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United Kingdom

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

December 15, 2010

Dear Sir/Madam:

**Re: Exposure draft: Leases**

We are responding to the invitation of the IASB and the FASB (the "boards") to comment on the exposure draft "Leases" (the "exposure draft" or "proposed standard"). The following response contains our salient comments.

**Business Overview**

Crown Castle International Corp. (NYSE:CCI) is a large accelerated filer with a current market capitalization of approximately \$12 billion that owns, operates and leases over 24,000 towers for wireless communications. Our core business is renting space on our towers via long-term leases to primarily large wireless carriers. Our towers can accommodate multiple customers for antennas and other equipment necessary for the transmission of wireless signals for mobile phones and other devices. In addition, we have lease arrangements for land on which approximately three-quarters of our towers reside.

**Lessee Accounting**

We generally agree with the proposed right-of-use approach for recognition of lessee arrangements since that methodology should provide users of the financial statements with more relevant information about a company's lessee obligations. However, we disagree with the attribution of expense under the right-of-use approach which results in total expenses being higher in the earlier years of a lease. As a result, we are concerned that the usefulness of our income statement would be compromised, and that users of our financial statements would request adjustments to reconcile from the income statement back to metrics that more closely reflect our cash outlays for our lessee obligations. In fact, we have already received feedback from analysts indicating intent to request such adjustments if the final standard is issued as currently drafted in the exposure draft. We recommend that the boards consider an expense attribution model that would more closely reflect the economics of lease arrangements by more closely mirroring the actual cash rental payments.

**Lessor Accounting & Scope**

We support the scope exception for investment properties measured at fair value as proposed by the IASB. We respectfully request the FASB to issue a standard similar to IAS 40 'Investment Properties' ("IAS 40") which would permit real estate to be recorded at fair value and provide for a scope exception in the lease standard for these investment properties. We believe that the scope of any proposed

investment property standard from the FASB should be similar to IAS 40 and include all investments in real estate including those held to earn rentals or for capital appreciation, or both. We respectfully request a concurrent effective date for this lease exposure draft and the FASB's potential investment properties standards.

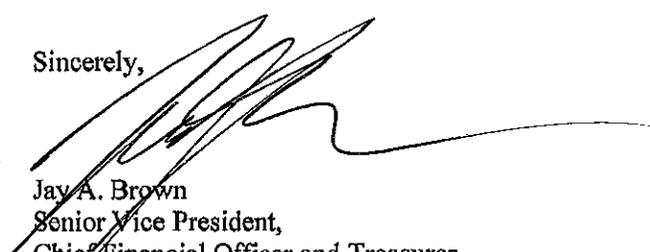
We acknowledge that the boards are seeking to develop a consistent model for both lessees and lessors. However, we believe both the performance obligation and the derecognition approach for lessor accounting fail to properly reflect the economics of our business and, as a result, fail to meet the needs of our financial statement users. Our preference is an approach that is some variation of a contractual (cash basis) approach as this would more accurately reflect the economics of our lease arrangements and would align with the manner in which our business is valued and evaluated. Alternatively, we would also support continuing the current straight-line accounting under ASC Topic 840 as this approach attributes revenue similar to a continuous transfer of control model. Although we believe fair value accounting under an IAS 40 model would provide the most relevant information for our financial statement users, this approach requires greater cost to implement and maintain than a contractual approach or straight-line accounting. In the event we would be required to adopt either the performance obligation or the derecognition approach, we would strongly prefer the performance obligation approach. Since we retain substantial risks and benefits throughout the term of a lease including up to the termination, the derecognition approach would not accurately match the economic reality of our lease arrangements. Under either of the lessor approaches proposed in the exposure draft, we would expect users to request adjustments to reconcile from the income statement back to metrics that more closely reflect the cash receipts for our lessor arrangements.

**Effective Date**

We acknowledge the board's separate request for views on the effective date for converged standards. However, given the enormous complexity, cost and impact of this proposed standard on our financial statements, we respectfully request that the effective date be extended for as long as practicable, which is further discussed in our response to question 17. We also believe that the boards should consider a cumulative catch-up adoption approach rather than the current adoption approaches. For us, either the full retrospective or simplified retrospective approaches would require undue expense given our continuous and ongoing modification of both our lessor and lessee agreements. Furthermore, we respectfully request that the boards re-expose the proposed standard and perform additional outreach depending on the scope of changes made to this lease exposure draft. See our response to question 17 for a further discussion of the costs and efforts to comply with this proposed standard.

Our response to certain questions in the exposure draft is attached in the appendix to this letter. If you have any questions in relation to this letter please feel free to contact myself (713-570-3076) or Mike Manczka, Vice President of Financial Reporting (724-416-2422).

Sincerely,



Jay A. Brown  
Senior Vice President,  
Chief Financial Officer and Treasurer  
Crown Castle International Corp.

## Appendix

### Responses to specific questions in the exposure draft

#### Question 1(a)

*Do you agree that a lessee should recognize a right-of-use asset and a liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?*

We generally support the use of the right-of-use model for a lessee as the assets and liabilities related to leases are recognized in the statement of financial position, which addresses the criticism of the current lease standard.

