COMMON MISTAKES LANDLORDS MAKE WHEN:

- NEGOTIATING A NEW CELL TOWER LEASE
- EXTENDING AN EXISTING CELL SITE LEASE
- SELLING THEIR CELL SITE RENTAL STREAM

TOWER GENIUS, LLC

NEGOTIATING A NEW CELL TOWER LEASE - COMMON MISTAKES

"BLINKING FIRST" AND COUNTER OFFERING THE REAL ESTATE SITE ACQUISITION REPRESENTATIVE WITH A DOLLAR PRICE IN THE INITIAL CONVERSATION.

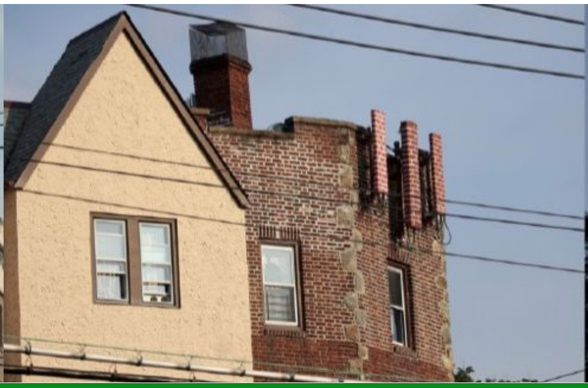
It's human nature to respond to an offer. The tower leasing rep may throw out a number $500, $600, $700, and the property owner says $1,000 or $2,000 hoping to meet somewhere in the middle, without doing any research into the company or carrier making the offer or without the tower company spending any money on your property on things like a survey or other items. Well, the cell tower company's site acquisition representative told me they needed an answer immediately or they would go to another location, so I threw out a number.

SIGNING AN OFFER LETTER, DEAL MEMORANDUM, LETTER AGREEMENT OR TERM SHEET THAT IS USED TO LOCK YOU INTO CERTAIN BUSINESS TERMS.

Even if they said, "don't worry, it's non-binding" this document will still be used to shame you and discourage you from seeking additional advice on the true value of the site. In some states a term sheet is actually a legal document and can be used to force you to accept than favorable terms and at the very least it is an attempt for the wireless acquisition consultant to guilt you into taking a less valuable. It's our policy that nothing is complete until it's signed.

TELLING THE TOWER LEASING REPRESENTATIVE AT THE ONSET THAT YOU WANT TO HAVE A SHARE IN THE TOWER LEASE REVENUE FROM ADDITIONAL TENANTS.

Do not, I repeat, do not blurt out that you want to receive a revenue share of the potential tenants subleasing revenue. It is often a deal killer. They are trained to tell you "no". Is it possible to obtain co-location, subleasing revenue or rental revenue share? Absolutely! When should you discuss this? Only after they have provided you with a survey or "lease ext asking the lease buyout consultant why they want to buy their lease when they are trying to convince you that technology advances increases your risk of obsolescence.


TRY TO NEGOTIATE A CELL TOWER LEASE RATE BASED ON A PRICE PER SQUARE FOOT OR BY THE NUMBER OF ANTENNAS ON THE ROOFTOP, OR ON THE “RANGE” OF RENTAL PRICES IN THE AREA.

Cell tower lease rates are determined on a site by site basis. One needs to understand all aspects of site development to be able to determine the cost of developing a site and what its value is to the network the site will be made a part of. If a consultant talks in terms of lease price ranges for an area or try basing the price on a per square foot basis, they are either lying to you or ignorant. Factors such as radio frequency engineering, initial construction costs, available competing properties, zoning regulations, etc... all need to be brought into the equation to accurately determine fair market pricing of a specific site.

GOING INTO A NEGOTIATION (BLINDLY) WHILE NOT UNDERSTANDING THE DIFFERENCE BETWEEN A LEASE DIRECTLY WITH A CELL CARRIER VS A TOWER DEVELOPER LEASE.

