Evaluating Third Party Lease Buyouts
When we are contacted by landowners who have received a buyout proposal, we recommend strongly that they retain the services of an expert - even if it is not us. Reviewing the value of a third party lease buyout offer is a difficult task involving a number of factors that influence how much the site is worth to the buyout companies. There have been six main companies in the last few years that have actively purchased leases. These third party buyout companies exist solely to purchase the leases, bundle them together, and then resell them as a package. Because of their reliance on the market’s fluctuations, they are especially susceptible to economic trends. As such, the amount they will offer for a particular lease can vary greatly from year to year. SITA has access to hundreds of these offers annually, and we keep detailed records of the offers and their varying terms and conditions.

Although every case is different, and we treat each site and offer uniquely, there are certain aspects of our evaluations that nearly every assessment has in common. We utilize the following process for evaluating Third Party Lease Buyouts, with additional determinations as appropriate:

1. **Explanation of the History and Makeup of the Lease Buyout Industry**
2. **Identification of the Purpose of the Tower or Cell Site**
3. **Assessment of the Current Climate of the Wireless Communication Industry**
4. **Layout of Benefits and Drawbacks of Entering into a Third Party lease Buyout**
5. **Assessment of Specific Risk of Termination**
6. **Evaluate the Tower Cash Flow**
7. **Review Comparable Data for Other Lease Buyouts**
8. **Recommend Appropriate Counteroffer**

Here are the details of each step:

1. **Explanation of the History and Makeup of the Lease Buyout Industry**
   a. We identify the current major players in the third party lease buyout industry, and provide a brief history of each company and how their offers rank in comparison to each other.
   b. The buyout companies sometimes use coercive sales tactics, and each claims to have the best terms. Because these terms vary greatly from company to company, you may have a hard time telling the difference between one offer and another.
if you have received multiple offers on your site. We explain which terms are necessary for the completion of a deal, which terms are negotiable, and which are simply unacceptable.

2. **Identification of the Purpose of the Tower or Cell Site**

   a. We first start by reviewing the cell site’s purpose – whether for coverage, capacity, or both. Think of coverage as signal strength (whether your phone has 1 or 5 bars) and capacity as the ability of multiple users to tap that signal. For instance, capacity deficiencies are when you have 4 or 5 bars but drop or simply can’t make a call; there are too many users trying to tap the coverage at once. A cellular network needs both capacity and coverage – and for landowners reviewing the value of their lease, they should understand what purpose the cell site serves for both capacity and coverage reasons. In more rural areas, the cell site is where it is because it provides coverage. In urban areas, there are almost always multiple sites that provide coverage, but the individual site is necessary to fill a specific coverage objective or to augment the capacity of the network.

   b. Once we know the cell site’s purpose, we can better determine the value of the lease to the buyout company. We commence with reviewing the site location. We examine what area the cell sites serve. Using our tower database, we review what other alternative structures (if any) that would meet the carrier’s site objectives. A screen print example of our data tool is shown below.
3. Assessment of the Current Climate of the Wireless Communication Industry
   a. Many landowners we consult ask whether there is a risk of obsolescence on towers or rooftop sites. We provide our opinion of this risk in three ways: whether new technology will replace terrestrial-based cellular sites, how recent mergers and acquisitions will affect the likelihood of consolidation between or among carriers, and how the most advanced cellular technologies are influencing the way cell sites will be leased in the future, especially in urban areas.

4. Layout of Benefits and Drawbacks of Entering into a Third Party lease Buyout
   a. We identify the specific pros and cons of entering into one of these agreements.
   b. Many landowners are unable to identify the potential downside of these agreements. We spell out the potential risks and the predatory nature of some of the terms of these offers.