#### Question 1(b)

*Do you agree that a lessee should recognize amortization of the right-of-use asset and interest on the liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?*

We agree that the right-of-use asset should be amortized and interest should be recognized on the liability. However, we are concerned about the front loading of expense that would occur from the application of the approaches in the lease exposure draft, which is exacerbated for us as a result of the extremely long term nature of our leases that often extend for several decades and the use of the simplified retrospective approach in initial application.

#### Question 2(a)

*Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term and (ii) the derecognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?*

See our discussion of "Lessor Accounting" in our cover letter which summarizes why (1) we disagree with the use of the performance obligation and derecognition approaches and (2) if required to adopt either approach, we would strongly prefer the performance obligation approach since we retain substantial risks and benefits throughout the lease term. Our cover letter also discusses our suggestion that FASB issue an investment property standard similar to IAS 40, including with respect to scope, and our suggestion that lessor accounting not be changed at this time.

#### Question 2(b)

*Do you agree the boards' proposals for the recognition of assets, liabilities, income and expenses for the performance obligation and derecognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?*

We do not support either of the proposed Lessor models. See our discussion of "Lessor Accounting" in our cover letter and our response to Question 2(a).

**Question 8: Lease term**

*Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?*

We agree that the lease term should be the longest possible term that is "more likely than not" to occur. Our business model centers around the leasing of tower assets which have a very long useful life and often reside on land that is leased, with multiple renewals at our option. As such, we are typically compelled to exercise renewal options in order to secure the land under our towers for at least the GAAP useful life of the tower based on the underlying economics. Furthermore, we expect to continue to operate our towers for well beyond their 20 year GAAP useful life. Similarly, our tenants are economically compelled to exercise renewal options because of the critical importance of the equipment to the tenants' wireless networks and the high cost of relocating that equipment. A failure to recognize lease renewals could significantly understate the expected obligations and receivables under our lessee and lessor arrangements, respectively. Moreover, although our renewal rate for lessor arrangements is approximately 98%, the wireless industry is dynamic and subject to technological changes over the medium to long-term that may prevent us from assuming renewals for our lessor arrangements if a higher threshold were required by the proposed standard. As a result, if the threshold is raised beyond "more likely than not" it could create a significant inconsistency between the term for our lessor arrangements and our lessee arrangements. We also have concern that a higher threshold may result in changes in our customers' behavior as they could seek to structure leases for a particular financial outcome, although we believe this risk would be mitigated by the critical nature of our towers to their wireless networks, as previously mentioned.

**Question 9: Lease payments**

*Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?*

*Do you agree that lessors should only include contingent rentals and expected payments under term option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be reliably measured? Why or why not?*

We agree that some contingent rentals should be included in the measurement of the assets and liabilities arising from a lease. However, the inclusion of performance-based contingent rentals in lessee arrangements could front-end load expense recognition and mismatch the timing of expense recognition as compared to the timing of revenue recognition, which ultimately triggered the performance-based contingent rental. Said another way, if the performance-based contingent rentals were included in the right-of-use asset and amortized on a straight-line basis, this pattern would not reflect the manner in which future economic benefits flow from the related performance that triggered the contingent rental payment. Many of our lessee arrangements contain contingent rentals based upon a percentage of revenue of subsequent tenants added to the tower, and such subsequent tenants may or may not occur for several years. So in effect, if the contingent rental was measured at inception, the expense would most often times be recognized before the benefits would be recognized in our lessor revenues.

We support the inclusion of index-based contingent payments such as the consumer price index. We respectfully request that the boards clarify how index-based contingent payments should be measured, including as it relates to very long terms, such as our lessee arrangements that can extend for several

decades. We suggest that index-based contingent payments be based on a historical trend and not the prevailing rate/index in effect at either lease inception or reassessment, as appropriate.

If the boards continue to require use of the prevailing rate/index, then we respectfully suggest that the boards clarify how changes in index-based contingent rentals should be classified between net income and right-of-use assets. This clarification is requested because a change in the index-based assumption results from a change that occurred in the current period but impacts both the current period and future periods. Perhaps this clarification could be achieved through an example in the final standard.

#### **Question 10: Reassessment**

*Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?*

We agree that lease term and contingent payments should be reassessed since this would provide more relevant information to financial statement users. We disagree with the method proposed to determine when and how to perform this reassessment. We believe that determining whether a significant change has occurred for each lease for each reporting period would require a prohibitive amount of cost and effort. We respectfully suggest that the boards consider an annual reassessment requirement supplemented by a trigger based model that would presume a significant change has not occurred unless certain triggering events occurred. Further to this point, we suggest including some discussion of pooling of leases in certain circumstances such as in evaluating reassessment.

