

Wireless Capital's Wireless Update Volume 4, Issue 3: March 2007

Welcome to the March 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 monthly issue of the *Wireless Update Newsletter* summarizes the top telecom news of the month.

Top Telecom News

T-Mobile Tower Sale Likely to Draw Interest of Tower Firms

T-Mobile is interested in selling 3,500 to 5,000 of its towers in the United States to help generate funds towards its savings goal of \$2 billion this year. The sale is expected to bring in as much as \$1 billion to the No. 4 carrier. T-Mobile was a top bidder in the Federal Communications Commission's spectrum auction last year and they have plans to use the newly acquired spectrum to continue its upgrade to 3G networks. Analysts speculate the tower sale will spark interest from the Big-Three tower companies: Crown Castle International Corp., American Tower Corp., and SBA Communications Corp. These three companies combined own roughly 50,000 of the 80,000 towers in the U.S.

Uneven Performances for Sprint Nextel; T-Mobile Grows

Sprint Nextel reported dull fourth-quarter numbers, with decent performance of its CDMA lines but not so positive iDEN performance. In early January, the company announced that it expected to lose about 306,000 postpaid customers during the fourth quarter from the Nextel side. Overall, Sprint Nextel added an additional 742,000 net customers during the fourth quarter. Although the carrier ended the quarter with a total subscriber base of 53.1 million, maintaining its position as the third largest carrier, the carrier is not keeping up with the growth of its larger competitors Verizon Wireless and Cingular Wireless. Meanwhile, T-Mobile USA reported 901,000 net subscriber additions during the quarter compared to 1.39 million from fourth quarter in 2005. However, 87% of the additions come from postpaid accounts, which is an improvement from 66% in 2005.

3G Network Credited with Improved Call Quality

J.D. Powers conducted a recent survey on mobile call quality and found that wireless callers are experiencing fewer call problems than in previous years. Since the last two reporting periods in 2006, the number of consumers who report making calls with at least one problem has declined by 14 percent. The improved call quality results from network upgrades and enhancements, as well as the move to 3G networks. Users of 3G-enabled cell phones experience about half the problems of subscribers still using phones with older technology. Based on the survey responses, J.D. Powers split the country into six regions and ranked the carriers for each region. Verizon Wireless ranked first in four out of six regions and tied for first place in the Western region. Sprint Nextel Corp. had a disappointing performance, ranking below industry average in five out of the six regions.

How Will Sale of Alltel Affect Rural Carriers?

Over the years, larger carriers acquiring rural carriers have been a continuing trend in the wireless industry. Alltel's sale has ignited speculation about who the buyer might be. Possible buyers are CDMA operators Verizon Wireless and Sprint Nextel Corp. Another possibility is a buyout by a private-equity company. With Alltel being the No. 5 carrier, a possible acquisition by a larger carrier will further widen the gap between the largest and smallest carriers and will make it even more difficult for smaller operators to resist the consolidation trend.

In the Next Issue

Look for more top telecom news in the April issue. If you have a question about the wireless industry that you would like Conrad to answer, please email it to moreinfo@wirelesscapital.com. The answer to the selected question will be published in our quarterly issue.