5. Assessment of Specific Risk of Termination
   a. We review our comparable tower and cell site database to find out what the average lease rate is in the area for new towers or new rooftop sites. Because we have thousands of lease rate data points across the US, we can tell you with a good degree of accuracy whether the tower or cell site is unique or especially valuable, and why.
   b. Our mapping data reveals other sites around the subject site. We identify which sites pose a risk to the longevity of the subject site, especially in light of recent mergers (AT&T/Cingular, Sprint/Nextel, and AT&T/T-Mobile). We assess the risk that the site will be affected by consolidation in the foreseeable future. For AT&T and T-Mobile sites, we examine the proximity of other AT&T and T-Mobile sites due to the recently announced merger between those two carriers. For Nextel and Sprint, we look for other Nextel and Sprint sites in the area due to the 2005 merger between those carriers. After completing these tasks, we can determine the risk that the subject leases could be terminated over the next 5-10 years.
   c. If there is undue amount of risk, we recommend the sale of the leases. Sometimes, we recommend the sale of all leases; in other cases, we recommend that you only sell the riskier leases. If there is low risk of termination, than we address whether there is potential to renegotiate the leases higher either at the expiration of the lease or whether there might be additional income in the future from each lease due to expansion or revised loading on the tower. We carefully review the lease documents to confirm what the carriers are allowed to add and what they would be required to pay additional rent to add.
6. Evaluate the Tower Cash Flow
   a. In the case of a tower owned and operated by a tower company (or a carrier-owned tower with multiple tenants), we examine how much money the tower owner is making from the operation of the tower. 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.
   b. We independently research the identity of these co-locators to assess their use of the site. We evaluate the equipment and antennas on the tower and the ground to figure out how much revenue the carrier is making from the operation of the tower (Tower Cash Flow).

7. Review Comparable Data for Other Lease Buyouts
   a. Only when we have evaluated the entire list above do we begin a comparison of like offers from other landowners we have assisted with negotiating their third party lease buyouts. We don't simply look at what other landowners received when they sold their leases, but we classify cell sites in our database based on the following characteristics:
      i. Number of users on the tower
      ii. Identity of tenants on the tower
      iii. Current Rent received at site
      iv. Term of the offer (usually 20 years to perpetuity)
      v. Owner of the tower
   b. We then provide a list of the comparable situations where our previous clients had a similar situation as the subject one. We share what those landowners (without identifying the location or the landowner name) received in their situations. We are fortunate to have over 2,200 clients and over 10,000 people who have contacted us with lease information over the last 7 years. Without this volume of information, we could not effectively provide truly comparable situations.
   c. We also evaluate the terms and conditions offered by the buyout company. Various lease buyout companies offer different lengths of terms and have various revenue sharing arrangements. Some force you to pay additional but undisclosed fees as part of the sale of your leases. We have found that the highest offer is not always the best offer and will recommend what you should be asking for from each prospective buyer.
8. Recommend Appropriate Counteroffer
   
a. Once we know what other landowners have received in nearly identical circumstances and understand the specific nature of the subject tower, we make recommendations on the appropriate counteroffer for the client to make to the buyout company. In certain situations, we encourage you to solicit other offers.

b. We address other appropriate terms and conditions that the landowner should ask for as well. Landowners prioritize the buyout terms differently, and we take into consideration which of the terms of the offer is most important to you and make appropriate recommendations. We help you get the most money for the least amount of concessions to the buyout company.

c. We suggest the appropriate course of action and offer to evaluate any offers you may receive due to further solicitation.

Unless you have the information we have and access to the experts and cell site data we do, it is impossible for you to know whether you have left money on the table when you think you have their highest offer. And even worse, you don’t want to have the buyout company cease negotiations because you asked for too much money. We get calls from people who waited too long to ask for our assistance and ended up settling for (sometimes absurdly) low buyout amounts; once the tower is sold, there is little we can do. Our fees aren’t cheap, but as the old saying goes: you get what you pay for. In nearly every case we are able to increase the amount that the third party is offering. Just as importantly, we educate you and give you the peace of mind that you sold the lease knowing all your options and what others have received in similar situations. You can get the highest buyout possible with giving up the least amount of landowner rights. Let our expertise and experience guide you through this harrowing process and get the most for your lease.

All of the above information would be provided in a 6-10 page written analysis, complete with maps and appropriate documentation. We believe that you will easily recoup our fees by making informed and wise decisions about the divestiture of your lease.

Please contact us at 1 (877) 428-6937 or submit your information on our contact form at http://www.steelintheair.com/contact.htm.