#### **Question 16(a)**

*This exposure draft proposes that lessees and lessors should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 88-96 and BC 186-BC 199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?*

As discussed in our response to Question 17, we expect our property management data in its current form would not be useable in the new JD Edwards lease accounting system, and we have ongoing and continuous amendments to our lessor and lessee arrangements. As a result, considerable costs and time will be required to retrospectively (either full or simplified) apply the proposed standard. We respectfully request a cumulative catch-up approach to transition, since we do not believe the costs outweigh the benefits to the users of our financial statements, as we expect users would request adjustments to reconcile from the income statement back to metrics that more closely reflect cash outlays. In fact, we have already received feedback from analysts indicating their intent to request such adjustments if the final standard is issued as currently drafted in the exposure draft. Furthermore, we question how the simplified retrospective approach would be impacted by the need to provide five years of historical financials as an SEC registrant. We also note that a change in the exposure draft to eliminate the front loading of interest recognition would lessen the impact of the distortion from applying the simplified retrospective approach. See also our response to question 1(b) for a further discussion of the recognition pattern.

**Question 16(b)**

*Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?*

We do not agree with the option for full retrospective transition as discussed in our response to Question 16 and 17. It would be cost prohibitive or impossible for us to comply with the full retrospective method.

**Question 16(c)**

*Are there any additional transitional issues the boards need to consider? If yes, which ones and why?*

Paragraph 94 of the lease exposure draft states that the discount rate charged at lease inception should be used at initial application to measure lessor lease receivables. We suggest that the lessor discount rate at initial application date be aligned with the discount rate used to measure lessee arrangements whereby the incremental borrowing rate on the date of initial application is used. See also our response to question 18 which discusses that we do not utilize a discount rate to determine lease rates and our suggestion to base the discount rate on the lessor's incremental borrowing when there is no implicit or explicit rate in the lease.

See also our response to question 17 regarding implementation challenges and comments regarding timing regarding effective date.

**Question 17**

*Paragraphs BC200-BC205 set out the boards' assessment of the costs and benefits of the proposed requirements. Do you agree with the boards' assessment that the benefits of the proposals would outweigh the costs? Why or why not?*

With respect to lessor accounting, we do not agree with the models presented and do not believe the financial statement users will benefit from this proposed standard. See our discussion of "Lessor Accounting" in the cover letter to this appendix.

We generally support the proposed right-of-use model for lessee arrangements. We do anticipate having to incur significant costs and effort to comply with this proposed standard. The following is a brief discussion of the efforts that we expect in order to comply with this standard. However, given the enormous complexity, cost and impact of this proposed standard on our financial statements, we respectfully request that the effective date be extended for as long as practicable. As discussed further below, we request an effective date of at least three and half years from issuance of the final standard. We welcome further discussion regarding this topic if the boards so desire to better understand the costs and effort of implementation and ongoing accounting.

As of December 31, 2009, we owned, leased or managed approximately 24,000 towers in the United States and Australia. The average number of tenants (lessor arrangements) per tower was approximately 2.9. We regularly add additional tenants to our towers and amend our lessors' arrangements as tenants add additional equipment or extend the terms of existing leases. For example, over the last seven quarters, over one-third of our lessor arrangements have been initiated or amended. We have lease arrangements for land on which approximately three-quarters of our towers reside, which are also amended or renegotiated on an ongoing basis, primarily as a result of our efforts to extend and amend our land leases. For example, approximately one-third of our lessee arrangements have been amended or renegotiated over the past 11 quarters

We utilize JD Edwards software for our lease accounting system, which has been substantially modified and customized over the years to comply with existing accounting standards. We expect that JD Edwards would not release a new version of its lease accounting system to comply with the proposed standard for

at least 12 to 18 months after the issuance of the final standard. We would then need to customize, test and configure this system to meet the unique nature of our leasing arrangements, which would require at least an additional 12 months.

We expect that our property management data in its current form would not be usable in the new JD Edwards lease accounting system because of the significant customization of the existing software and the expected customizations of the new software. As result, we expect to incur significant cost and effort to gather the necessary data, including reading and abstracting individual lease agreements in order to perform the calculations necessary in the proposed standard. This data gathering is further complicated by the quantity of our lease amendments that have occurred and that we expect to continue for both our lessor and lessee arrangements. We estimate that data gathering and review would require at least one year and could not entirely occur concurrently with development of the lease accounting system. Furthermore, a more manual-intensive calculation, such as a Microsoft Excel based calculation, would not be feasible given the quantity of leases and complexity of the calculations.

**Question 18**

*Do you have any other comments on the proposals?*

We respectfully request the boards clarify what is meant by the "rate that the lessor charges the lessee." We suggest that the definition of the lessor discount rate include the ability to utilize the lessor's incremental borrowing rate or possibly the lessor's weighted average cost of capital. Our lease rates are based on market criteria, including with respect to tower location and capacity and physical size of the customer's equipment. Since our lease rates are not based on discount rates, there is no implicit or explicit rate. The exposure draft suggests that the lessee's incremental borrowing rate could be utilized as a proxy for the rate that the lessor charges the lessee. Since our lease rates are not based on the lessee's credit quality, the use of the lessee incremental borrowing rate could provide misleading information to the users of our financial statements.

**Question 19**

*Should any of the proposed guidance be different for non-public entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?*

The tower industry consists of public and private companies and differences in accounting could confuse or mislead financial statement users, including the shared customer base, as well as financial statement users in the debt markets as both public and private tower companies could access the same debt markets.