

## Wireless Capital's Wireless Update Volume 4, Issue 1: January 2007

Welcome to the January issue of Wireless Capital's **Wireless Update Newsletter**.

Our goal is to help wireless leaseholders become more knowledgeable about the wireless industry by monitoring and summarizing the latest developments in the wireless industry that have the greatest potential landlord impact. Each issue of the **Wireless Update Newsletter** includes topics covering pertinent telecom issues, interviews with various industry players, helpful tips for landlords, features on wireless landlords, and the latest news about WCP's products, services and people.

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### *Top Telecom News*

#### **Metro PCS Files for IPO**

Metro PCS plans to use the expected \$1.1B raised from the IPO to expand in new markets where it recently won spectrum licenses. During an auction last year, Metro PCS paid \$1.4 billion for licenses covering 177 million people. Currently Metro PCS has 2.6 million subscribers. This is Metro PCS' second attempt at an IPO. Its filing for an IPO in 2004 was retracted when incorrect financial reporting was discovered.

#### **AT&T and BellSouth to Merge**

The FCC approved the \$85 billion AT&T buyout of BellSouth. AT&T and BellSouth are the two parent companies of Cingular. Cingular, the nation's top wireless carrier, will now have a single parent and will be re-branded as AT&T.

#### **Mobile Gamers Forecasted to Double by 2010**

With mobile gaming in its early stages, companies are quickly developing more and better quality games. Mobile gaming revenues were \$3.1 billion in 2006 with 63 million users and are expected to grow to \$6.1 billion in 2010 with 134 million users. Challenges to the mobile gaming industry include consumer awareness, fees, piracy, and compatibility with handsets.

#### **Apple Unveils the iPhone**

Apple unveiled its iPhone at the Macworld Expo earlier in January. The iPhone lets a user listen to music, watch videos, take pictures, browse the web, and talk on the phone. The phone features a color touch screen and 8GB of flash memory. The iPhone, priced between \$500 and \$600, will go on sale at Cingular in June.

### ***Cisco Sues Apple for Infringement on its iPhone Trademark***

In a related story, Cisco Systems has sold products bearing the iPhone name for a few years, after obtaining the iPhone trademark in 2000. Just in December 2006, Cisco expanded its iPhone line of products. Cisco and Apple have entered into negotiations to resolve this trademark dispute.

### ***Amp'd Mobile Grew Rapidly in Q4 '06***

Amp'd Mobile added 70,000 customers in Q4 2006, bringing its total customer base to 100,000. Amp'd credits its strong performance to the growth of mobile entertainment and will start operating in Canada and Japan in March 2007.

### ***Industry Interview***

#### ***Magnus Friberg, Chief Operating Officer, MobileAccess Networks***

This is Part Two of a two-part interview with Magnus Friberg, Chief Operating Officer for MobileAccess Networks. The interview was conducted by Rich Grimes, Executive Vice President and Investment Committee Chairman of Wireless Capital.

#### **[Read Part One of the Interview](#)**

GRIMES: How do you feel about how the consolidation of wireless carriers will have an impact on interoperability of various technology platforms in the future, from both a technology and marketplace standpoint?

FRIBERG: Well good question. I don't really know about the overall market impact of the mergers, but what I do see is that as the technologies evolve, a common technology platform will emerge – we see that potential. People talk so much for such a long time about the full potential of FMC that seems poised to truly happen now, and we think it's going to have a great impact. However, if you talk about those technologies it's very interesting if you look at the spectrum of what's available today, versus what is going to become available, there's a significant portion of new spectrum becoming available. And this will create many options which may cause various wireless technologies to converge. So we see many different frequency bands, which will make things exciting in terms of supporting and developing various applications and uses. But it also shows you that it is going to continue make the inter-workings of the various wireless technologies and frequencies very complex. Very exciting applications such as what we see in mobile TV, with the use MediaFLO or DVB-H, are great applications and I think that's going to spur even more mobile content demand. And it will not matter whether you're doing that in the 700 band, 450 band, or 1600 band frequencies. I don't know if it is happening yet, but we see a strong demand for being able to operate multiple frequency content applications.

GRIMES: Certainly there is a strong need for a public safety communication system, depending upon the overall commitment of Washington to deploy and fund such a system. Will it be the private sector such as an existing carrier, or someone like the Department of Defense, that will implement and operate such a system? Do you see that happening, and if so, how?