Developer leases usually do not have as much meat on the bone as a direct carrier lease. When a carrier builds a tower, they are generating revenues from both the vertical real estate subleasing and the cell phone use of the tower. Tower developers are only generating revenue through vertical real estate subleasing. Traditionally you can expect to receive more rental income from a carrier than you can from a tower developer.

SIGN A LEASE OR OPTION IN EXCESS OF 30 YEARS.

Longer is not better for landlords. Do not accept a 90, 80, 70, 60 or 50-year lease. That’s crazy. If they want 40 years they better make it worth your while. The industry standard is a 25-year lease with a five-year initial term and 4 additional automatic renewal terms of five years each and three percent annual rental escalations.

TRUSTING THE SITE ACQUISITION REPRESENTATIVE AND FALSELY BELIEVING THAT THEY ARE YOUR FRIEND AND WORKING IN YOUR BEST INTEREST.

Some property owners actually make the huge mistake of thinking that the leasing representative although friendly can be trusted. They don’t work for you, they work for their clients, the carriers and tower companies. Just like in sales jobs, the company doing the selling doesn’t hire belligerent nasty people to represent them. They hire charming, affable individuals to accomplish their goals. They are incentivized to lower your and get other provision and terms for their employer that are not desirable for your position. They are also trained to sow doubt in your mind regarding guidance that has been provided by professionals that you have hired to look out for your best interest. The best policy for landlords is to remove themselves from direct negotiations with the site acquisition representatives and let your hired professionals deal with them directly.

"NO ENEMY IS WORSE THAN BAD ADVICE." - SOPHOCLES

RENEWING A CELL TOWER LEASE - COMMON MISTAKES

NEGOTIATING WITHOUT KNOWING WHO THE TENANTS AND SUBTENANTS ARE ON THE TOWER.

Knowledge is power. And assume that the tower company never wants you to have enough knowledge about the value of the tower lease they are trying to extend. You should try to find out who the anchor tenant is and if they have added any additional tenants to the tower. The more tenants, the more revenue is being generated. Does your tower look like it is loaded or is it kind of empty looking? You can research at your local building department to see who has pulled electrical permits or look to see at the base of the tower if any of the cabinets, shelters or electrical meters are labeled? A single carrier cell tower does not have as much meat on the bone as a multi-tenant cell tower when it comes time to extend or renegotiate the lease.

SIGN A RENT GUARANTEE OR LEASE OPTIMIZATION TERM SHEET.

There is almost no good reason whatsoever to sign a rent guarantee or lease optimization term sheet. The company that convinces you to agree to a rent reduction will receive a residual payment aka kickback for helping the carrier save money. The carrier is never going to guarantee you beyond the normal lifecycle of the cell site itself. Networks are driven by the technical design and they are not going to “lock in” for any site that would be obsolete in the future. This is nothing more than an attempt to lower your rent or to agree to terms for a period that they know that will remain in that location anyway for that time period. The carriers and tower companies refer to such programs a “lease optimization” when in reality it should be called “manipulating landlords through fear” programs. Enjoy collecting as much rent as you can for as long as you can, if a site becomes financially unviable let them send you a termination notice and decommission your tower.

EXTENDING A LEASE AGREEMENT IN EXCESS OF 30 YEARS.

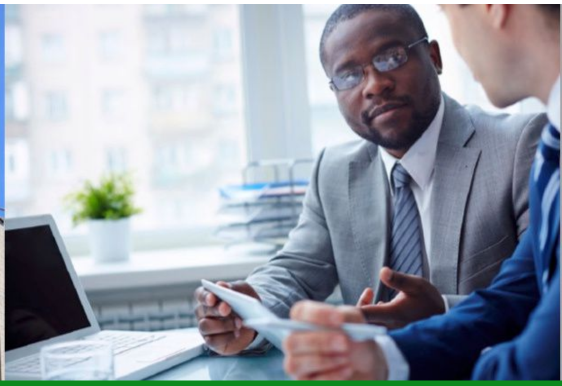
A longer extension is not better for landlords. If they want to extend your lease, use the five-year increments as bargaining chips. If they want 40 years they better make it worth your while. The goal is to give the tower company enough time to market your tower location without giving them too much time.

