MECHANICAL TECHNOLOGY INC
Form 10-Q
May 12, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____ TO ______

Mechanical Technology, Incorporated

(Exact name of registrant as specified in its charter)

New York	0-6890	14-1462255
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

431 New Karner Road, Albany, New York 12205

(Address of registrant s principal executive office)

(518) 533-2200

(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 x No o

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 definition of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x
(Do not check if a small reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12B-2 of the Act). Yes oNo x

The number of shares of common stock, par value of $0.01 per share, outstanding as of May 5, 2008 was 38,179,888.

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

As of December 31, 2007 and March 31, 2008 (Unaudited)

(Dollars in thousands)	**December 31, 2007**	**March 31, 2008**
Assets		
Current Assets:		
Cash and cash equivalents	$ 7,650	$ 4,560
Securities available for sale	4,492	3,537
Accounts receivable	1,369	1,382
Inventories, net	1,373	1,460
Prepaid expenses and other current assets	329	865
Total Current Assets	15,213	11,804
Property, plant and equipment, net	2,159	2,040
Deferred income taxes	1,344	968
Total Assets	$ 18,716	$ 14,812
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 273	$ 518
Accrued liabilities	2,121	2,615
Deferred revenue	117	56
Income taxes payable	11	13
Deferred income taxes	1,344	968
Total Current Liabilities	3,866	4,170
Long-Term Liabilities:		
Uncertain tax position liability	208	209
Derivative liability	696	363
Total Long-Term-Liabilities	904	572
Total Liabilities	4,770	4,742
Commitments and Contingencies		
Minority interests	143	25
Stockholders Equity:		
Common stock, par value $0.01 per share, authorized 75,000,000; 46,220,624 issued in both 2007 and 2008	462	462
Paid-in-capital	131,661	132,045
Accumulated deficit	(105,066)	(108,253)
Accumulated Other Comprehensive Income:		
Unrealized gain on securities available for sale, net of tax	500	(455)
Common stock in treasury, at cost, 8,040,736 shares in both 2007 and 2008	(13,754)	(13,754)
Total Stockholders Equity	13,803	10,045
Total Liabilities and Stockholders Equity	$ 18,716	$ 14,812

The accompanying notes are an integral part of the condensed consolidated financial statements.

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MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the Three Months Ended March 31, 2007 and 2008

(Dollars in thousands, except per share)	**Three Months Ended March 31,**	
	2007	**2008**
Product revenue	$ 1,701	$ 1,980
Funded research and development revenue	615	173
Total revenue	2,316	2,153
Operating costs and expenses:		
Cost of product revenue	738	840
Research and product development expenses:		
Funded research and product development	224	356
Unfunded research and product development	3,398	2,017
Total research and product development expenses	3,622	2,373
Selling, general and administrative expenses	2,456	2,618
Operating loss	(4,500)	(3,678)
Gain on derivatives	969	333
Other income, net	141	42
Loss before income taxes and minority interests	(3,390)	(3,303)
Income tax expense	(11)	(8)
Minority interests in losses of consolidated subsidiary	245	124
Net loss	$ (3,156)	$ (3,187)
Loss per Share (Basic and Diluted):		
Loss per share	$ (0.08)	$ (0.08)

The accompanying notes are an integral part of the condensed consolidated financial statements.

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MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

AND COMPREHENSIVE LOSS (Unaudited)

For the Three Months Ended March 31, 2007 and 2008

(Dollars in thousands)	Three Months Ended March 31, 2007	2008
Common Stock		
Balance, beginning	$ 461	$ 462
Balance, ending	$ 461	$ 462
Paid-In Capital		
Balance, beginning	$ 130,565	$ 131,661
Stock-based compensation	300	389
MTI MicroFuel Cell investment	(180)	(5)
Balance, ending	$ 130,685	$ 132,045
Accumulated Deficit		
Balance, beginning	$ (95,385)	$ (105,066)
Cumulative effect of adoption of FIN 48	(106)	
Net loss	(3,156)	(3,187)
Balance, ending	$ (98,647)	$ (108,253)
Accumulated Other Comprehensive Income (Loss):		
Unrealized gain (loss) on securities available for sale, net of taxes		
Balance, beginning	$ 984	$ 500
Change in unrealized (loss) gain on securities available for sale (net of taxes of $0 in 2007 and 2008)	(1,890)	(955)
Balance, ending	$ (906)	$ (455)
Treasury Stock		
Balance, beginning	$ (13,754)	$ (13,754)
Balance, ending	$ (13,754)	$ (13,754)
Total Stockholders Equity		
Balance, ending	$ 17,839	$ 10,045
Total Comprehensive (Loss):		
Net loss	$ (3,156)	$ (3,187)
Other comprehensive (loss):		
Change in unrealized (loss) gain on securities available for sale, net of taxes	(1,890)	(955)
Total comprehensive (loss)	$ (5,046)	$ (4,142)

The accompanying notes are an integral part of the condensed consolidated financial statements.

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the Three Months Ended March 31, 2007 and 2008

(Dollars in thousands)	Three Months Ended March 31, 2007	2008
Operating Activities		
Net loss	$ (3,156)	$ (3,187)
Adjustments to reconcile net loss to net cash used by operating activities:		
Gain on derivatives	(969)	(333)
Depreciation and amortization	293	221
Minority interests in losses of consolidated subsidiary	(245)	(124)
Stock based compensation	300	389
Changes in operating assets and liabilities:		
Accounts receivable	285	(13)
Inventories	13	(87)
Prepaid expenses and other current assets	(333)	(536)
Accounts payable	(188)	245
Income taxes payable	6	3
Deferred revenue	(612)	(61)
Accrued liabilities	(4)	495
Net cash used by operating activities	(4,610)	(2,988)
Investing Activities		
Purchases of property, plant and equipment	(50)	(102)
Net cash used by investing activities	(50)	(102)
Financing Activities		
Net cash provided by financing activities		
Decrease in cash and cash equivalents	(4,660)	(3,090)
Cash and cash equivalents - beginning of period	14,545	7,650
Cash and cash equivalents - end of period	$ 9,885	$ 4,560

The accompanying notes are an integral part of the condensed consolidated financial statements.

1. Nature of Operations

In the opinion of management of Mechanical Technology, Incorporated (the Company), the accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC) and contain all adjustments, consisting of normal, recurring adjustments, necessary for a fair statement of results for such periods. The results of operations for the interim periods presented are not necessarily indicative of results for the full year.

Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2007 has been derived from the Company s audited consolidated financial statements but does not include all disclosures required by U.S. GAAP. All other information has been derived from the Company s unaudited condensed consolidated financial statements for the periods as of and for the three months ended March 31, 2007 and 2008.

Liquidity and Going Concern

The Company incurred significant losses as it continued to fund the direct methanol fuel cell product development and commercialization programs of its majority owned subsidiary, MTI MicroFuel Cells Inc. (MTI Micro), and had an accumulated deficit of $108,253 thousand and working capital of $7,634 thousand at March 31, 2008. Because of these losses, limited current cash, cash equivalents and securities available for sale, negative cash flows and accumulated deficit, the report of the Company s independent registered public accounting firm for the year ended December 31, 2007 expressed substantial doubt about the Company s ability to continue as a going concern.

During 2007, the Company sold 1,452,770 shares of Plug Power Inc. (Plug Power) common stock with proceeds totaling $5,130 thousand and gains totaling $2,549 thousand. These proceeds reflect the Company s previously announced strategy to raise additional capital through the sale of Plug Power common stock in order to fund MTI Micro operations.

Based on the Company s projected cash requirements for operations and capital expenditures for 2008 and its current cash, cash equivalents and marketable securities of $8,097 thousand at March 31, 2008, management believes it will have adequate resources to fund operations and capital expenditures through October 2008 based on current cash and cash equivalents, current cash flow requirements, revenue and expense projections and the potential sale of securities available for sale at current market values.

However, the Company may need to do one or more of the following to raise additional resources, or reduce its cash requirements:

- reduce its current expenditure run-rate;
- sell additional shares of Plug Power;
- obtain additional government or private funding of the Company s direct methanol fuel cell research, development, manufacturing readiness and commercialization;
- sell operating divisions of the Company; or
- secure additional equity financing.

There is no guarantee that such resources will be available to the Company on terms acceptable to it, or at all, or that such resources will be received in a timely manner, if at all, or that the Company will be able to reduce its expenditure run-rate without materially and adversely affecting its business.

2. Accounting Policies

Changes in significant accounting policies since December 31, 2007 are as follows:

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 provides companies with an option to report selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The adoption of this statement on January 1, 2008 did not have a material effect

MECHANICAL TECHNOLOGY, INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

on the Company s Consolidated Financial Statements as the Company did not elect to implement the fair value option for its marketable equity securities.

On January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. This includes financial assets including Securities available for sale (see Note 5) and financial liabilities including Derivative liability (see Note 16) on the balance sheet. As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Company is required to provide the following information according to the fair value hierarchy as specified by SFAS No. 157. This hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities, which includes listed equities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data. These items are typically priced using models or other valuation techniques. These models are primarily financial industry-standard models that consider various assumptions, including the time value of money, yield curves, volatility factors, as well as other relevant economic measures.

Level 3: These use unobservable inputs that are not corroborated by market data. These values are generally estimated based upon methodologies utilizing significant inputs that are generally less observable from objective sources.

In determining the appropriate levels, the Company performs a detailed analysis of financial assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurements are based upon significant unobservable inputs are classified as Level 3.

The following is a summary of the Company s fair value instruments categorized by their associated fair value input level:

(Dollars in thousands)

Balance Sheet Classification	**Level 1**	**Level 2**	**Level 3**	**Balance at Mar. 31, 2008**
Financial Assets:				

83,798 354,917 207,377 225,453

Predecessor Company Successor Company

	Year Ended December 31, 2001	Ten Month Ended October 31, 2002	Two Months Ended December 31, 2002	Year Ended December 31, 2003	Pro Forma As Adjusted Year Ended December 31, 2003	Nine Months Ended September 30, 2003
					(dollars in thousands)	
Other Operating Data:						
Adjusted EBITDA (3)	$ (242,786)	$ (31,185)	$13,620	$83,908	$100,437	$63,583
Adjusted Funds From Operations (AFFO) (4)	(321,068)	(72,877)	9,605	62,570	60,244	46,440

(1)During the ten months ended October 31, 2002, the two months ended December 31, 2002, the year ended December 31, 2003 and the nine months ended September 30, 2003 and 2004, we disposed of, or held for disposal by sale, certain non-core assets and under performing sites which have been accounted for as discontinued operations. Their results for all periods presented are not included in results from continuing operations.

