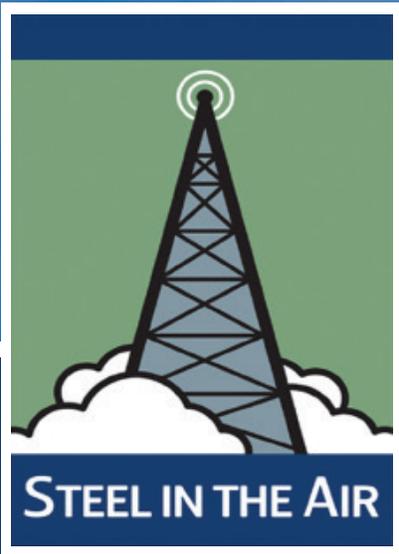




SITA'S GUIDE TO EVALUATING EXPIRING LEASES



Since 2004, SITA has been a trusted resource for private and public landowners, municipalities, investors, attorneys and educators. We have assisted over 3,000 clients with telecom lease negotiations against wireless carriers, tower companies and lease buyout companies. We have created this guide to help empower property owners by sharing our knowledge and expertise as it relates to the wireless telecom infrastructure industry and in particular to the valuation of expiring cellular leases.



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I. Our Corporate Reputation

Ken Schmidt started Steel in the Air a decade ago. It was the first landowner-centric cell tower lease consultancy firm in the United States. Ken is well-respected in the industry for his ethical, no-nonsense approach to telecom lease negotiations and cellular asset valuation. Since 2004, SITA has been a trusted resource for private and public landowners, municipalities, investors, attorneys and educators.

During the past decade, SITA has helped over 3,000 clients to negotiate favorable terms against wireless carriers, tower companies and lease buyout companies. Unlike other telecom lease consultants, we don't work for wireless carriers or tower companies, so our recommendations are unbiased and focused on your objectives, not theirs.

Client satisfaction is very important to us. We understand that some clients prefer a more "hands off approach", while others seek a comprehensive understanding of what is happening – not only during the specific negotiation process, but in the industry as a whole. Our flexible services cater to every client type.

SITA's capabilities operate from a core of integrity, customer loyalty and unparalleled expertise. If understanding and receiving fair market value for your wireless tower lease is important to you, then you have come to the right place – **just ask our clients.**

II. Locating the Sweet Spot in Lease Expiration Negotiations

When we are contacted by landowners whose leases are set to expire within the next 5-10 years, we strongly recommend that they retain the services of an expert. Reviewing the value of an expiring lease is a complicated endeavor involving a number of factors that influence the amount the tower company or wireless carrier (the "Lessor") will pay to continue the lease after the expiration date. In our experience, there is more variance in the average value of expiring leases, as opposed to new cellular leases. In addition, the closer a lease is to the expiration date, the higher its value. When a tower company initially builds a tower (or cell site located on a rooftop or other structure), it does so after conducting due diligence regarding the ideal location for its wireless infrastructure deployment goals. However, with expiring leases, the companies have already invested a considerable amount in the subject site, including the tower itself, as well as antennas and ground equipment. The net result is that in most cases, the Lessor will agree to pay more than the average lease rate in an area for an expiring lease than they will for a newly proposed lease.



Unless you have access to comparable data for other expiring leases and are well-versed in tower industry dynamics, it is unlikely that you will know whether or not you have left money on the table when you respond to their offer. Even worse, you don't want the tower company to relocate the tower because you ask for more money than they are willing to pay. We regularly receive calls from people who waited too long to ask for our assistance; once the tower company notifies them that it has decided to terminate the lease and relocate to another property, there is little we can do. Let our expertise and experience guide you through this process. Our goal is to make it as effortless as possible.

To effectively determine how much a landowner or rooftop owner should request (and what terms to ask for), we have developed a process that involves the following steps.

III. SITA'S Process for Evaluating Expiring Leases

Step One: Determine the Value of the Cell Site Tied to Your Cellular Lease

The value of a cellular lease is directly correlated to the value of the subject cell tower or cell site, so the first step in our analysis involves determining the existing coverage and capacity of the cell site in question.

Coverage: The strength and reach of the cellular signal (eg: the "footprint"), which is determined by the equipment and spectrum bands utilized by the network provider.

Capacity: The amount of data that can be transferred at one time given the amount of subscribers utilizing the network.

In the past decade, wireless subscribers' demand for strong cellular networks that are seamless, reliable and can handle heavy data transfers has grown exponentially. To meet this demand, wireless carriers require sufficient capacity and coverage in given geographically-determined markets. In rural areas, cell site locations are chosen primarily to meet coverage objectives, whereas in more densely populated, urban areas, capacity objectives are more of a factor.

It's a bit complicated because the demand of each market varies, subsequently affecting the engineering requirements of specific cell sites. Steel in the Air tracks wireless carriers' infrastructure deployment plans and understands what their particular needs are in specific geographical locations. When we evaluate specific cell towers, we can determine how valuable they are to individual wireless networks, thereby determining with great accuracy the rent and escalation amounts carriers are willing to negotiate.



Step Two: Review the Zoning Regulations in Your Municipality

Municipal, state, and federal legislation regarding cell tower development and zoning has come to the table in hundreds of municipalities across the country which are now considering cell tower proposals and revisions to existing ordinances on a regular basis. Community involvement has also reached an all time high. Keeping up with pending changes to zoning regulations, as well as predicting what might happen in the near future as more spectrum is freed up for bid is a time-consuming enterprise, that we do our best to stay on top of.