NOT CHECKING TO SEE IF THE CARRIER IS IN COMPLIANCE WITH THEIR LEASE.

Cell site landlords with rooftop cell sites often never pull out their tape measures to see if the carrier is actually taking up the 150 square feet or 200 square feet they are supposed to be occupying in their lease agreement, or have they been using more space or have they added more equipment than permitted by the lease? We estimate that approximately 30 percent of rooftop cell sites and 5 percent of tower locations are not in compliance and could be renegotiated for better terms if landlords took the time to verify what is actually on their property. In almost every instance, when negotiating a lease amendment, carriers and tower companies will try to slide in language that state that "no defaults exist, and that they lease is in compliance with all terms." This would eliminate any ability for the landlord in the future to force them to correct any deviations in design in the exhibits from what has actually been built on the property. IMPORTANT... Having the knowledge regarding the carriers' non-compliance pertaining to the site design can give you the leverage that you need to maximize the revenues generated from any amendment to the lease.

GIVE THE TOWER COMPANY A RIGHT OF FIRST REFUSAL.

The ROFR provision is one of those leasing terms that the tower companies want to impose on cell tower landlords without giving up much in return, hoping they will "just accept it" using euphemisms like "limited right of first refusal." A limited right of first refusal is just like putting the word "slightly" in front of the word "pregnant". The carriers and tower developers like to have these provisions to protect their investment as they are afraid a site could be sold out from underneath them to a potential competitor. The real reason they place the ROFR language in the amendments is that it will substantially lower the values that cash-flow companies are willing to pay for such a site. The reason the lease buyout firms shy away from leases with ROFR provisions is based on human nature as the people buying these are working on commission and they are not going to place time and effort in negotiating a fair purchase price with you knowing that a tower company would simply match their price eliminating their ability to earn a commission. There are ways to give the tower companies what they need to have a level of comfort without driving down the value of your lease agreement, and save you time and money in the event you wish to sell your parent parcel without their interference. Landlords should also never accept Confidentiality or Non-Disclosure provisions as these are just attempts to limit your ability to share your lease with any third party who may be interested in purchasing the rental stream cash flow or advising you in the future.



IMPROPER MANAGEMENT OF ELECTRICAL SUBMETER BILLING REIMBURSEMENTS.

On many rooftop cell site installations for one reason or another, the carrier was unable to obtain a direct electrical meter from the utility company and they installed an electrical submeter which the building owner was supposed to monitor and reconcile with the carrier for reimbursement. Over the years we have seen many instances of wireless landlords who completely forgot to bill the carrier or neglected to bill the carrier and ended up subsidizing their presence for years and even for decades. Carriers will often argue a statute of limitations exists for recovering lost reimbursements. If you are a cell tower landlord we know you are probably wealthy and can afford to lose $100,000, $200,000 or even up to $800,000 in money that you spent to pay for the carrier's electrical expenses, and you should probably disregard everything we are saying here.

LETTING THE CLOCK TICK DOWN BELOW TWO YEARS BEFORE NEGOTIATING A TOWER LEASE EXTENSION.