(2)Depreciation, amortization and accretion expense for the ten months ended October 31, 2002 and the two months ended December 31, 2002 are not proportional because the successor company's depreciable assets have a lower basis. Following the restructuring transaction, assets were revalued, including all long-lived assets, to their fair value, thereby lowering the depreciable basis.

(3)We believe adjusted EBITDA is useful to an investor in evaluating our performance as it is one of the primary measures used by our management team to evaluate our operations, is widely used in the tower industry to measure performance and was used in our credit facility to measure compliance with covenants and we expect it to be used in future credit facilities we may obtain. Adjusted EBITDA consists of net income (loss) before interest, income tax expense (benefit), depreciation and amortization, accretion, gain or loss on extinguishment of debt and non-cash stock based compensation expense. We have also provided supplemental information regarding certain non-cash items, items associated with discontinued operations and items associated with our reorganization. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures — Adjusted EBITDA" for a more detailed discussion of why we believe it is a useful measure.

Footnotes continue on next page

The reconciliation of net income (loss) to adjusted EBITDA is as follows:

Predecessor Company Successor Company

	Year Ended December 31, 2001	Ten Months Ended October 31, 2002	Two Months Ended December 31, 2002	Year Ended December 31, 2003	Pro Forma As Adjusted Year Ended December 31, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Pro Forma As Adjusted Nine Months Ended September 30, 2004
				(dollars in thousands)				
Net income (loss)	$ (448,202)	$ 256,172	$ 2,051	$ 18,036	$ (7,621)	$ 13,957	$ 5,839	$ (2,762)
Interest expense, net	88,731	45,720	3,989	20,352	39,596	15,832	19,294	30,494
Income tax expense (benefit)	(6,630)	(5,195)	19	(665)	(665)	(326)	324	324
Depreciation, amortization and accretion	123,315	76,956	7,561	44,706	58,810	33,528	37,174	46,899
(Gain) loss on extinguishment of debt	—	(404,838)	—	—	8,838	—	8,449	8,838
Non-cash stock based compensation	—	—	—	1,479	1,479	592	3,440	3,440
Adjusted EBITDA	$ (242,786)	$ (31,185)	$ 13,620	$ 83,908	$ 100,437	$ 63,583	$ 74,520	$ 87,233
Supplemental Information:								
Impairment on assets held for sale	$ 46,592	$ 1,018	$ —	$ —	$ —	$ —	$ —	$ —
Impairment on assets held for use	246,780	4,541	—	—	—	—	—	—
Reorganization expenses	—	59,124	—	—	—	—	—	—
(Gain) loss on sale of assets	5,644	78	2	302	302	(20)	(119)	(119)
(Gain) loss on discontinued operations	7,145	33,157	66	1,100	1,100	(171)	(7)	(7)

(4) Adjusted Funds From Operations, or AFFO, for our purposes, represents net income (computed in accordance with generally accepted accounting principles or GAAP), excluding depreciation, amortization and accretion on real estate assets, gains (or losses) on the disposition of depreciable real estate assets, gains (or losses) on the extinguishment of debt and non-cash stock based compensation for services. We believe AFFO is an appropriate measure of the performance of REITs because it provides investors with an understanding of our ability to incur and service debt and make capital expenditures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures — Adjusted Funds From Operations" for a more detailed discussion of why we believe it is a useful measure.

The reconciliation of net income to AFFO is as follows:

Predecessor Company			Successor Company				
Year Ended December 31, 2001	Ten Months Ended October 31,	Two Months Ended December	Year Ended December 31,	Pro Forma As Adjusted Year Ended	Nine Months Ended	Nine Months Ended	Pro Forma As Adjusted

		2002	31, 2002	2003	December 31, 2003	September 30, 2003	September 30, 2004	Nine Months Ended September 30, 2004
	(dollars in thousands)							
Net income (loss)	$ (448,202)	$ 256,172	$ 2,051	$ 18,036	$ (7,621)	$ 13,957	$ 5,839	$ (2,762)
Real estate depreciation, amortization, and accretion	121,490	75,613	7,552	42,329	56,822	31,746	35,559	45,284
(Gain) loss on disposal of assets	5,644	176	2	726	726	145	(292)	(292)
(Gain) loss on extinguishment of debt	—	(404,838)	—	—	8,838	—	8,449	8,838
Non-cash stock based compensation	—	—	—	1,479	1,479	592	3,440	3,440
Adjusted Funds From Operations (AFFO)	$ (321,068)	$ (72,877)	$ 9,605	$ 62,570	$ 60,244	$ 46,440	$ 52,995	$ 54,508

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following information, together with the other information contained in this prospectus, before buying shares of our common stock. In connection with the forward-looking statements that appear in this prospectus, you should also carefully review the cautionary statement referred to under "Cautionary Statement Regarding Forward-Looking Statements."

Risks Relating to Our Business

We recently emerged from a Chapter 11 bankruptcy reorganization, have a history of losses and may not be able to maintain profitability.

On November 1, 2002, we emerged from Chapter 11. Prior to our emergence from bankruptcy, we were unable to meet our financial obligations due primarily to (1) our highly leveraged capital structure, (2) the non-strategic acquisition of assets we have subsequently disposed of that were unrelated to our core tower business and (3) the inability of our former management to efficiently integrate and manage our communications sites. To a lesser extent, we were unable to meet our financial obligations due to the reduced amount of capital spending by wireless carriers on their networks in 2001 and 2002. Prior to our reorganization, we incurred net losses of approximately $448.2 million in 2001 and $124.3 million in 2000. In accordance with AICPA Statement of Position 90-7 Financial Reporting by Entities in Reorganization Under the Bankruptcy Code ("SOP 90-7"), we adopted fresh start accounting as of November 1, 2002 and our emergence from Chapter 11 resulted in a new reporting entity. Under fresh start accounting, the reorganization value of the entity is allocated to the entity's assets based on fair values, and liabilities are stated at the present value of amounts to be paid determined at appropriate current interest rates. The effective date

is considered to be the close of business on November 1, 2002 for financial reporting purposes. The periods presented prior to November 1, 2002 have been designated "predecessor company" and the periods starting on November 1, 2002 have been designated "successor company." As a result of the implementation of fresh start accounting as of November 1, 2002, our financial statements after that date are not comparable to our financial statements for prior periods because of the differences in the basis of accounting and the debt and equity structure for the predecessor company and the successor company. The more significant effects of the differences in the basis of accounting on the successor company's financial statements are (1) lower depreciation and amortization expense as a result of the revaluation of our long-lived assets downward by $357.2 million through the application of fresh start accounting, and (2) lower interest expense as a result of the discharge of $404.8 million of debt upon our emergence from bankruptcy.

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

As a result of our emergence from bankruptcy, we are operating our business with a new capital structure, and adopted fresh start accounting prescribed by generally accepted accounting principles. Accordingly, unlike other companies that have not previously filed for bankruptcy protection, our financial condition and results of operations are not comparable to the financial condition and results of operations reflected in our historical financial statements for periods prior to November 1, 2002, contained in this prospectus. Without historical financial statements to compare to our current performance, it may be more difficult for you to assess our future prospects when evaluating an investment in our common stock.

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

Our business depends on wireless service providers' demand for communications sites, which in turn, depends on consumer demand for wireless services. A reduction in demand for our communications sites or increased competition for additional tenants could negatively impact our ability to maintain profitability and harm our ability to attract additional tenants. Our wireless service provider customers

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lease communications sites on our towers based on a number of factors, including the level of demand by consumers for wireless services, the financial condition and access to capital of those providers, the strategy of providers with respect to owning, leasing or sharing communications sites, available spectrum and related infrastructure, competitive pricing, government regulation of communications licenses, and the characteristics of each company's technology and geographic terrain.

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

Increasingly, transmissions that were previously effected by means of paging and mobile radio technologies have shifted to wireless telephony. As a result, we have experienced, and expect to continue to experience, increases in the percentage of our revenues that are generated from wireless telephony customers. We cannot assure you that the increases in our revenues from wireless telephony customers will offset the reduction in our revenues from paging and

mobile radio customers. Some of our towers may not be as attractive to, or suitable for wireless telephony customers as for our other types of customers, which could negatively impact our ability to maintain profitability from wireless telephony customers.

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

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

The economy of any state or region in which a site is located may be adversely affected to a greater degree than that of other areas of the country by developments affecting industries concentrated in such state or region. To the extent that general economic or other relevant conditions in states or regions, in which sites representing significant portions of our revenues are located, decline or result in a decrease in demand for wireless communications services in the region, our revenues from such sites may be adversely affected. For example, our sites in Florida and Georgia together accounted for approximately 25.1% of our revenues for the nine months ended September 30, 2004. A deterioration of general economic or other relevant conditions in those states could result in a decrease in the demand for our services and a decrease in our revenues from those markets, which in turn may have an adverse effect on our results of operations and financial condition.

Consolidation in the wireless industry and changes to the regulations governing wireless services could decrease the demand for our sites and may lead to reductions in our revenues.

Various wireless service providers, which are our primary existing and potential customers, could enter into mergers, acquisitions or joint ventures with each other over time. For example, on October 26, 2004, Cingular merged with AT&T Wireless. On November 16, 2004, Arch Wireless and Metrocall Holdings, Inc. merged to form USA Mobility, Inc. Furthermore, on December 15, 2004, Sprint announced it agreed to merge with Nextel. Such consolidations could reduce the size of our customer base and have a negative impact on the demand for our services. In addition, consolidation among our customers is likely to result in duplicate networks, which could result in network rationalization and impact the revenues at our sites. Recent regulatory developments have made consolidation in the wireless industry easier and more likely.

In November 2002, the Federal Communications Commission's, or FCC's, Spectrum Policy Task Force issued a Report containing a number of specific recommendations for spectrum policy reform, including market-oriented spectrum rights, increased access to spectrum, and new interference protections. Subsequently, in May and October of 2003 and September of 2004, the FCC adopted and proceeded

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to implement new rules authorizing wireless radio services holding exclusive licenses to freely lease unused spectrum. Additionally, in November 2003, the FCC made additional spectrum available for unlicensed use. In September 2004, the FCC adopted amendments to its spectrum regulations in order to promote the deployment of spectrum-based services in rural America, allowing carriers to use higher power levels at base stations in certain rural areas. Finally, in August 2004, the FCC took steps to remedy the interference caused by Commercial Mobile Radio Service (CMRS)

operators on public safety operations in the 800 MHz band and provided for the relocation of various CMRS and private mobile service operators in the 800 and 1900 MHz bands. It is possible that at least some wireless service providers may take advantage of the relaxation of spectrum and ownership limitations and other deregulatory actions of the FCC and consolidate or modify their business operations.