Why is zoning a factor?

A review of zoning ordinances is relevant when renegotiating expiring leases because it helps determine the ease with which a tower owner/ wireless carrier could relocate an existing site, and the likelihood that it will do so, in the event that you choose not to renew under agreeable terms. We will take a look at current zoning regulations in your community to determine whether or not adequate replacement towers are even allowed. In some cases, your tower may be "grandfathered in", meaning that a similar tower would not be approved again.

Depending on coverage and capacity requirements, rooftops, water towers or even telephone poles may be used to replace existing cell towers. Evaluating the wireless carriers and/ or tower companies' existing infrastructure and the availability of other sites helps us to understand whether or not they might consider splitting up their cell sites into smaller cell sites.

Many landowners mistakenly assume that construction of a new cell tower would not be allowed because they have heard that it is difficult to get towers approved. Tower companies and wireless carriers have dealt with this issue before. If they are interested in relocating an existing cell tower or building a new one, and they believe their application might be met with resistance at the municipal level, they will respond by promising to replace the existing tower with a more aesthetically pleasing, aka "stealth" tower (which can be designed to blend in with the landscape). Alternatively, they might decide to lease from the municipality directly in order to avoid the zoning process altogether.

After conducting our due diligence, if we determine that the likelihood of relocation is low, we skip Step 3, and move on to Step 4, below.

Step Three: Cost/ Benefit Analysis: Replacement Site Development Costs

If it is feasible for the tower company/ wireless carrier to move the tower, we then estimate the cost of relocation. This includes construction costs involved in building a new tower and/ or relocating equipment from the wireless carriers currently using the tower plus removal of the existing tower (per terms of the lease agreement). In the case of rooftop and existing structure sites, we examine the cost of removing the equipment from the existing site and building a new site or multiple smaller sites.



Relocation Costs

We then review our **lease rates database** to determine the average lease rate for new towers or new rooftop sites in the area surrounding the subject tower. Because we have thousands of lease rate data points across the U.S., we can tell our clients, with a good degree of accuracy, what the tower company or carrier would offer to pay to lease land on an adjacent property or on a neighboring rooftop or tower. Based upon the construction costs determined above and the average lease rate in the area, we estimate how long it would take the tower company or wireless carrier to recoup the investment that they would have to make in order to relocate the site.

Step Four: Collocation and Tower Cash Flow Analysis

In the case where there are multiple carriers sharing one tower (aka collocating), we estimate how much money the tower owner is currently making from the operation of the tower, including its revenue stream from multiple tenants. (If the client doesn't know how many wireless tenants are on the tower, we ask them to take pictures of the tower for our review). We then evaluate the equipment and antennas on the cell site and independently research the identity of these tenants to assess their use of the site. From this information, we can determine and share the current cash flow of the tower- in other words, the amount of profit that the tower generates for its owner.

Step Five: Comparable Data Query and Analysis

After conducting the process above, we begin a comparison of like offers from other property owners in our cellular asset database. We don't simply look at what other landowners received when they extended their leases; we query our database using comparable metrics to find clients who had a similar situation using the data points below:

- The length of time remaining on the lease
- The number and quality of tenants on the tower
- The owner of the tower (and its infrastructure deployment goals)
- The unused portion of structural and vertical capacity available on the tower
- The Presence of microwave dishes; and
- The ease of relocating the tower in consideration of costs and zoning ordinances;

We then share this data with our clients. We are fortunate to have over 3,000 clients and over 10,000 people who have contacted us with lease information over the past ten years. This enables us to effectively provide fair and comparable recommendations.

IV. Recommendation (and Counter-Offer if Applicable)

Once we know what other landowners have received in similar, and understand the specific nature of the subject tower, we make recommendations on the appropriate counteroffer for the client to make to the tower company or wireless carrier. The counteroffer is the key to negotiations ☐ if it is too high, the company will attempt to find



alternate locations, too low and the landowner accepts below fair market value rent. The counteroffer reflects an amount that we believe isn't so high that the tower company will look elsewhere. We also address other appropriate terms and conditions that the landowner should ask for, such as:

- Whether or not a revenue sharing clause might be appropriate, or more importantly, desirable.
- Appropriate escalation terms;
- Ideal duration of the lease;
- Whether or not there should be a signing bonus.

We take the time to make sure our clients are well-informed and comfortable with the negotiation process. We support our clients throughout the entire negotiation process and provide them with all the documentation they need to sufficiently value their cellular assets, in addition to successfully completing lease negotiations. We do want to caution our clients that when they request additional compensation, it's likely that tower companies will first threaten to remove the tower and rebuild it elsewhere. They will provide their own comparable data about what the "average" lease rate is for the subject area. They will play hardball, get angry, and threaten to move the tower (every time). This is why being informed is critical to successful negotiations. We will help you determine the sweet spot so you know when to stand firm and when to bend.

V. Resources

Steel in the Air's wireless industry expertise is second-to-none. We've recently updates our website with the intention of being a valuable public resource, and have included links that might be of interest to clients who are negotiating (or simply interested in knowing more about) lease expirations, below.

- [**Lease Expirations and Extensions**](#)
- [**How to Evaluate Lease Extensions**](#)
- [**Renegotiating Cellular Leases**](#)
- [**Lease Valuation**](#)
- [**Lease Rates Database**](#)
- [**Tower Location Database**](#)
- [**Industry Players**](#)
- [**SITA's FAQs**](#)

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