There's a difference between rooftop cell sites and tower leases when it comes to extending the leases. It typically takes about two years for a carrier to find, lease, zone and build a typical rooftop cell site, so they will probably contact you when you have less than 5 years to extend the agreement. Typically, the wireless carriers will first come to you via a third party rent reduction company to get a "rent guarantee" or rent reduction while threatening to "exercise their termination rights" if you don't "optimize your lease" to make the site "financially viable" to their network. Yes... there is a risk that many of the urban rooftop cell sites could become obsolete in the next 5-10 years if millions of 5G small cells are deployed in the heavily populated cities. There is nothing you as a landlord can do about that. But giving a rent reduction won't ensure that your site will remain a viable part of their network in the future. That is solely determined by their Radio Frequency and Network Engineers, not by their accounting department. With that said, there is no need to extend a rooftop lease for more than three terms. Now cell tower landlords are a different story since most are not direct carrier leases like rooftop but rather leases with large tower management companies whose sole revenue source is vertical real estate. As a cell tower landlord, the biggest mistake you could make is thinking that you are helping your situation by allowing the lease to tick town below two years until expiration before you start negotiating seriously. You are actually putting yourself in a worse position by not extending the lease sooner. The "sweet spot" for cell tower lease extensions is when you have between 10 years and 5 years remaining prior to lease expiration.

"IF YOU KNOW THE ENEMY AND KNOW YOURSELF, YOU NEED NOT FEAR THE RESULT OF A HUNDRED BATTLES. IF YOU KNOW YOURSELF BUT NOT THE ENEMY, FOR EVERY VICTORY GAINED YOU WILL ALSO SUFFER A DEFEAT. IF YOU KNOW NEITHER THE ENEMY NOR YOURSELF, YOU WILL SUCCUMB IN EVERY BATTLE." - SUN TZU

SELLING A CELL SITE RENTAL STREAM - COMMON MISTAKES

NOT ASKING THE LEASE BUYOUT CONSULTANT WHY THEY WANT TO BUY THEIR LEASE WHEN THEY ARE TRYING TO CONVINCE YOU THAT TECHNOLOGY ADVANCES INCREASES YOUR RISK OF OBSOLESCENCE.

When you argue with a cell tower lease buyout consultant you are forgetting that most of the sales agents who keep calling you know little or nothing about cell towers and they are reading a script. Most of them have never been to a cell tower and know nothing other than what their companies tell them to say. The CEOs of those companies are mostly bankers and have little or no wireless industry experience and do not understand how wireless networks are built and operated. Don’t waste your breath trying to argue with stupid people. Just tell them to give you their best offer.

NOT KNOWING WHO IS WHO IN THE MARKET AND IF THESE COMPANIES WHAT THEY CLAIM TO BE.

The cash flow purchase business has attracted many unscrupulous people over the years. While there is an endless number of companies portraying themselves as financial powerhouses who have the depth of knowledge to make sure that your are getting a great deal, they are really just a small group of people with a fancy website trying to get between you and the real end purchaser. Many of these firms have deals where sites are instantly flipped back to the carrier or tower developer as a set multiple. In some cases, these firms appear to be competing against each other when in reality they are working together to get you to sell a lease cash flow. You need the guidance of an industry professional who can guide you through this maze of unholy alliances and offers that are meant to confuse you.

UNDERSTAND THE PROCESS OF HANDLING SITE MAINTENANCE ISSUES LIKE ROOFTOP DAMAGE OR WATER DAMAGE AFTER THE LEASE RENTAL STREAM IS SOLD.

Okay so you’ve sold your rooftop rental stream for a half million dollars and there is a major storm, and one of the carrier subcontractors punctured your roof and half of your tenants are flooded. Who are you going to call? Though you are selling the cash flow and or the lease to a third party, you still need to have “the flavor” of the lease terms still be enforceable in the easement sale. You need to be able to directly go after the tower company or carrier in the event of damage being done to your property. We have seen many instances where landlords have called us after they have sold their lease where there were unable to reach to the third party that purchased their lease due to the fact that the company had sold the lease to another party. What complicated the deal was that there was no provision regarding damages and the carrier refused to deal with the owner because they had been notified by the original purchase that they were now the entity to deal with. Crafting the language properly is essential.

NOT WATCHING YOUR TAX IMPLICATIONS & TAX LANGUAGE.