Regarding our broadcast customers, the FCC has assigned a second channel to every eligible television station licensee for the transition from analog to digital signals. In September 2004, the FCC established build-out deadlines for full-power digital television in July 2005 and 2006. Congress mandated that the broadcasters' analog licenses be returned to the FCC upon the transition to digital television, which could come as early as December 31, 2006. This transition is subject to further actions by the FCC and possibly by Congress. The transition to digital television and end of analog television broadcasting could affect the demand for use of our towers.

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

Our revenues are dependent on the creditworthiness of our tenants and would be adversely affected by the loss of or default by significant tenants. Also, the recent economic slowdown has harmed, and may continue to harm, the financial condition of some wireless service providers. Many wireless service providers operate with substantial leverage and some of our customers, representing 1.0% of our revenues for the nine months ended September 30, 2004, are in bankruptcy. Other customers are having financial difficulties due to their inability to access additional capital. If one or more of our major customers experience financial difficulties, it could result in uncollectable accounts receivable and the loss of significant customers and anticipated lease revenues.

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

Our five largest customers, which represented 45.0% of our revenues for the nine months ended September 30, 2004, are USA Mobility (after giving effect to the Arch Wireless and Metrocall merger), Cingular (after giving effect to its merger with AT&T Wireless), Nextel, Verizon Wireless and T-Mobile. These customers represented 15.4%, 12.1%, 7.4%, 5.8% and 4.3%, respectively, of our revenues for the nine months ended September 30, 2004. These customers operate under multiple lease agreements that have initial terms generally ranging from three to five years and which are renewable, at our customer's option, over multiple renewal periods also generally ranging from three to five years. One of the entities that merged to form USA Mobility, Arch Wireless, is in the third year of a three-year lease. Excluding the Arch Wireless lease, as of September 30, 2004, approximately 55.6% of our revenues for September 2004 from these customers were from leases in their initial term, 41.8% were from leases in a renewal period, and 2.6% were from month-to-month leases. Arch Wireless reorganized under Chapter 11 in late 2001 and exited bankruptcy in May 2002 and has reduced its utilization of our sites in recent years. In addition, on December 15, 2004, Sprint, our sixth largest customer by revenues for the nine months ended September 30, 2004 (after giving effect to the Arch Wireless and Metrocall merger and the Cingular and AT&T Wireless merger), announced it agreed to merge with Nextel, our second largest customer by revenues for the nine months ended September 30, 2004. Sprint, after giving effect to a merger with Nextel, represents 11.5% of our revenues for the nine months ended September 30, 2004. The loss of one or more of our major customers or a reduction in their utilization of our site space could result in a material reduction of the utilization of our site space and in our revenues.

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We do not believe it is likely we will be able to renew one of our primary leases with our largest customer on the same terms when it expires in May 2005.

Our largest customer for the nine months ended September 30, 2004, Arch Wireless, is in the third year of a three-year lease. On November 16, 2004, Arch Wireless merged with Metrocall to form USA Mobility. We do not believe it is likely we will be able to renew the Arch Wireless lease on the same terms when it expires in May 2005. For the nine months ended September 30, 2004, USA Mobility (after giving effect to the Arch Wireless and Metrocall merger) represented 15.4% of our revenues. Failure to renew the Arch Wireless lease or renewal of the Arch Wireless lease on less favorable terms would result in a reduction in our revenues and could adversely impact our financial condition.

As of September 30, 2004, our tenant leases had a weighted average current term of approximately 4.8 years and had a weighted average remaining term of 2.4 years. Our revenues depend on the renewal of our tenant leases by our customers on favorable terms.

Our tenant leases had a weighted average current term of approximately 4.8 years, as of September 30, 2004, and had a weighted average remaining term of 2.4 years. We cannot assure you that our existing tenants will renew their leases at the expiration of those leases. Further, we cannot assure you that we will be successful in negotiating favorable terms with those customers that renew their tenant leases. For example, one of the entities that merged to form USA Mobility, Arch Wireless, currently occupies fewer sites than its contracted number and as a result we do not believe it is likely we will be able to renew its lease on the same terms upon expiration in May 2005. Failure to obtain renewals of our existing tenant leases or the failure to successfully negotiate favorable terms for such renewals would result in a reduction in our revenues.

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

We are currently upgrading our software systems. We implemented a PeopleSoft system, effective July 1, 2004, for many of our accounting functions, including accounts payable, accounts receivable and general ledger functions. We will continue to make modifications and add additional modules such as fixed assets during the coming months. We are also implementing a separate software package, manageStar, to manage our communications sites, tenant and ground leases and records. The integration of these software systems with our business is a significant project during which we may encounter difficulties that may be time consuming and costly, and result in systems interruptions and the loss of data. These two new systems handle our most significant business processes and difficulties with the implementation of these systems may adversely affect our day-to-day operations and our ability to service our customers, which in turn may harm our ability to operate our business.

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

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

- wireless service providers that own and operate their own towers and lease, or may in the future decide to lease, antenna space to other providers;
- other independent tower operators; and
- owners of non-tower antenna sites, including rooftops, water towers and other alternate structures.

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

Competing technologies may offer alternatives to ground-based antenna systems, which could reduce the future demand for our sites.

Most types of wireless and broadcast services currently require ground-based network facilities, including communications sites for transmission and reception. The development and growth of

communications and other new technologies that do not require ground-based sites could reduce the demand for space on our towers. For example, the growth in delivery of video, voice and data services by satellites, which allow communication directly to users' terminals without the use of ground-based facilities, could lessen demand for our sites. Moreover, the FCC has issued licenses for several additional satellite systems (including low earth orbit systems) that are intended to provide more advanced, high-speed data services directly to consumers. These satellite systems compete with land-based wireless communications systems, thereby reducing the demand for the services that we provide.

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

Technological developments are also making it possible for carriers to expand their use of existing facilities to provide service without additional tower facilities. The increased use by carriers of signal combining and related technologies, which allow two or more carriers to provide services on different transmission frequencies using the communications antenna and other facilities normally used by only one carrier, could reduce the demand for tower space. Technologies that enhance spectral capacity, such as beam forming or "smart antennas," which can increase the capacity at existing sites and reduce the number of additional sites a given carrier needs to serve any given subscriber base, may have the same effect.

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

Carriers are, through joint ventures, sharing (or considering the sharing of) telecommunications infrastructure in ways that might adversely impact the growth of our business. Furthermore, wireless service providers frequently enter into roaming agreements with competitors which allow them to utilize one another's wireless communications facilities to accommodate customers who are out of range of their home providers' services, so that the home providers do not need to lease space for their own antennas on communications sites we own. For example, over the past two years, Cingular, through AT&T Wireless, has entered into roaming agreements with T-Mobile and more than 30 rural or regional carriers, including Western Wireless and Dobson Communications, covering parts of 30 states. Any of the conditions and developments described above could reduce demand for our ground-based antenna sites and decrease demand for our site space from current levels or our ability to attract additional customers and may negatively affect our profitability.

We may be unable to modify our towers, which could harm our ability to add additional site space and new customers, which could result in our inability to execute our growth strategy and limit our revenue growth.

Our business depends on our ability to modify towers and add new customers as they expand their tower network infrastructure. Regulatory and other barriers could adversely affect our ability to modify towers in accordance with the requirements of our customers, and, as a result, we may not be able to meet our customers' requirements. Our ability

to modify towers and add new customers to towers may be affected by a number of factors beyond our control, including zoning and local permitting requirements, Federal Aviation Administration, or FAA, considerations, FCC tower registration and radio frequency emission procedures and requirements, historic preservation and environmental requirements, availability of tower components and construction equipment, availability of skilled construction personnel, weather conditions and environmental compliance issues. In addition, because public concern over tower proliferation has grown in recent years, many communities now restrict tower modifications or delay granting permits required for adding new customers. In addition, we may not be able to overcome the barriers to modifying towers or adding new customers. Our failure to complete the necessary modifications could harm our ability to add additional site space and new customers which could result in our inability to execute our growth strategy and limit our revenue growth.

We may encounter difficulties in acquiring towers at attractive prices or integrating acquisitions with our operations, which could limit our revenue growth and our ability to maintain profitability.

Since the beginning of our acquisition program, on December 1, 2003 through December 17, 2004, we have acquired 846 communications sites in 51 transactions for an aggregate purchase price of

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approximately $356.4 million, including fees and expenses. As of December 17, 2004, we have executed definitive agreements to acquire 85 communications sites for an aggregate purchase price of approximately $31.2 million, including estimated fees and expenses. We will continue to target strategic tower and tower company acquisitions as opportunities arise. The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties, divert managerial attention or require significant financial resources. These acquisitions and other future acquisitions may require us to incur additional indebtedness and contingent liabilities, and may result in unforeseen expenses, which may limit our revenue growth, cash flows, and our ability to maintain profitability and make distributions. Additionally, these acquisitions may be financed through the issuance of additional equity, which would dilute the interests of our stockholders. Moreover, any future acquisitions may not generate any additional income for us or provide any benefit to our business. In addition, we cannot assure you that we will be able to locate and acquire towers at attractive prices in locations that are compatible with our strategy. Finally, when we are able to locate towers and enter into definitive agreements to acquire them, we cannot assure you that the transactions will be completed. Failure to complete transactions after we have entered into definitive agreements may result in significant expenses to us.

We may not be able to obtain credit facilities in the future on favorable terms to enable us to pursue our acquisition plan, and we may not be able to finance our newly acquired assets in the future or refinance outstanding indebtedness on favorable terms, which may result in an increase in the cost of financing and which in turn may harm our ability to acquire new towers and our financial condition.

