note 10 and 13 to our condensed consolidated financial statements for further discussion of the Convertible Preferred Stock dividends declared and paid during 2016 and the October and November 2016 conversion of the Convertible Preferred Stock to common stock.

Debt Covenants

The credit agreement governing the 2016 Credit Facility contains financial maintenance covenants. We are currently in compliance with these financial maintenance covenants, and based upon our current expectations, we believe we will continue to comply with our financial maintenance covenants. In addition, certain of our debt agreements also contain restrictive covenants that place restrictions on us and may limit our ability to, among other things, incur additional debt and liens, purchase our securities, make capital expenditures, dispose of assets, undertake transactions with affiliates, make other investments, pay dividends or distribute excess cash flow. See our 2015 Form 10-K for a further discussion of our debt covenants, certain restrictive covenants and factors that are likely to determine our subsidiaries' ability to comply with current and future debt covenants.

Accounting and Reporting Matters

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are those that we believe (1) are most important to the portrayal of our financial condition and results of operations or (2) require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The critical accounting policies and estimates for 2016 are not intended to be a comprehensive list of our accounting policies and estimates. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, with no need for management's judgment. In other cases, management is required to exercise judgment in the application of accounting principles with respect to particular transactions. Our critical accounting policies and estimates as of December 31, 2015 are described in "Item 7. MD&A—Accounting and Reporting Matters" and in note 2 of our consolidated financial statements in our 2015 Form 10-K. The critical accounting policies and estimates for the first three months of 2016 have not changed from the critical accounting policies for the year ended December 31, 2015.

Accounting Pronouncements

Recently Adopted Accounting Pronouncements. See note 2 to our condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted. See note 2 to our condensed consolidated financial statements.

Non-GAAP and Segment Financial Measures

In addition to the non-GAAP measures used herein and as discussed in note 11 to our condensed consolidated financial statements, we also provide (1) segment site rental gross margin, (2) segment network services and other gross margin, and (3) segment operating profit, which are key measures used by management to evaluate our operating segments for purposes of making decisions about allocating capital and assessing performance. These segment measures are provided pursuant to GAAP requirements related to segment reporting.

We define segment site rental gross margin as segment site rental revenues less segment site rental cost of operations, which excludes stock-based compensation expense and prepaid lease purchase price adjustments recorded in consolidated cost of operations. We define segment network services and other gross margin as segment network services and other revenues less segment network services and other cost of operations, which excludes stock-based compensation expense recorded in consolidated cost of operations. We define segment operating profit as segment site rental gross margin plus segment network services and other gross margin, less general and administrative expenses attributable to the respective segment.

In addition, we use earnings before interest, taxes, depreciation, amortization, and accretion, as adjusted ("Adjusted EBITDA"), which is a non-GAAP measure, as an indicator of consolidated financial performance. Our measure of

Adjusted EBITDA may not be comparable to similarly titled measures of other companies, including companies in the wireless infrastructure

31

sector or other REITs, and is not a measure of performance calculated in accordance with GAAP. Adjusted EBITDA should not be considered in isolation or as a substitute for operating income or loss, net income or loss, net cash provided by (used for) operating, investing and financing activities or other income statement or cash flow statement data prepared in accordance with GAAP and should be considered only as a supplement to net income or loss computed in accordance with GAAP as a measure of our performance. There are material limitations to using a measure such as Adjusted EBITDA, including the difficulty associated with comparing results among more than one company, including our competitors, and the inability to analyze certain significant items, including depreciation and interest expense, that directly affect our net income or loss. Management compensates for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with their analysis of net income (loss).

We define Adjusted EBITDA as net income (loss) plus restructuring charges (credits), asset write-down charges, acquisition and integration costs, depreciation, amortization and accretion, amortization of prepaid lease purchase price adjustments, interest expense and amortization of deferred financing costs, gains (losses) on retirement of long-term obligations, net gain (loss) on interest rate swaps, gains (losses) on foreign currency swaps, impairment of available-for-sale securities, interest income, other income (expense), benefit (provision) for income taxes, cumulative effect of a change in accounting principle, income (loss) from discontinued operations and stock-based compensation expense. The reconciliation of Adjusted EBITDA to our net income (loss) is set forth below and excludes items in the Company's Adjusted EBITDA definition which are not applicable to the periods shown.