FRIBERG: What we see is a strong base and the legacy of the UHF/VHF bands. I believe it will continue to grow, and I think there's going to be a lot going on in the area of public safety. As they go digital in the 700 and 800 frequency bands, I believe you are going to see some unique demands being traded there as well. One thing that's pretty interesting is that we recently

deployed a system in Washington, DC, for a large property owner, Akridge, at one of their buildings called the Homer Building, and they required a system that could accommodate all cellular carriers, WiFi, and public safety agencies. Akridge wanted the system to be capable of handling D.C. Fire and D.C. Police. They were convinced that by having that available over the same antenna infrastructure, they could get a break from their insurance carrier.

So that's another very interesting aspect to funding in-building wireless systems.

GRIMES: Very interesting. We spoke a lot about the evolution of wireless communication deployment in buildings and in different applications and as the next frontier of where the macro network is being deployed. What do you see as one of the more exciting technology developments in wireless that is happening right now or that is about to be opened up? Is it a specific spectrum, the convergence of technologies, or something still in the labs?

FRIBERG: Rich, I would say probably all of the above. That's hard to answer. For example, inside a building, in certain buildings, it's really viewed as a necessity. Whether you're in enterprise or if you're going to buy an apartment, I think people today are expecting phones to work anytime anywhere with various data applications; soon, the same expectation will include mobile and video/tv content, be it films or concerts. I think it all boils down to what you can do today from a safety and quality standpoint to support personal communication needs and workplace productivity through mobility. What can you do there? If you can save x amount of hours it can have a huge impact. We will soon be required to look beyond traditional voice and data, to have the flexibility to be able to do that anywhere inside any building. I mean anywhere inside a building. Let me give me several examples.

Today at a hospital you have these COWs, computers on wheels, but you have to plug them in wherever they go; however, with an antenna set, it means you can do it anywhere – you don't have to plug in anymore. It's much more flexible to you and therefore increases productivity.

We also see interesting applications beyond this. Take the security aspects of a building. We're not talking about simply monitoring, but also the physical locks. We have deployments where you actually have wireless locks. MobileAccess is involved in an in-building project where they need to monitor their fire extinguishers. Today that means they have to hardwire sensors to the extinguishers. The cost savings of being able to do that wirelessly are significant.

There are a lot of these applications that are extremely exciting, but you can certainly apply the same principles to traditional things, too. For example, if you can route a building's lighting and temperature control over the MobileAccess system – in terms of how you turn your lights on and off and how you control the heating and cooling – you can realize significant savings, too.

GRIMES: That's funny because that was the original intent of Gordon Moore when he developed the micro processing Intel chip. It was for the applications of being able to operate the home and they discovered there were other applications. From a general perspective, there are a few questions that many people ask:

Will terrestrial-based sites be replaced by balloons or satellites or will there be one killer application or any one killer wireless or communication technology that's going to trump everything? Not to mention the capital investment of what's already being deployed, but also much more of a complementary versus a replacement. And to your point that driving a tremendous amount of efficiency in the workplace which ultimately you have to justify the use and benefit in order for the technology to be worthwhile for investing.

FRIBERG: Absolutely, I can agree with that, Rich, and I will give you another example: Universities and the demand for various kinds of applications to meet various users on campus. You're so right about complimentary applications. The more applications you can drive over this network, the greater value in the return on the investment. We have moved away from the thought that the system should be subsidized by the wireless carriers, which is not correct because there's more to it than that. We can see now that it's more realistic to divide it into different buckets – you have one bucket for cellular, another for public safety, and yet another for wireless data or wireless LAN. However, inside a university we are involved with very interesting applications. At one university the IT department didn't want the freshman class to come in with all of their own access points because of the interference issues that would create. The school deployed a MobileAccess system, originally designed for two cellular carriers and WiFi. But there are so many other applications. For example, you can basically load software onto the students' phones that, through the campus-wide network – provides a safety solution. Let's say there's a student who leaves the library late at night. She can, through the phone, notify the school security that she is leaving the library, and then through the menu indicate that she's going back to her dorm room. Security will basically allow the student x minutes to get there, and if she is not at the dorm punching in another code within a certain time period, they will dispatch security to that location. On the same phone, the student can see the bus schedule, check her schedule in terms of when the next class begins, and maybe download latest posting by one of the teachers. So in addition to being able to use your phone the normal way, using your laptop wirelessly within the library, within the classrooms, you have all of these other applications that I think add a tremendous amount of value.