We believe that our low cost debt, combined with appropriate leverage, should allow us to maintain operating and financial flexibility. Our strategy is to utilize credit facilities to provide us with funds to acquire communications sites, and our capital management strategy is then to finance newly acquired assets, on a long-term basis, using equity combined with low-cost fixed-rate debt obtained through the periodic issuance of mortgage-backed securities. We may not be able to obtain credit facilities or successfully issue mortgage-backed securities in the future or on terms that are favorable to us. If we are unable to obtain assets through the use of funds from a credit facility or finance our newly acquired assets through the issuance of mortgage-backed securities our debt may be more expensive and our expenses to finance new acquisitions may increase. An increase in financing expenses may harm our ability to acquire

new towers and our financial condition. Under our December 2004 mortgage loan, we are required to prepay the loan plus applicable prepayment penalties with funds in our acquisition reserve account to the extent such funds are not used to acquire additional qualifying wireless communications sites during the six month period following the closing of the loan.

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

We are subject to a variety of regulations, including those at the federal, state and local levels. Both the FCC and the FAA regulate towers and other sites used for wireless communications transmitters and receivers. See "Business — Regulatory Matters." In addition, under the FCC's rules, we are fully liable for the acts or omissions of our contractors. We generally indemnify our customers against any failure by us to comply with applicable standards. Our failure to comply with any applicable laws and regulations (including as a result of acts or omissions of our contractors, which may be beyond our control) may lead to monetary forfeitures or other enforcement actions, as well as civil penalties, contractual liability and tort liability and, in some cases, losing our right to conduct some of our business, any of which could have an adverse impact on our business. We also are subject to local regulations and restrictions that typically require tower owners to obtain a permit or other approval from local officials or community standards organizations prior to tower construction or modification. Local regulations could delay or prevent new tower construction or modifications, as well as increase our expenses, any of which could adversely impact our ability to implement or achieve our business objectives.

The failure of our communications sites to be in compliance with environmental laws could result in liability and claims for damages that could result in a significant increase in the cost of operating our business.

We are subject to environmental laws and regulations that impose liability, including those without regard to fault. These laws and regulations place responsibility on us to investigate potential environmental and other effects of operations and to disclose any significant effects in an environmental assessment prior to constructing a tower or adding a new customer on a tower. In the event the FCC determines that one of our owned towers would have a significant environmental impact, the FCC would be required to prepare an environmental impact statement. The environmental review process mandated by the National Environmental Policy Act of 1969, or NEPA, can be costly and time consuming and may cause significant delays in the registration of a particular tower. In addition, various environmental interest groups routinely petition the FCC to deny applications to register new towers, further complicating the registration process and increasing potential expenses and delays. In August 2003, the FCC released a Notice of Inquiry requesting comments and information on the potential impact of communications towers on migratory birds. The Notice of Inquiry regarding migratory birds marks the most significant action to date taken by the FCC on the matter and may lead to changes in the FCC's environmental rules. On December 14, 2004, the FCC released a public notice inviting comments on the analysis and report provided by its environmental consultant regarding the relationship of towers and avian mortality. Any changes to FCC rules that come from this proceeding, as well as changes resulting from other potential rulemakings, could delay or prevent new tower construction or modifications as well as increase our expenses related thereto.

In addition to the FCC's environmental regulations, we are subject to environmental laws that may require the investigation and remediation of any contamination at facilities that we own or operate, or that we previously owned or operated, or at third-party waste disposal sites at which our waste materials have been disposed. These laws could impose liability even if we did not know of, or were not responsible for, the contamination. Under these laws, we may

also be required to obtain permits from governmental authorities or may be subject to record keeping and reporting obligations. If we violate or fail to comply with these laws, we could be fined or otherwise sanctioned by regulators. The expenses of complying with existing or future environmental laws, responding to petitions filed by environmental interest groups or other activists, investigating and remediating any contaminated real property and resolving any related liability could result in a significant increase in the cost of operating our business, which would harm our profitability. See "Business — Regulatory Matters — Environmental Regulations."

Because we generally lease, sublease, license or have easements relating to the land under our towers, our ability to conduct our business and generate revenues may be harmed if we fail to obtain lease renewals or protect our rights under our leases, subleases, licenses and easements.

Our real property interests relating to towers primarily consist of leasehold interests, private easements, and permits granted by governmental entities. A loss of these interests for any reason, including losses arising from the bankruptcy of a significant number of our lessors, from the default by a significant number of our lessors under their mortgage financings or from a legal challenge to our interest in the real property, would interfere with our ability to conduct our business and generate revenues. Similarly, if the grantors of these rights elect not to renew our leases, our ability to conduct business and generate revenues could be adversely affected. As of September 30, 2004, we leased 81 parcels of land with a remaining term of two years or less, under 82 owned towers which represented 2.8% of revenues for the nine months ended September 30, 2004.

In addition, we previously made acquisitions and did not always analyze and verify all information regarding title and other issues prior to completing an acquisition of communications sites. Our inability to protect our rights to the land under our towers could interfere with our ability to conduct our business and generate revenues. Generally, we have attempted to protect our rights in the sites by obtaining title insurance on the owned fee sites and the ground lease sites and relying on title warranties and covenants from sellers and landlords.

Our ability to protect our rights against persons claiming superior rights in towers or real property depends on our ability to:

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- recover under title insurance policies, the policy limits of which may be less than the purchase price of a particular tower;
- in the absence of title insurance coverage, recover under title warranties given by tower sellers, whose warranties often terminate after the expiration of a specific period (typically one to three years) and are dependent on the general creditworthiness of sellers making the title warranties;
- recover from landlords under title covenants contained in lease agreements, which is dependent on the general creditworthiness of landlords making the title covenants; and
- obtain "non-disturbance agreements" from mortgagees and superior lienholders of the land under our towers.

Our tenant leases require us to be responsible for the maintenance and repair of the sites and for other obligations and liabilities associated with the sites and our obligations to maintain the sites may affect our revenues.

None of our tenant leases is a net lease. Accordingly, as landlord we are responsible for the maintenance and repair of the sites and for other obligations and liabilities (including for environmental compliance and remediation) associated with the sites, such as the payment of real estate taxes, ground lease rents and the maintenance of insurance. Our failure to perform our obligations under a tenant lease could entitle the related tenant to an abatement of rent or, in

some circumstances, result in a termination of the tenant lease. An unscheduled reduction or cessation of payments due under a tenant lease would result in a reduction of our revenues. Similarly, if the expenses of maintaining and operating one or more sites exceeds amounts budgeted, and if lease revenues from other sites are not available to cover the shortfall, amounts that would otherwise be used for other purposes may be required to pay the shortfall.

Site management agreements may be terminated prior to expiration, which may adversely affect our revenues.

Approximately 759 and 819 sites, as of September 30, 2004 and December 31, 2003, respectively (representing approximately 19% and 21% of our revenues for the nine months ended September 30, 2004 and year ended December 31, 2003, respectively), are managed sites where we market and/or sublease space under site management agreements with third party owners. The management agreements or subleases on 250 of these sites, which represented 5.3% of our revenues for the nine months ended September 30, 2004, are month-to-month or will expire by their terms prior to December 31, 2005. In many cases, the site management agreements may be terminated early at the third party owner's discretion or upon the occurrence of certain events (such as the sale of the relevant site by the third party owner, our default, a change of control with respect to our company and other events negotiated with the third party owner including discretionary terminations). If a site management agreement is not renewed or is terminated early, our revenues would be reduced.

Our towers may be damaged by disaster and other unforeseen events for which our insurance may not provide adequate coverage and which may cause service interruptions affecting our reputation and revenues and resulting in unanticipated expenditures.

Our towers are subject to risks associated with natural disasters, such as ice and wind storms, fire, tornadoes, floods, hurricanes and earthquakes, as well as other unforeseen events. Our sites and any tenants' equipment are also vulnerable to damage from human error, physical or electronic security breaches, power loss, other facility failures, sabotage, vandalism and similar events. In the event of casualty, it is possible that any tenant sustaining damage may assert a claim against us for such damages. If reconstruction (for example, following fire or other casualty) or any major repair or improvement is required to the property, changes in laws and governmental regulations may be applicable and may raise our cost or impair our ability to effect such reconstruction, major repair or improvement.

Since January 1, 2002, 12 of our owned towers have been destroyed by natural disasters, including hurricanes, two have been destroyed in vehicular accidents and two in fire accidents. In addition, as of September 30, 2004 we own, lease and license a large number of towers in geographic areas, including 112

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sites in California, 356 sites in Florida, 136 sites in North Carolina and 170 sites in South Carolina that have historically been subject to natural disasters, such as high winds, hurricanes, floods, earthquakes and severe weather. There can be no assurance that the amount of insurance obtained would be sufficient to cover damages caused by any event, or that such insurance will be commercially available in the future. A tower accident for which we do not have adequate insurance reserves or have no insurance, or a large amount of damage to a group of towers, could decrease the value of our communications sites, result in the loss of revenues while the tower is out of service, and also require us to make unanticipated expenditures in order to repair the damages caused by any event.

In addition, any of these events or other unanticipated problems at one or more of the sites could interrupt tenants' ability to provide their services from the sites. This could damage our reputation, making it difficult to attract new tenants and causing existing tenants to terminate their leases, which in turn would reduce our revenues.

If radio frequency emissions from our towers or other equipment used in our tenants' businesses are demonstrated, or perceived, to cause negative health effects, our business and revenues may be harmed.

The safety guidelines for radio frequency emissions from our sites require us to undertake safety measures to protect workers whose activities bring them into proximity with the emitters and to restrict access to our sites by others. If radio frequency emissions from our sites or other equipment used in our tenants' businesses are found, or perceived, to be harmful, we and our customers could face fines imposed by the FCC, private lawsuits claiming damages from these emissions, and increased opposition to our development of new towers. Demand for wireless services and new towers, and thus our business and revenues, may be harmed. Although we have not been subject to any personal injury claims relating to radio frequency emissions, we cannot assure you that these claims will not arise in the future or that they will not negatively impact our business.