This is a really big issue that can haunt you for as long as you own the property if not handled properly. Many cell tower landlords live for years with substandard tax language in their leases and then think nothing about selling an easement for a lump sum and not addressing issues that can impact them long after the money from the cell site has been spent. In many cases the cashflow company representative will make claims regarding tax benefits of certain types of deals. They are not your CPA and they do not know your personal financial situation. General ideas are thrown out and they and should be treated as such and you should always seek advice from a tax professional as far as what can be done with the sale of a cell tower rental stream. Regarding your property taxes, pass-through taxes must be maintained in the event of a lease / easement sale. Such a provision must be clearly defined in any tower lease sales agreement or you could be stuck paying for assessed taxes attributed to the cell tower long after you have sold the rental stream.

CLEARLY DEFINED REMOVAL AND RESTORATION LANGUAGE.

One of the biggest mistakes sellers make is assuming that the cell tower will be there indefinitely. In the future if carriers abandon a tower due to technical obsolescence who is responsible and who will enforce the removal of a tower? In many municipalities their ordinances clearly state that any tower abandoned for more than a one-year interval must be removed. Most easement purchase contracts either don't address this matter or they allow for the cashflow purchase company to continue operations after a site has been abandoned for a period of up to five years, so they can work to attract more tenants to keep the site viable. It must be expressly stated that in the event that they are forced by the municipality to remove the site that they will do so, and instead of trying to market the abandoned tower, such a provision will force them to exercise any right that may have existed in the initial lease to force the tower company or carrier to remove and restore the location. If the language is not properly crafted, the landlord could be held responsible by the municipality for fines related to the site not being dismantled, and the cost of removal and restoration of a site could cost as much as $50,000 in today's values. This is a liability that a landlord does not want to assume.

SELLING THE RENTAL STREAM PRIOR TO RENEGOTIATING.

Leaving money on the table is one of the biggest errors cell tower landlords make when selling a cell tower lease rental stream. Not having the right strategy or thinking through your sale can easily cost you $50,000 to $100,000 in lost revenue. If you leave a potential arbitrage play on the table and don't take advantage of it, somebody else will gladly take it off your hand. Unfortunately, many cell tower landlords don't realize how to approach these transactions to maximize their offers and the buyout industry knows this.

TRUSTING THAT YOUR ATTORNEY HAS DONE ONE OF THESE BEFORE.

Just because somebody has an “ESQ.” after their name doesn’t mean that they understand the nuts and bolts of cell tower lease easement transactions and what the important components are in the easement document and purchase and sales agreement that property owners need to protect themselves long after they have cashed out but the tower or cell site will remain on their property or building. Technological issues, that your attorney does not understand, can break your back down the road. What is perfectly acceptable in a commercial lease purchase could present major problems for a telecom lease easement sale.

GETTING OFFERS FOR PERPETUAL EASEMENT VS SHORTER TERM.

Not all cell tower lease buyout offers are the same. You don’t have to sell your lease rental stream forever, but don’t expect the tower companies or lease buyout firms to come out point blank and tell you that. In fact, they will usually offer you multiple types of offer to purposely try to confuse you. One of the models the prefer to use is to make a transaction look larger by paying you over and 8 to 10-year period, when in reality all they are doing is offering you a buyout that is basically accomplishing the task of the purchasing it from you using the same rental payments you would have already been receiving.

SCHEDULE
A STRATEGY CONFERENCE WITH
A
TOWER GENIUS

KEVIN F. DONOHUE

MANAGING PARTNER

TOWER GENIUS, LLC

550 Mary Esther Cutoff
Suite 18-223,
Fort Walton Beach,
Florida 32548

Kevin is a telecom infrastructure professional who has held various executive positions with both major Fortune 500 wireless telecom firms as well as developing multi-million dollar consulting firms that have serviced the top names in the telecommunications industry throughout the United States. He is one of the top experts in both the Wireless Telecom Infrastructure Industry as well as the Vertical Real Estate Business.