GRIMES: All exciting stuff. The future of wireless seems not to be "if" but rather "where" the technology and applications will take us. I guess the issue is how we learn to manage our lives through the benefits of wireless communications.

FRIBERG: I agree

GRIMES: Well, Magnus thank you very much for your time. I appreciate your time, your thoughts, and certainly your learned perspective in wireless communications. There are some very exciting things going on with MobileAccess Networks, and it's probably no coincidence that you are a prime reason for your company's success.

FRIBERG: Thank you Rich.

### ***Landlord Case Study Arizona Nevada Tower Corporation***

Synopsis: Small tower companies often find it difficult to obtain loans with reasonable terms from a traditional lender, and many tower owners resort to selling off their existing towers to get capital. The Arizona Nevada Tower Corporation (ANTC), however, did not have to go this route. The company grew its portfolio from four towers to eight towers along an underserved highway in Nevada with the help of Wireless Capital. The partnership of these two companies has brought ANTC opportunities for long-term wealth and reinvestment.

The Arizona Nevada Tower Corporation (ANTC) faced several challenges in acquiring funding to build additional towers in rural Nevada. Having personally funded the construction of ANTC's first four towers, President, George Peel, wanted to build additional towers, but was unable to obtain

adequate financing. ANTC needed a telecom savvy debt partner to assist in the challenging task of furthering their business potential.

Mr. Peel started ANTC in 2003 with the goal of building towers in rural areas. At the start, he used his private funds to finance his business venture, but did not have adequate funding to build the number of towers that he desired. ANTC faced two main challenges. First, their loan application was rejected by the Small Business Administration (SBA) because the towers were on federal land, owned by the Bureau of Land Management; these sorts of transactions fell outside of the SBA's guidelines due to the fact that there was no recorded fee interest. Second, Mr. Peel was aware that he would have difficulty getting a loan from the bank because the cash flow from telecommunication towers tenant leases are cancellable assets and therefore not a risk that these traditional financial institutions are interested in undertaking.

In February of 2005, Mr. Peel was referred by his broker to Jarred Saba, Vice President of Corporate Finance at Wireless Capital. "From our first conversation, Mr. Saba impressed me not only with his professionalism, but with his extensive knowledge and expertise about the telecom industry. It was clear that he took a genuine interest in my goals and challenges, and consistently strove to maximize the value of our cell tower leases," explained Mr. Peel.

Using the ANTC's current tenant lease income as collateral, Wireless Capital was able to close a Non-Recourse Loan in the sum of \$500K-plus within ninety days of their initial contact. The capital from this transaction made it possible for ANTC to build an additional four towers. "We now own eight towers and currently hold the rights to build an additional five. Our business plan is to have fifteen towers by the year 2007," said Mr. Peel. With the debt partnership of Wireless Capital, ANTC has a virtual monopoly along Highway 95, providing the much-needed coverage along an otherwise underserved highway.

The economics of the tower business is such that usually, two tenants on a tower will cover the financing, maintenance, utilities and taxes. The key to financing cancellable tenant leases is to find a debt partner willing to advance funds, using solely the tower cash flow as collateral, and Wireless Capital is exactly the debt provider that ANTC needed. Using one tower to finance the building of another tower allowed ANTC to expand its portfolio while not having to utilize or pledge Mr. Peel's personal assets. Further, ANTC did not have to give up the upside of future co-location revenue.

These transactions can best be characterized as a domino effect of profitable business dealings. Using the revenue from ANTC's first transaction, ANTC was able to finance the construction of four more towers. By leveraging the newly built tower, ANTC was able to construct four additional towers, and so on and so forth. This domino effect virtually provides ANTC with a limitless supply of capital for future transactions. Each transaction ANTC completes with Wireless Capital not only expands their growth potential, but also diversifies ANTC's risk, thus creating a more securitized asset. With three to four tenants on each tower, ANTC will have maximized the telecom potential on an otherwise underserved highway.

Wireless Capital is available for ANTC to advance capital when needed. In order for ANTC to build additional towers, they need only make a quick call to Mr. Saba, complete a minimal amount of paperwork, and they are all set to receive funding. ANTC has now completed three additional transactions with Wireless Capital totaling well over \$1 million, and have turned the funding provided into endless opportunities for future long-term wealth and reinvestment.