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

We have historically financed our operations primarily with indebtedness. Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations will continue to depend on our future financial performance. As of September 30, 2004, our long-term debt obligations consisted of $413.8 million outstanding on our February 2004 mortgage loan and $1.0 million outstanding on a capital lease. Of these obligations, $8.1 million is due in less than one year, $17.5 million is due between one and three years and $389.2 million is due between four and five years. In addition, we currently anticipate that in order to pay the principal of our outstanding February 2004 mortgage loan on the anticipated repayment date of January 2009 and the outstanding principal balance of our $293.8 million December 2004 mortgage loan on the repayment date of December 2009, we will likely be required to adopt one or more alternatives, such as refinancing our indebtedness or selling our equity securities or the equity securities or assets of our operating partnership and our subsidiaries. There can be no assurance that we will be able to refinance our indebtedness on attractive terms and conditions or that we will be able to obtain additional debt financing. If we are unable to refinance our indebtedness in full, we may be required to issue additional equity securities or sell assets. If we are required to sell equity securities, investors who purchase our common stock in this offering may be diluted. If we are required to sell interests in our operating partnership, this would have a similar effect as a sale of assets and the market price of our common stock may decline. In addition, there can be no assurance as to the terms and prices at which we will be able to sell additional equity securities or operating partnership interests or that we will be able to sell additional equity securities or sell operating partnership interests. If we are required to sell assets to refinance our indebtedness, there can be no assurance as to the price we will obtain for the assets sold and whether those sales will realize sufficient funds to repay our outstanding indebtedness. To the extent we are required to sell assets at prices lower than their fair market values, the market price of our common stock may decline.

Our mortgage loans restrict the ability of our two largest operating subsidiaries, Pinnacle Towers LLC and its subsidiaries and Pinnacle Towers Acquisition Holdings LLC and its subsidaries, from

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incurring additional indebtedness or further encumbering their assets. In addition, so long as the tangible assets of Pinnacle Towers LLC under the February 2004 mortgage loan represent at least 25% of our assets, it will be an event of default under the February 2004 mortgage loan if Global Signal incurs any unsecured indebtedness for borrowed money without confirmation from the rating agencies that rated the commercial mortgage pass-through certificates that none of the ratings will be adversely affected. Our mortgage loans do not otherwise restrict our ability to obtain additional financing. If we require additional financing in connection with acquisitions, we anticipate being able to

raise equity, obtain a credit facility similar to the credit facility we repaid out of the proceeds of our December 2004 mortgage loan or obtain financing through a securitization of acquired sites similar to the ones completed on February 5, 2004 and December 7, 2004. We cannot assure you that we could effect any of the foregoing alternatives on terms satisfactory to us, that any of the foregoing alternatives would enable us to pay the interest or principal of our indebtedness or that any of such alternatives would be permitted by the terms of our credit facility and other indebtedness then in effect.

The terms of our mortgage loans and revolving credit facility may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations.

Our existing mortgage loans and revolving credit facility contain, and any future indebtedness of ours or of any of our subsidiaries would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us and/or certain of our subsidiaries, including restrictions on our or our subsidiaries' ability to, among other things:

- incur additional debt, or additional unsecured debt without rating agency approval;
- issue stock;
- create liens;
- make investments, loans and advances;
- engage in sales of assets and subsidiary stock;
- enter into sale-leaseback transactions;
- enter into transactions with our affiliates;
- change the nature of our business; and
- transfer all or substantially all of our assets or enter into certain merger or consolidation transactions.

Our February 2004 and December 2004 mortgage loans contain a covenant providing for reserve accounts if the debt service coverage ratio falls to 1.45 and 1.30 or lower, respectively, as of the end of any calendar quarter. Debt service coverage ratio is defined as the preceding 12 months of net cash flow, as defined in the mortgage loans, divided by the amount of principal and interest payments required under the mortgage loans over the next 12 months. Net cash flow, as defined in the mortgage loans, is approximately equal to gross margin minus capital expenditures made for the purpose of maintaining our sites, minus 10% of revenue. The funds in the respective reserve account will not be released to us unless the debt service coverage ratio exceeds 1.45 and 1.30 times, respectively, for two consecutive calendar quarters. If the debt service coverage ratio falls below 1.20 and 1.15 times, respectively, as of the end of any calendar quarter, then all funds on deposit in the respective reserve account along with future excess cash flows will be applied to prepay the respective mortgage loan. Failure to maintain the debt service ratio above 1.45 and 1.30 times, respectively, would impact our ability to pay our indebtedness other than the mortgage loans, pay dividends and to operate our business.

A failure by us to comply with the covenants or financial ratios contained in our $20.0 million revolving credit facility could result in an event of default under the facility which could adversely affect our ability to respond to changes in our business and manage our operations. In the event of any default under our $20.0 million revolving credit facility, the lenders under the facility will not be required to lend us any additional amounts. Our lenders also could elect to declare all amounts outstanding to be

immediately due and payable. If the indebtedness under our credit facility were to be accelerated, and we are not able to make the required cash payments, our lenders will have the option of foreclosing on any of the collateral pledged as security for the loan.

Our obligations under the $20.0 million revolving credit facility are secured by a pledge of 65% of the stock of Pinnacle Towers Canada and Pinnacle Towers UK, which as of September 30, 2004, collectively constituted 1.2% of our total assets' book value.

Under both the February 2004 mortgage loan and the December 2004 mortgage loan, if an event of default occurs, the lenders will have the option to foreclose on any of the collateral pledged as security for the respective mortgage loan. The mortgage loans are secured by (1) mortgage liens on our interests (fee, leasehold or easement) in our communications sites, (2) a security interest in substantially all of Pinnacle Towers LLC and its subsidiaries', and Pinnacle Towers Acquisition Holdings LLC and its subsidiaries', personal property and fixtures, including our rights under substantially all of our site management agreements, tenant leases (excluding tenant leases for sites referred to in (1) above) and management agreement with Global Signal Services LLC, or GS Services, and (3) a pledge of certain of our subsidiaries' capital stock (or equivalent equity interests) (including a pledge of the membership interests of Pinnacle Towers LLC, from its direct parent, Global Signal Holdings II LLC and a pledge of the membership interests of Pinnacle Towers Acquisition Holdings LLC, from its direct parent, Global Signal Holdings III LLC). There can be no assurance that our assets would be sufficient to repay this indebtedness in full.

Our Chief Executive Officer has management responsibilities with other companies and may not be able to devote sufficient time to the management of our business operations.

Our Chief Executive Officer, Wesley R. Edens, is also the Chairman of the Board and Chairman of the Management Committee of Fortress Investment Group LLC and the Chairman of the Board and Chief Executive Officer of Newcastle Investment Corp., a publicly traded real estate securities business, and the Chairman of the Board and Chief Executive Officer of Eurocastle Investment Limited, a publicly traded real estate securities business, listed on the London Stock Exchange. As Chairman of the Management Committee of Fortress Investment Group, he manages and invests in other real estate-related investment vehicles. As a result, he may not be able to devote sufficient time to the management of our business operations.

Risks Relating to Our REIT Status

Our failure to qualify as a REIT would result in higher taxes and reduce cash available for dividends.

We intend to operate in a manner so as to qualify as a REIT for federal income tax purposes. Although we do not intend to request a ruling from the Internal Revenue Service as to our REIT status, we expect to receive an opinion of Skadden, Arps, Slate, Meagher & Flom LLP with respect to our qualification as a REIT. This opinion will be issued in connection with this offering of common stock. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Skadden, Arps will represent only the view of our counsel based on our counsel's review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets, the sources of our income, and the nature, construction, character and intended use of our properties. We have asked Skadden, Arps to assume for purposes of its opinion that any prior legal opinions we received to the effect that we were taxable as a REIT are correct. The opinion of Skadden, Arps, a copy of which will be filed as an exhibit to the registration statement of which this prospectus is a part, will be expressed as of the date issued, and will not cover subsequent periods. The opinions of counsel impose no obligation on them to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law.

Furthermore, both the validity of the tax opinions, and our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a

continuing basis, the results of which will not be monitored by tax counsel.

Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and trading prices for, our common stock. Unless entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. See "Federal Income Tax Considerations" for a discussion of material federal income tax consequences relating to us and our common stock.

Dividends payable by REITs generally do not qualify for the reduced tax rates under recently enacted tax legislation.

Recently enacted tax legislation reduces the maximum tax rate for dividends payable to individuals from 38.6% to 15% through 2008. Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

In addition, the relative attractiveness of real estate in general may be adversely affected by the newly favorable tax treatment given to corporate dividends, which could affect the value of our real estate assets negatively.

REIT distribution requirements could adversely affect our liquidity.

We generally must distribute annually at least 90% of our net taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the requirements of the Internal Revenue Code. However, differences between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Internal Revenue Code. Certain types of assets generate substantial mismatches between taxable income and available cash. Such assets include rental real estate that has been financed through financing structures which require some or all of available cash flows to be used to service borrowings. As a result, the requirement to distribute a substantial portion of our taxable income could cause us to: (1) sell assets in adverse market conditions, (2) borrow on unfavorable terms or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt in order to comply with REIT requirements.

Our mortgage loans contain covenants providing for reserve accounts if our debt service coverage ratio falls to 1.45 or 1.30 times or lower for our February 2004 mortgage loan and December 2004 mortgage loan, respectively. If our debt service coverage ratio were to fall to that level and we had net income, as defined by tax regulations, our ability to

distribute 90% of our taxable income, and hence our REIT status, could be jeopardized. Further, amounts distributed will not be available to fund our operations.

Prior to our emergence from Chapter 11, we funded our operations primarily through debt and equity capital. Since our emergence from bankruptcy on November 1, 2002, we have funded our operations through operating cash flow. We expect to finance our future operations through operating cash flows and our future acquisitions through debt and equity capital. If we fail to obtain debt or equity capital in the future, it could limit our ability to grow, which could have a material adverse effect on the value of our common stock.

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The stock ownership limits imposed by the Internal Revenue Code for REITs and our amended and restated certificate of incorporation may inhibit market activity in our stock and may restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code) at any time during the last half of each taxable year after our first year. Our amended and restated certificate of incorporation states that, unless exempted by our board of directors, no person, other than certain of our existing stockholders and subsequent owners of their stock, may own more than 9.9% of the aggregate value of the outstanding shares of any class or series of our stock. Our board may grant such an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine. These ownership limits could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Risks Relating to this Offering

The market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public markets.

As adjusted for this offering, there will be 54,094,581 shares of our common stock outstanding and options and warrants to purchase a total of 4,284,808 shares of common stock, of which warrants to purchase 472,224 shares of common stock have an exercise price of $8.53 and options to purchase 3,812,584 shares of common stock have a weighted average exercise price of $10.87 per share. This includes options to purchase an aggregate of 805,000 shares of common stock with an exercise price per share of $18.00 held by FRIT PINN LLC, an affiliate of Fortress, and Greenhill, or affiliates of such entities. There will be 54,384,581 shares outstanding if the underwriters exercise their overallotment option in full. Of our outstanding shares, all the shares of our common stock sold in this offering and 28,677,983 shares of common stock already outstanding will be freely transferable, except for 17,363,400 shares held by our "affiliates," as that term is defined in Rule 144 under the Securities Act of 1933, as amended ("Securities Act").