	Three Months Ended September 30,	
	2016	2015
Net income (loss)	\$98,366	\$103,779
Adjustments to increase (decrease) net income (loss):		
Income (loss) from discontinued operations	—	522
Asset write-down charges	8,339	7,477
Acquisition and integration costs	2,680	7,608
Depreciation, amortization and accretion	280,824	261,662
Amortization of prepaid lease purchase price adjustments	5,429	5,143
Interest expense and amortization of deferred financing costs	129,916	129,877
Gains (losses) on retirement of long-term obligations	10,274	—
Interest income	(175)	(789)
Other income (expense)	832	1,214
Benefit (provision) for income taxes	5,041	(3,801)
Stock-based compensation expense	22,594	16,466
Adjusted EBITDA	\$564,120	\$529,158
	Nine Months Ended September 30,	
	2016	2015
Net income (loss)	\$232,263	\$1,383,269
Adjustments to increase (decrease) net income (loss):		
Income (loss) from discontinued operations	—	(1,000,708)
Asset write-down charges	28,251	19,652
Acquisition and integration costs	11,459	12,001
Depreciation, amortization and accretion	834,725	766,621
Amortization of prepaid lease purchase price adjustments	16,000	15,387
Interest expense and amortization of deferred financing costs	385,656	398,782
Gains (losses) on retirement of long-term obligations	52,291	4,157
Interest income	(454)	(1,170)
Other income (expense)	4,623	(58,510)

Benefit (provision) for income taxes	12,797	(9,380)
Stock-based compensation expense	75,297	49,282
Adjusted EBITDA	\$1,652,908	\$1,579,383

32

We believe Adjusted EBITDA is useful to an investor or other interested parties in evaluating our financial performance because:

- it is the primary measure used by our management to evaluate the (1) economic productivity of our operations and (2) for purposes of making decisions about allocating resources to, and assessing the performance of our operations; although specific definitions may vary, it is widely used by investors or other interested parties in evaluation of the wireless infrastructure sector and other REITs to measure financial performance without regard to items such as depreciation, amortization and accretion which can vary depending upon accounting methods and the book value of assets;

- we believe it helps investors and other interested parties meaningfully evaluate and compare the results of our operations (1) from period to period and (2) to our competitors by excluding the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation, amortization and accretion) from our financial results; and

- it is similar to the measure of current financial performance generally used in our debt covenant calculations.

Our management uses Adjusted EBITDA:

- as a performance goal in employee annual incentive compensation;

- as a measurement of financial performance because it assists us in comparing our financial performance on a consistent basis as it removes the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation, amortization and accretion) from our operating results;

- in presentations to our board of directors to enable it to have the same measurement of financial performance used by management;

- for planning purposes, including preparation of our annual operating budget;

- as a valuation measure in strategic analyses in connection with the purchase and sale of assets;

- in determining self-imposed limits on our debt levels, including the evaluation of our leverage ratio and interest coverage ratio; and

- with respect to compliance with our debt covenants, which require us to maintain certain financial ratios including, or similar to, Adjusted EBITDA.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following section updates "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2015 Form 10-K and should be read in conjunction with that report as well as our condensed consolidated financial statements included in Part 1, Item 1 of this report.

Interest Rate Risk

Our interest rate risk relates primarily to the impact of interest rate movements on the following:

- the potential refinancing of our existing debt (\$12.6 billion outstanding at September 30, 2016 and \$12.1 billion at December 31, 2015);
- our \$2.4 billion and \$4.0 billion of floating rate debt at September 30, 2016 and December 31, 2015, respectively, which represented approximately 19% and 33% of our total debt, as of September 30, 2016 and as of December 31, 2015, respectively; and
- potential future borrowings of incremental debt, including borrowings on our 2016 Credit Facility.

Over the next 12 months, we have no debt maturities other than principal payments on amortizing debt. We currently have no interest rate swaps.

Sensitivity Analysis

We manage our exposure to market interest rates on our existing debt by controlling the mix of fixed and floating rate debt. As of September 30, 2016, we had \$2.4 billion of floating rate debt. As a result, a hypothetical unfavorable fluctuation in market interest rates on our existing debt of 1/8 of a percent point over a 12 month period would increase our interest expense by approximately \$3 million.

Tabular Information

The following table provides information about our market risk related to changes in interest rates. The future principal payments and weighted-average interest rates are presented as of September 30, 2016. These debt maturities reflect contractual maturity dates and do not consider the impact of the principal payments that commence if the applicable debt is not repaid or refinanced on or prior to the anticipated repayment dates on the Tower Revenue Notes (see footnote (c)). The information presented below regarding the variable rate debt is supplementary to our sensitivity analysis regarding the impact of changes in the interest rates. See notes 5 and 6 to our condensed consolidated financial statements and our 2015 Form 10-K for additional information regarding our debt.

	Future Principal Payments and Interest Rates by the Debt Instruments' Contractual Year of Maturity							
	2016	2017	2018	2019	2020	Thereafter	Total	Fair Value ^(a)
	(Dollars in thousands)							
Debt:								
Fixed rate ^(c)	\$12,554	\$51,049	\$47,364	\$38,883	\$27,640	\$10,125,120	\$10,302,610	\$11,158,214
Average interest rate ^{(b)(c)(d)}	4.4	% 4.4	% 4.6	% 4.7	% 4.9	% 6.0	% 6.0	%
Variable rate ^(e)	\$12,500	\$50,000	\$87,500	\$100,000	\$175,000	\$1,960,000	\$2,385,000	\$2,365,250
Average interest rate ^(b)	2.0	% 2.2	% 2.3	% 2.5	% 2.6	% 2.7	% 2.7	%

The fair value of our debt 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 offers. These fair values are not necessarily indicative of the amount which could be realized in a current market exchange.