“Doing business with Wireless Capital is one of the best business decisions I have ever made. Not only has my experience been financially lucrative, I also consider myself lucky to know Jarred Saba as a partner in business and as a friend. Over the last few years, our business relationship has blossomed into a great friendship and I look forward to knowing him and working with WCP for years to come,” said Mr. Peel.

Wireless Capital helped ANTC achieve their goals through creating innovative strategies to meet the company’s specific needs. This partnership and friendship between Wireless Capital, ANTC and Mr. Peel has propelled ANTC into a future of growth and has allowed them to succeed in monopolizing an otherwise untapped market.

### *WCP Employee Spotlight*



Don Ervin serves as General Counsel for WCP. He is responsible for addressing and resolving legal issues associated with day to day operations and the management of external legal services provided to WCP by outside law firms. He previously served as a closer for WCP and has been with WCP since its inception. Prior to WCP, he was a litigation associate with the law firm of O’Melveny & Myers. He holds a Juris Doctor degree from UCLA Law School.

“**Collaborative** is the motto that I follow while negotiating legal issues related to our transactions,” says Don. “There is no greater joy than negotiating and closing a deal efficiently without causing a landlord to incur extensive legal costs. It has been a great experience being a part of the phenomenal growth of WCP.”

### *Wireless Trends*

*Wireless Obsolescence: A compilation summary of research and analysis from The Yankee Group, The Montgomery Research Institute, The Future of Wireless Communication by William Webb, and the Cellular Telecommunications and Internet Association (CTIA).*

There is a basic difference between the potential of wireless obsolescence as it relates to the risk of implementing wireless networks as the technology continues to evolve, and the obsolescence of wireless as a communication based technology. Wireless technology is still in its early stages, with increasing access speeds and evolving wireless content and applications; all of which will continue to be at risk of obsolescence.

However, the basic future viability of wireless technology and its supporting terrestrial-based radio frequency delivery facilities is not as vulnerable to such technology evolution obsolescence. Current and evolving technologies such as WiMAX and WiFi are complementary – not replacement – technologies to the basic wireless technology path platforms such as GSM, CDMA, WCDMA, or EV-DO.

This is supported by two widely recognized realities:

1. The growing adaptation and dependency of wireless and mobile communication in our culture, driven by the convenience and productivity that wireless communication provides.
2. The underlying principles of cellular physics that requires the delivery of the radio frequency through terrestrial-based wireless facilities dependant upon coverage and capacity requirements, as well as structural barriers and topography.

Therefore, the risk of wireless obsolescence is applicable to evolving complementary wireless technologies and not to the various described technology paths of wireless communications, and their supporting terrestrial based radio frequency delivery facilities.

### **Ask Conrad**

#### ***Effect of Miniaturization of Technology Components on Cell Site Space Requirement***

##### ***From John Hatton in Santa Clara, California***

We hear a lot about how technology components are becoming smaller and smaller, and how fast technology is migrating to the next generation. Will this cause the leaseable area of cell sites to shrink as well?

##### **Conrad:**

That is a great question, John. It can best be answered by understanding the four key factors impacting technology migration in the face of miniaturization of technology:

1. Capacity requirements from increased voice and data usage, along with network upgrades, drive demand for equipment expansions. And the overlay requirements for new frequency bands, new technology or upgrades, and expansions to meet that capacity demand.
2. New technology oftentimes is required to be introduced adjacent to legacy equipment. As customer adoption of the new technology impacts the migration from legacy to new, it is not unusual for the legacy equipment to remain in place for many years (e.g. in the U.S., AMPS equipment is still being used since its installation in the late 1980s). Further, the legacy technologies always have a long twilight – in 1Q 2005 there were still 3.5 million analog subscribers, requiring service providers to have network support for that service.
3. Miniaturization of radio equipment is slower than the Moore's Law trajectory of every 18 months for digital equipment.
4. Historically, service providers have either maintained or increased ground site footprints to support evolving and migrating technologies. Configuration changes are challenging from a zoning and entitlement standpoint; as well as the availability of both space and the ability of the carrier and landlord to agree on the terms for such additional square footage.

In all, I do not foresee the leaseable area of cell sites to be impacted at all.

Submit your question of the month to Conrad via email at [moreinfo@wirelesscapital.com](mailto:moreinfo@wirelesscapital.com)