Pursuant to our Amended and Restated Investor Agreement, Fortress Pinnacle Acquisition LLC and its affiliates, Greenhill Capital Partners, L.P. and its related partnerships and Abrams Capital Partners II, L.P. and its related partnerships have the right to require us to register their shares of our common stock under the Securities Act for sale into the public markets. Upon the effectiveness of such a registration statement, all shares covered by the registration statement will be freely transferable.

We and our executive officers, directors and each of our stockholders holding 10% or more of our outstanding common stock have agreed with the underwriters that, subject to certain exceptions, including the exception for

Fortress Investment Holdings LLC, or Fortress Holdings, discussed below, for a period of 90 days after the date of this prospectus, we and they will not directly or indirectly offer, pledge, sell, contract to sell, sell any option or contract to purchase or otherwise dispose of any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, or in any manner transfer all or a portion of the economic consequences associated with the ownership of shares of common stock, or cause a registration statement covering any shares of common stock to be filed, without the prior written consent of the representatives. The representatives may waive these restrictions at their discretion. It is contemplated that the lock-up agreement with our largest stockholder, Fortress Holdings, will contain an exception to allow the lenders under the credit facility described under "Certain Relationships and Related Party Transactions — Pledge Shelf Registration Statement" to dispose of the shares pledged under the credit agreement or to seize the pledged shares in the event of a default.

In addition, following the completion of our initial public offering, we filed a registration statement on Form S-8 under the Securities Act registering an aggregate of 6,476,911 shares of our common stock reserved for issuance under our stock incentive programs. Subject to the exercise of issued and outstanding options, shares registered under the registration statement on Form S-8 are available for sale into the public markets.

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The market price of our stock could be negatively affected by sales of substantial amounts of our common stock if our largest stockholder defaults under a credit agreement secured by its shares of our common stock.

Fortress Investment Holdings LLC, or Fortress Holdings, our largest stockholder, informed us of the following:

An affiliate of Fortress Holdings entered into a credit agreement, dated as of December 21, 2004, with Bank of America, N.A., Morgan Stanley Asset Funding Inc., the other lenders that may become parties thereto and Banc of America Securities LLC. Pursuant to the credit agreement, the affiliate has borrowed $160.0 million from the lenders thereunder and this amount has been secured by a pledge by the affiliate of a total of 19,162,248 shares of our common stock owned by such affiliate. The term of the credit agreement is 18 months. The 19,162,248 shares of common stock represents approximately 37% of our issued and outstanding common stock as of December 21, 2004.

The credit agreement contains representations, covenants and default provisions, relating to Fortress Holdings, such affiliate and our company and also requires prepayment of a portion of the borrowings by the affiliate in the event the trading price of our common stock decreases below $16.70 and prepayment or payment in full at prices below certain other lower specified levels. In the event of a default under the credit agreement by the affiliate, the lenders may foreclose upon and sell any and all shares of common stock pledged to them. The affiliate has agreed in the credit agreement to exercise its right to cause us to file a shelf registration statement pursuant to the Amended and Restated Investor Agreement dated as of March 31, 2004 among us, Fortress Pinnacle Acquisition LLC, Greenhill Capital Partners, L.P., and its related partnerships named therein, and Abrams Capital Partners II, L.P. and certain of its related partnerships named therein, and other parties named therein. The registration statement will cover sales by the lenders of shares of the pledged common stock in the event of a foreclosure by any of them and is required to be filed by June 6, 2005 pursuant to the credit agreement.

We are not a party to the credit agreement and have not made any representations or covenants and have no obligations thereunder. Mr. Wesley Edens, our Chief Executive Officer and Chairman of our board of directors owns an interest in Fortress Holdings and is the Chairman of its Management Committee.

The issuance of additional stock in connection with acquisitions or otherwise will dilute all other stockholdings.

After this offering, assuming the exercise in full by the underwriters of their overallotment option, we will have an aggregate of 88,990,000 shares of common stock authorized but unissued and not reserved for issuance under our option plans or under outstanding warrants. We may issue all of these shares without any action or approval by our stockholders. We intend to continue to actively pursue strategic acquisitions of wireless communications towers and other communications sites. We may pay for such acquisitions, at least partly, through the issuance of partnership units in our operating partnership which may be redeemed for shares of our common stock, or by the issuance of additional equity. Any shares issued in connection with our acquisitions, including the issuance of common stock upon the redemption of operating partnership units, the exercise of outstanding warrants or stock options or otherwise would dilute the percentage ownership held by the investors who purchase our shares in this offering.

The price of our common stock may fluctuate substantially, which could negatively affect us and the holders of our common stock.

The trading price of our common stock may be volatile in response to a number of factors, many of which are beyond our control including:

- a decrease in the demand for our communications sites;
- the economies, real estate markets and wireless communications industry in the regions where our sites are located;
- consolidation in the wireless industry;

- the creditworthiness of our tenants; and
- fluctuations in interest rates.

In addition, our financial results may be below the expectations of securities analysts and investors. If this were to occur, the market price of our common stock could decrease, perhaps significantly. Any volatility of or a significant decrease in the market price of our common stock could also negatively affect our ability to make acquisitions using our common stock as consideration. In addition, the U.S. securities markets, and telecommunications stocks in particular, have experienced significant price and volume fluctuations. These fluctuations often have been unrelated to the operating performance of companies in these markets. Broad market and industry factors may negatively affect the price of our common stock, regardless of our operating performance. You may not be able to sell your shares at or above the public offering price, or at all. Further, if we were to be the object of securities class action litigation as a result of volatility in our common stock price or for other reasons, it could result in substantial expenses and diversion of our management's attention and resources, which could negatively affect our financial results. In addition, if we decide to settle any class action litigation against us, our decision to settle may not necessarily be related to the merits of the claim.

Investors in this offering will suffer immediate and substantial dilution.

The public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock outstanding immediately after this offering. Our net tangible book value per share as of September 30, 2004 was approximately $0.70 and represents the amount of our stockholders' equity of $174.3 million minus intangible assets of $124.6 million and deferred finance expenses of $14.4 million, divided by the 50,657,601 shares of our common stock that were outstanding on September 30, 2004. Our net book value per share of $3.44 as of September 30, 2004 represents the amount of our stockholders' equity of $174.3 million divided by the 50,657,601 shares of common stock that were outstanding on September 30, 2004.

Investors who purchase our common stock in this offering will pay a price per share that substantially exceeds the net tangible book value per share of our common stock. If you purchase our common stock in this offering, you will experience immediate and substantial dilution of $ in the net tangible book value per share of our common stock based on an assumed offering price of $ per share. Our net tangible book value per share on a pro forma as adjusted basis at September 30, 2004 was approximately and represents the amount of our stockholders' equity of $244.4 million minus intangible assets of $150.5 million and deferred finance expenses of $19.0 million, divided by the 54,094,581 shares of our common stock outstanding after giving effect to this offering. Additional dilution will occur upon the exercise of outstanding options and warrants. See the pro forma condensed consolidated balance sheet included elsewhere in this prospectus.

As part of our reorganization, we issued warrants to purchase 1,229,850 shares of our common stock, of which warrants to purchase 472,224 shares of our common stock, as of December 17, 2004, were outstanding and exercisable through October 31, 2007, at an exercise price of $8.53 per share. These warrants were issued in connection with the cancellation of the 5 1/2% convertible subordinated notes due 2007, and with the receipt of certain releases given by former stockholders as part of our reorganization and by plaintiffs in the settlement of a stockholder class action suit. The issuance of these shares will have a dilutive effect on the value of our common stock when these warrants are exercised.

ERISA may restrict investments by Plans in our common stock.

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment might constitute or give rise to a prohibited transaction under the Employee Retirement Income Security Act of 1974, as amended, the Internal Revenue Code or any substantially similar federal, state or local law and whether an exemption from such prohibited transaction rules is available. See "ERISA Considerations."

Our authorized but unissued common and preferred stock may prevent a change in our control.

Our amended and restated certificate of incorporation authorizes us to issue additional authorized, but unissued shares of our common stock or preferred stock. In addition, our board of directors may

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classify or reclassify any unissued shares of our preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board may establish a series of preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Anti-takeover provisions in our amended and restated certificate of incorporation could have effects that conflict with the interests of our stockholders.

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us or for us to acquire control of a third party even if such a change in control would be beneficial to you.

We have a number of anti-takeover devices in place that will hinder takeover attempts and could reduce the market value of our common stock. Our anti-takeover provisions include:

- a staggered board of directors;
- removal of directors only for cause, by 80% of the voting interest of stockholders entitled to vote;
- blank-check preferred stock;
- a provision denying stockholders the ability to call special meetings with the exception of Fortress Pinnacle Acquisition LLC, FRIT PINN LLC, Fortress Pinnacle Investment Fund LLC, Greenhill Capital Partners, L.P. and their respective affiliates, so long as they collectively beneficially own at least 50% of our issued and outstanding common stock;
- our amended and restated certificate of incorporation provides that Global Signal has opted out of the provisions of Section 203 of the Delaware General Corporation Law. Section 203 restricts certain business combinations with interested stockholders in certain situations; and
- advance notice requirements by stockholders for director nominations and actions to be taken at annual meetings.

We have not established a minimum dividend payment level, there are no assurances of our ability to pay dividends in the future, and our ability to maintain current dividend level depends both on our earnings from existing operations and our ability to invest our capital to achieve targeted returns.

We intend to pay quarterly dividends and to make distributions to our stockholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. We have not established a minimum dividend payment level, and our ability to pay dividends may be adversely affected by the risk factors described in this prospectus. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our board of directors may deem relevant from time to time. There are no assurances of our ability to pay dividends in the future. In addition, some of our distributions may include a return of capital.

While we have not established a formal dividend policy, to date we have paid quarterly dividends based on our cash flow from operations, less capital expenditure, after consideration of pending acquisitions of communications sites with the cash raised in our mortgage loans and equity financings. As of December 17, 2004, we have $85.5 million remaining in a site acquisition reserve account established as part of our December 2004 mortgage loan pending its investment in qualified communications sites. In addition, as part of this offering, we expect to issue 2,900,000 shares (3,190,000 shares if the underwriters exercise the over allotment option) to raise approximately $ million ($ million if the underwriters exercise the over allotment option) of additional capital. Our ability to continue to pay dividends at current levels will depend, among other things, on our ability to invest amounts held in the site acquisition reserve account, as well as the capital raised in this offering, at returns similar to the acquisitions we have closed to date.