(b) The average interest rate represents the weighted-average stated coupon rate (see footnotes (c) and (d)).

(c) The impact of principal payments that will commence following the anticipated repayment dates is not considered.

The January 2010 Tower Revenue Notes have a principal amount of \$1.3 billion, having an anticipated repayment date in January 2020. The August 2010 Tower Revenue Notes have a principal amount of \$1.0 billion, having an anticipated repayment date in August 2020. The May 2015 Tower Revenue Notes consist of two series of notes

with principal amounts of \$300.0 million and \$700.0 million, having anticipated repayment dates of May 2022 and May 2025, respectively.

- (d) If the Tower Revenue Notes are not repaid in full by the applicable anticipated repayment dates, the applicable interest rate increases by approximately 5% per annum and monthly principal payments commence using the Excess Cash Flow of the issuers of the Tower Revenue Notes. The Tower Revenue Notes are presented based on their contractual maturity dates ranging from 2040 to 2045 and include the impact of an assumed 5% increase in interest rate that would occur following the anticipated repayment dates but exclude the impact of monthly principal payments that would commence using Excess Cash Flow of the issuers of the Tower Revenue Notes. The full year 2015 Excess Cash Flow of the issuers of the Tower Revenue Notes was approximately \$495.4 million. We currently expect to refinance these notes on or prior to the respective anticipated repayment dates.
- (e) Predominantly consists of \$2.0 billion 2016 Term Loan A maturing in 2021. See note 5 to our condensed consolidated financial statements.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company conducted an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in alerting them in a timely manner to material information relating to the Company required to be included in the Company's periodic reports under the Securities Exchange Act of 1934.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the disclosure in note 9 to our condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q, which disclosure is hereby incorporated herein by reference.

ITEM 1A. RISK FACTORS

There are no material changes to the risk factors discussed in "Item 1A—Risk Factors" in our 2015 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes information with respect to purchase of our equity securities during the third quarter of 2016:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
	(In thousands)			
July 1 - July 31, 2016	1	\$ 97.03	—	—
August 1 - August 31, 2016	1	95.88	—	—
September 1 - September 30, 2016	1	90.46	—	—
Total	3	\$ 92.53	—	—

We paid \$0.3 million in cash to effect these purchases. The shares purchased relate to shares withheld in connection with the payment of withholding taxes upon vesting of restricted stock.

ITEM 6. EXHIBITS

The list of exhibits set forth in the accompanying Exhibit Index is incorporated by reference into this Item 6.

SIGNATURES

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

CROWN CASTLE INTERNATIONAL CORP.

Date: November 1, 2016 By: /s/ Daniel K. Schlanger
Daniel K. Schlanger
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: November 1, 2016 By: /s/ Rob A. Fisher
Rob A. Fisher
Vice President and Controller
(Principal Accounting Officer)

Exhibit Index

Exhibit No. Description

- (a) 3.1 Restated Certificate of Incorporation of Crown Castle International Corp. (including the Certificate of Designations of 4.50% Mandatory Convertible Preferred Stock, Series A, incorporated therein as Exhibit I)
- (b) 3.2 Amended and Restated By-Laws of Crown Castle International Corp., dated July 30, 2015
- (c) 4.1 Sixth Supplemental Indenture dated September 1, 2016, between Crown Castle International Corp. and The Bank of New York Mellon Trust Company, N.A., as trustee, to the Indenture dated April 15, 2014, between Crown Castle International Corp. and The Bank of New York Mellon Trust Company, N.A., as trustee
- (d) 10.1 Amendment to 2013 Long Term Incentive Plan, as amended
- * 31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- * 31.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- * 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
- * 101.INS XBRL Instance Document
- * 101.SCH XBRL Taxonomy Extension Schema Document
- * 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- * 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- * 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- * 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- * Filed herewith.
- (a) Incorporated by reference to the exhibit previously filed by the Registrant on Form 8-K (File No. 001-16441) on December 16, 2014.
- (b) Incorporated by reference to the exhibit previously filed by the Registrant on Form 8-K (File No. 001-16441) on August 4, 2015.
- (c) Incorporated by reference to the exhibit previously filed by the Registrant on Form 8-K (File No. 001-16441) on September 1, 2016.
- (d) Incorporated by reference to the exhibit previously filed by the Registrant on Form 10-Q (File No. 001-16441) for the quarter ended June 30, 2016.