His expertise has been sought by major publications such as the Wall Street Journal, The New York Times, Crain's NY Business and the Gannett Newspapers regarding changing market trends in wireless infrastructure as well as writing municipal codes that are used nationwide. Mr. Donohue is a graduate of Iona College, with a Degree in Marketing with concentrations in Finance and Psychology.

Kevin Donohue began his wireless infrastructure career in 1987, working for NYNEX Mobile (now Verizon) where he held numerous Management positions including being responsible for the Real Estate, Zoning, Construction and Equipment Engineering Departments for the New York metropolitan area. Kevin was also a leader of the NYNEX Mobile Emergency Response Team that handled setting up emergency cell phone coverage to assist rescue personnel in times of emergency situations.

In 1996, Mr. Donohue formed Integrated Wireless Alliance (IWA) and served as its Executive Vice President of Network Development, to meet the growing needs of the new wireless carriers that were looking to implement their networks. Kevin has built networks for Verizon, T-Mobile, Bell South Mobility, Cricket and Sprint PCS throughout the United States. In addition, IWA was contracted to work with many Fortune 500 companies to assist them with various wireless projects.

In 2008 he left IWA to become a partner in Airwave Management LLC, which evolved into Tower Genius, LLC, the premiere wireless landlord advocacy company in the United States. In his position he is involved in all aspects of the business relating to representing property owners and maximizing the value of their telecommunications related real estate holdings He is also responsible for providing guidance to municipalities and government agencies regarding telecom ordinance development and valuations of existing and/or proposed telecom sites

STEPHEN L. KAZELLA
MANAGING PARTNER

TOWER GENIUS, LLC

550 Mary Esther Cutoff
Suite 18-223,
Fort Walton Beach,
Florida 32548

Stephen has worked in the wireless infrastructure industry since the year 2000. He is a telecommunications professional who specializes in mobile telecommunications development, project management, tower leasing, cell site valuations and rooftop site management. Spending six years living in Hungary, he has previously been employed by Habitat for Humanity International as an International Partner in Budapest, to develop new Habitat affiliates throughout that country. He is a fluent Hungarian speaker, and has interpreted for President Jimmy Carter, the US Secret Service, Hungarian political figures, and multiple Fortune 500 CEO's in Hungary and Central Europe. Mr. Kazella has been quoted in The New York Times and multiple publications on matters pertaining to the cell tower industry and graduated from Montclair State College with a Bachelor of Science Degree in 1993.

Mr. Kazella joined Integrated Wireless Alliance in 2000 as a Real Estate Project Manager, providing consulting services for Sprint PCS in Westchester, Rockland and Putnam Counties, for Verizon Wireless in Bronx, Queens and Manhattan, and for T-Mobile in Northern New Jersey, Orange and Ulster Counties. He was responsible for the identification, procurement, reporting and initial zoning coordination for wireless communication sites involving Radio Frequency and Architectural Engineers, Construction Managers and Attorneys, and staffing of outsourced telecommunications projects.

Mr. Kazella conducted wireless infrastructure site surveys on 95 sites in San Diego and Houston. Between 2000-2002, Steve negotiated over 100 cell tower leases in the New York Metropolitan area worth between $600,000 and $2,000,000 each, managing sites from initial search and negotiation through site design, environmental assessment, zoning, through construction of cellular site.

In 2008 he co-founded Airwave Management LLC which morphed into Tower Genius, LLC, the premier cell tower lease consultancy for wireless landlords in the United States. Mr. Kazella has reviewed thousands of new cell tower lease proposals, rooftop lease compliance audits, lease valuations, lease extensions, antenna modifications, lease purchase agreements, has provided expert witness testimony pertaining to telecom lease values and has successfully assisted thousands of cell tower landlords in maximizing the value of their wireless telecommunication leases in all 50 states.