Global Signal Inc. is a holding company with no material direct operations.

Global Signal Inc. is a holding company with no material direct operations. Its principal assets are the equity interests it holds in its operating subsidiaries. In addition, we own substantially all of our assets and

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conduct substantially all of our operations through Global Signal OP. As a result, Global Signal Inc. is dependent on loans, dividends and other payments from its subsidiaries and from Global Signal OP to generate the funds necessary to meet its financial obligations and pay dividends. Global Signal Inc.'s subsidiaries and Global Signal OP are legally

distinct from Global Signal Inc. and have no obligation to make funds available to it.

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

After giving effect to the offering, assuming no exercise by the underwriters of their overallotment option, affiliates of Fortress will beneficially own approximately 25.4 million shares, or 46.5%, of our common stock, Greenhill will beneficially own approximately 8.6 million shares, or 15.8%, of our common stock and affiliates of Abrams Capital, LLC will beneficially own approximately 5.6 million shares, or 10.3% of our common stock. Three of our directors are associated with these stockholders. As a result, Fortress, Greenhill, and Abrams Capital, LLC could exert significant influence over our management and policies and may have interests that are different from yours and may vote in a way with which you disagree and which may be adverse to your interests. In addition, this concentration of ownership may have the effect of preventing, discouraging or deferring a change of control, which could depress the market price of our common stock.

An increase in interest rates would result in an increase in our interest expense which could adversely affect our results of operations and financial condition.

Any indebtedness we incur under our $20.0 million revolving credit facility bears interest at floating rates, based on either LIBOR or the bank's base rate. Accordingly, an increase in the bank's base rate or LIBOR could lead to an increase in our interest expense which could have an adverse effect on our results of operations and financial condition. We may incur additional floating rate indebtedness from time to time. In addition, any increase in interest rates also would increase the cost of any new fixed rate borrowings.

Our fiduciary obligations to Global Signal OP may conflict with the interests of our stockholders.

Our wholly owned subsidiary Global Signal GP LLC, as the managing general partner of Global Signal OP, may have fiduciary obligations in the future to the limited partners of Global Signal OP, the discharge of which may conflict with the interests of our stockholders. Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibits such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. For example, if Global Signal GP LLC has a need for liquidity, the timing of a distribution from Global Signal GP LLC to Global Signal Inc. may be a decision that presents such a conflict. The limited partners of Global Signal OP will have the right, beginning one year after they contribute property to the partnership, to cause Global Signal OP to redeem their limited partnership units for cash or shares of our common stock. As managing partner, Global Signal GP LLC's decision as to whether to exchange units for cash or shares of our common stock may conflict with the interest of our common stockholders.

Future limited partners of Global Signal OP may exercise their voting rights in a manner that conflicts with the interests of our stockholders.

Currently, Global Signal OP does not have any limited partners not owned by Global Signal. In the future, those persons holding units of Global Signal OP, as limited partners, have the right to vote as a class on certain amendments to the operating partnership agreement and individually to approve certain amendments that would adversely affect their rights, which voting rights may be exercised by future limited partners in a manner that conflicts with the interests of those investors who acquire our common stock in this offering.

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CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements which are subject to various risks and uncertainties, including without limitation, statements relating to our ability to deploy capital, close accretive acquisitions, close acquisitions under letters of intent, pay or grow dividends, generate growth organically or through acquisitions, secure financing, and increase revenues, earnings, adjusted EBITDA and/or AFFO and add telephony tenants. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to, a decrease in the demand for our communications sites, our continued ability to acquire new towers at attractive prices which will generate returns consistent with expectations, the possibility that the towers that we have acquired and will acquire may not generate sufficient additional income to justify their acquisition, possibilities that conditions to closing of transactions will not be satisfied, our ability to close on towers under non-binding letters of intent which is generally less probable than closing on towers under definitive agreements, the economies, real estate markets and wireless communication industry in the regions where our sites are located, consolidation in the wireless industry, the creditworthiness of our tenants, competing technologies, our failure to comply with federal, state and local laws and regulations, the failure to comply with environmental laws, possibilities that changes in the capital markets, including changes in interest rates and/or credit spreads, or other factors could make financing more expensive or unavailable to us, our ability to qualify as a REIT, REIT distributions requirements and the stock ownership limit imposed by the Internal Revenue Code for REITs. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management's views as of the date of this prospectus. The "Risk Factors" and other factors noted throughout this prospectus could cause our actual results to differ significantly from those contained in any forward-looking statement. For a discussion of our critical accounting policies see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates."

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

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USE OF PROCEEDS

Based on the assumed offering price of $, our net cash proceeds from the sale of the shares of common stock

will be approximately $ million, or approximately $ million if the underwriters exercise their overallotment option in full after deducting assumed underwriting discounts, commissions and estimated offering expenses.

We intend to use the net proceeds of this offering as follows:

- Approximately $59.0 million to finance the acquisition of 233 communications sites for which we have currently signed non-binding letters of intent. These towers are located in Alabama, Arkansas, Florida, Georgia, Illinois, Louisiana, Michigan, Mississippi, New Hampshire, South Carolina, Tennessee, Texas and Vermont. We are seeking to complete our due diligence and negotiate purchase agreements for these sites. Acquisitions of communications sites subject to letters of intent are less likely to be consummated than those subject to definitive purchase agreements. In the event we are unable to acquire these sites we intend to use the proceeds from this offering for other acquisitions or general corporate purposes.
- Approximately $ million used for working capital and other general corporate purposes, which may include future acquisitions.

Pending these uses, we intend to invest net proceeds in interest-bearing, short-term investment grade securities or money-market accounts, which is consistent with our intention to qualify as a REIT or to repay indebtedness under our revolving credit facility with Morgan Stanley Asset Funding Inc. and Bank of America, N.A., affiliates of the representatives of the underwriters, if any such indebtedness is outstanding.

MARKET PRICE FOR COMMON STOCK AND DISTRIBUTION POLICY

In general, we will not pay a corporate-level income tax on our earnings to the extent we distribute our earnings to our stockholders. In order to satisfy the REIT requirements, we must distribute to our stockholders an amount at least equal to (1) 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain) plus (2) 90% of the excess of our net income from foreclosure property (as defined in Section 856 of the Internal Revenue Code) over the tax imposed on such income by the Internal Revenue Code less (3) any excess non-cash income (as determined under the Internal Revenue Code). See "Federal Income Tax Considerations." We have already satisfied our REIT distribution requirement for 2004 through payment of our February 5, 2004 special distribution and the ordinary dividends paid so far in 2004 described below. The actual amount and timing of future distributions, however, will be at the discretion of our board of directors and will depend upon our financial condition in addition to the requirements of the Internal Revenue Code. Differences between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirements. In addition, Global Signal is a holding company with no material direct operations and depends on loans, dividends and other payments from its subsidiaries and will be dependent on loans and distributions from Global Signal OP to generate the funds necessary to pay dividends. Global Signal's subsidiaries and Global Signal OP are legally distinct from Global Signal and have no obligation to make funds available to it.

On December 13, 2004, our board of directors declared a dividend of $0.40 per share of our common stock for the three months ending December 31, 2004, payable on January 20, 2005, to stockholders of record as of January 7, 2005. The portion of this dividend, which exceeds our accumulated earnings as of December 31, 2004, will represent a return of our stockholders' capital. Purchasers of shares of common stock in this offering will not be entitled to this dividend. For the three months ended September 30, 2004, we paid an ordinary dividend of $0.375 per share of our common stock, or an aggregate of $19.1 million, of which $12.8 million represented a return of our stockholders' capital, which was paid on October 20, 2004, to stockholders of record as of October 8, 2004. On July 20, 2004, we paid an additional ordinary dividend of $0.103 per share of our common stock, or an aggregate of $5.2 million, of which $3.9 million represented a return of capital, to stockholders of record as of July 6, 2004, for the period from June 1, 2004 through June 30, 2004. On June 14, 2004, we paid an ordinary dividend of $0.2095 per share of our

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common stock, or an aggregate of $8.8 million, of which $5.0 million represented a return on our stockholders' capital, of our common stock for the period of April 1, 2004 through May 31, 2004. On April 22, 2004, we paid an ordinary dividend of $0.3125 per share of our common stock, or an aggregate of $13.1 million, of which $11.3 million represented a return of our stockholders' capital, for the three months ended March 31, 2004. On February 5, 2004, we paid a one-time special distribution of $142.2 million to all of our stockholders, which represented a return of capital. The special distribution was funded with a portion of the proceeds from our February 2004 mortgage loan. Also, on February 5, 2004, we paid an ordinary dividend of $0.3125 per share of our common stock, or an aggregate of $12.8 million, to all of our stockholders for the three months ended December 31, 2003. We intend to continue to make regular quarterly distributions to the holders of our common stock. Distributions, including distributions of capital, assets or dividends, will be made at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, legal requirements and other factors as our board of directors deems relevant.

It is anticipated that distributions generally will be either (1) taxable as ordinary income, (2) a non-taxable return of capital, (3) taxable as a long-term capital gain, or (4) to the extent attributable from our taxable REIT subsidiaries, taxable as qualified dividends eligible for the 15% maximum federal income tax rate for individuals. We will furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their federal income tax status. For a discussion of the federal income tax treatment of distributions by us, see "Federal Income Tax Considerations — Taxation of Global Signal" and "— Taxation of Stockholders."

Our ordinary shares began publicly trading on June 3, 2004 on the NYSE under the symbol "GSL." Prior to that time, there was no trading market for our ordinary shares. The following table sets forth, for the fiscal quarters and periods indicated, the high and low sales prices per ordinary share as reported on the NYSE since our initial public offering on June 3, 2004:

2004	High	Low
From June 3, 2004 through June 30, 2004	$ 23.40	$ 20.00
Third quarter	$ 24.00	$ 19.80
Fourth quarter (through December 21, 2004)	$ 29.80	$ 22.50

On December 21, 2004, the closing price of our common stock as reported on the NYSE was $27.00 per share. As of December 21, 2004, there were 127 record holders of our common stock and 59 record holders of warrants currently exercisable for shares of our common stock.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2004 on (i) an actual basis and (ii) pro forma as adjusted to give effect to (a) the issuance of the December 2004 mortgage loan and the application of the net proceeds therefrom, (b) the Foresite, Milestone, Lattice, Didier Communications, Towers of Texas, Selectel Midwest, and Highland Towers acquisitions, and (c) the sale of 2,900,000 shares of our common stock offered by us

in this offering at an assumed public offering price of per share, less assumed underwriting discounts, commissions and estimated offering expenses payable by us and the use of the proceeds as described under "Use of Proceeds."

	As of September 30, 2004		
			Pro Forma
		Actual	As Adjusted
	(in thousands)		
Cash and cash equivalents (1)	$	31,816	
Current portion of long-term debt	$	8,083	
Long-term debt		406,730	
Stockholders' equity:			
Preferred stock, $0.01 par value: 20 million shares authorized; no shares issued and outstanding on an actual and pro forma as adjusted basis		—	
Common stock, $0.01 par value: 150 million shares authorized on an actual and on a pro forma as adjusted basis; 50.7 million shares issued and outstanding on an actual and 53.6 million shares issued and outstanding on a pro forma as adjusted basis (2)		507	
Additional paid-in capital		176,355	
Accumulated other comprehensive loss		(2,521)	
Retained earnings		—	
Total stockholders' equity		174,341	
Total capitalization	$	589,154	

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(1) Excludes (i) on an actual basis $23.7 million of restricted cash related to amounts held in escrow pending the closing of certain acquisitions, and amounts held in imposition and insurance reserves in connection with our February 2004 mortgage loan (ii) on a pro forma as adjusted basis, $ million of restricted cash related to (a) amounts held in escrow for the sellers pending the closing of certain acquisitions, (b) amounts held in imposition and insurance reserves in connection with our February 2004 and December 2004 mortgage loans and (c) amounts held in the site acquisition reserve account in connection with the December 2004 mortgage loan to fund the purchase price of future qualifying acquisitions.

(2) The common stock outstanding as of September 30, 2004 as shown excludes (i) 2,296,674 shares of common stock available for future issuance under our stock option plan, (ii) 3,928,184 shares of common stock issuable under outstanding options granted under our stock option plan, and (iii) 476,454 shares of common stock issuable under then outstanding warrants.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected historical consolidated financial and other data. The balance sheet data as of December 31, 1999, 2000, 2001, 2002 and 2003 and the statements of operations and cash flows data for the years ended December 31, 1999, 2000, 2001, and 2003 and the ten months ended October 31, 2002 and the two months

ended December 31, 2002 are derived from our audited consolidated financial statements. The balance sheet data as of October 31, 2002 and September 30, 2003 and 2004 and the statements of operations and cash flows for the nine months ended September 30, 2003 and 2004, are derived from our unaudited condensed consolidated interim financial statements.

The pro forma as adjusted statement of operations data reflects (i) the issuance of the February 2004 mortgage loan of $418.0 million and the application of the February 2004 mortgage loan net proceeds, (ii) the initial public offering of 8,050,000 shares of our common stock at an offering price of $18.00 per share of common stock, and the application of the net proceeds therefrom including a portion to fund the Tower Ventures acquisition, (iii) seven other acquisitions: Foresite, Milestone, Lattice, Didier Communications, Towers of Texas, Selectel Midwest and Highland Towers, all of which have been consummated or are currently subject to definitive purchase agreements, (iv) the issuance of the December 2004 mortgage loan of $293.8 million and the application of the net proceeds therefrom and (v) this offering of 2,900,000 shares of common stock at an assumed offering price of $ per share, the closing price of our shares of common stock on , and the application of the net proceeds therefrom, as more fully described in the pro forma financial statements and the related notes included elsewhere in this prospectus, as if they had occurred on January 1, 2003 and 2004, respectively. The pro forma as adjusted balance sheet data as of September 30, 2004 reflects this offering, the December 2004 mortgage loan issuance and the Milestone, Lattice, Didier Communications, Towers of Texas, Selectel Midwest and Highland Towers acquisitions as if they had occurred on September 30, 2004. We have consummated other tower acquisitions and have executed definitive agreements to acquire additional towers which are not included in these pro forma financial statements since they do not meet the applicable criteria of Regulation S-X of the Securities and Exchange Commission. Certain of the items considered in pro forma adjustments to the statements of operations, are not reflected as adjustments to the pro forma balance sheet, because they are already reflected in the historical balance sheet as of September 30, 2004.

On November 1, 2002, we emerged from Chapter 11. In accordance with AICPA Statement of Position 90-7 Financial Reporting by Entities in Reorganization Under the Bankruptcy Code ("SOP 90-7"), we adopted fresh start accounting as of November 1, 2002 and our emergence from Chapter 11 resulted in a new reporting entity. Under fresh start accounting, the reorganization value of the entity is allocated to the entity's assets based on fair values, and liabilities are stated at the present value of amounts to be paid determined at appropriate current interest rates. The effective date is considered to be the close of business on November 1, 2002, for financial reporting purposes. The periods presented prior to November 1, 2002, have been designated "predecessor company" and the periods starting on November 1, 2002, have been designated "successor company." As a result of the implementation of fresh start accounting as of November 1, 2002, our financial statements after that date are not comparable to our financial statements for prior periods because of the differences in the basis of accounting and the debt and equity structure for the predecessor company and the successor company. The more significant effects of the differences in the basis of accounting on the successor company's financial statements are (1) lower depreciation and amortization expense as a result of the revaluation of our long-lived assets downward by $357.2 million through the application of fresh start accounting, and (2) lower interest expense as a result of the discharge of $404.8 million of debt upon our emergence from bankruptcy.

The information set forth below should be read in conjunction with "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements, our condensed consolidated interim financial statements, our pro forma condensed consolidated financial statements, Tower Ventures', Foresite's, Milestone's, Selectel Midwest's, Lattice's, Didier Communications', Towers of Texas' and Highland Towers' statements of revenue and certain expenses, and each of their related notes included elsewhere in this prospectus.

Selected Historical Consolidated Financial Information

	Predecessor Company					Successor Company				
	Year Ended December 31,			Ten Months Ended October 31,	Two Months Ended December 31,	Year Ended December 31, 2003		Nine Months Ended September 30,	Nine Mor Ended September 2004	
	1999	2000	2001	2002	2002	Historical	Pro Forma As Adjusted	2003	Historical	Pr A
	(in thousands, except per share data)									
nt of Operations Data										
	$ 81,461	$ 163,482	$ 178,020	$140,646	$28,285	$ 169,233	$189,400	$124,946	$134,125	$1
e operating (excluding nt losses, ion, ion and expense)	24,443	57,748	67,259	48,060	9,361	56,343	61,383	41,186	41,290	
rgin	57,018	105,734	110,761	92,586	18,924	112,890	128,017	83,760	92,835	1
penses:										
eneral and ative	16,502	54,052	47,898	27,496	4,818	26,926	26,926	19,727	18,035	
chise, d minimum	1,107	1,184	1,877	1,671	331	848	848	625	500	
tion, ion and (2)	55,886	112,510	119,337	74,175	7,512	44,496	58,600	33,528	37,164	
stock based ation	—	—	—	—	—	1,479	1,479	592	3,440	
ent loss on d for sale	—	—	46,592	1,018	—	—	—	—	—	
ent loss on d for use	—	—	246,780	4,541	—	—	—	—	—	
zation	—	—	—	59,124	—	—	—	—	—	
sful debt ring	—	—	1,702	—	—	—	—	—	—	
rating	73,495	167,746	464,186	168,025	12,661	73,749	87,853	54,472	59,139	
g income	(16,477)	(62,012)	(353,425)	(75,439)	6,263	39,141	40,164	29,288	33,696	
s) on hment of	—	—	—	404,838	—	—	(8,838)	—	(8,449)	

xpense, net ome	(46,661)	(65,707)	(88,731)	(45,720)	(3,989)	(20,352)	(39,596)	(15,832)	(19,294)	(
)	(2,930)	(163)	113	533	(136)	(16)	(16)	24	84	
ax (expense)	—	575	6,630	5,195	(19)	665	665	326	(324)	
oss) from g operations	(66,068)	(127,307)	(435,413)	289,407	2,119	19,438	$ (7,621)	13,806	5,713	$
oss) from ued s	2,045	3,012	(7,145)	(33,157)	(66)	(1,100)		171	7	
oss) before) on sale of s	(64,023)	(124,295)	(442,558)	256,250	2,053	18,338		13,977	5,720	
s) on sale of s	—	—	(5,644)	(78)	(2)	(302)		(20)	119	
ne (loss)	$ (64,023)	$ (124,295)	$ (448,202)	$256,172	$ 2,051	$ 18,036		$ 13,957	$ 5,839	
ne (loss) e to lers	$ (64,023)	$ (124,295)	$ (448,202)	$256,172	$ 2,051	$ 18,036		$ 13,957	$ 5,839	
oss) from g operations (basic) (3)	$ (2.02)	$ (2.65)	$ (8.99)	$ 5.95	$ 0.05	$ 0.47		$ 0.34	$ 0.13	
oss) from g operations (diluted)	$ (2.02)	$ (2.65)	$ (8.99)	$ 5.95	$ 0.05	$ 0.47		$ 0.34	$ 0.12	
ne (loss) per sic)	$ (1.96)	$ (2.59)	$ (9.25)	$ 5.27	$ 0.05	$ 0.44	$ (0.15)	$ 0.34	$ 0.13	$
ne (loss) per uted)	$ (1.96)	$ (2.59)	$ (9.25)	$ 5.27	$ 0.05	$ 0.44	$ (0.15)	$ 0.34	$ 0.12	$
cash s declared of common	$ —	$ —	$ —	$ —	$ —	$ —		$ —	$ 0.70	
ash on declared	$ —	$ —	$ —	$ —	$ —	$ —		$ —	$ 3.47	
l average common standing	32,588	47,918	48,431	48,573	41,000	41,000	51,950	41,000	45,395	

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Predecessor Company	Successor Company
Year Ended December 31,	

	1999	2000	2001	Ten Months Ended October 31, 2002	Two Months Ended December 31, 2002	Year Ended December 31, 2003		Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004	
						Historical	Pro Forma As Adjusted		Historical	Pro Forma As Adjusted
	(in thousands, except per share data)									
Weighted average shares of common stock outstanding (diluted)	32,588	47,918	48,431	48,573	41,000	41,112	52,062	41,000	48,246	55,658
Statement of Cash Flows Data:										
Net cash provided by operating activities	$									