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Funding sends Optasite on tower-shopping spree

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Optasite Inc., a startup company that owns and operates cell-phone towers, yesterday said it has secured \$40 million in financing and used some of the proceeds to buy 49 towers in Michigan.

Optasite, a 17-person company at 446 Main St., said it has secured \$25 million in funding from its existing venture capital investors, and established a \$15 million credit facility with Comerica Bank.

The company bought the Michigan towers from Communications Capital Tower Holdings LLC for an undisclosed sum. The deal gives Optasite a portfolio of 56 cell-phone towers concentrated in Massachusetts, Connecticut and Michigan.

With the infusion of cash, Optasite plans to acquire or develop at least 40 more towers during 2005, company officials said. The business may also add to its existing space in the office tower and add employees as needed, they said.

"This funding gives us the opportunity to acquire towers and develop towers," said James S. Eisenstein, chairman and chief executive officer of Optasite. "It also puts us in the position of having some significant dry powder to continue our rapid growth."

As the stock market has improved, wireless carriers have been able to raise money through new stock offerings to expand their networks and deploy new features, he said. It is more cost-effective for those companies to outsource the development of those towers to a third party such as Optasite, he said.

At the same time, the passage of local number portability, which allows cell-phone users to keep their numbers when they change phones or move, has forced providers to improve their quality of service and coverage areas to retain and attract new subscribers, he said.

In addition, cell towers are getting more use with the introduction of new devices, such as the popular Blackberry, and the greater use of wireless Internet services.

By building a network of high-quality, well-performing towers, Optasite should benefit from these trends, he said.

"The carriers are not just trying to attract new subscribers, but they're also trying to retain the subscribers they have," he said. "The number one way to do that is to focus on good coverage: fewer dropped calls, fewer blocked calls."

Wireless providers such as Verizon Wireless and Cingular, among others, have sharply increased spending on their networks to attract new customers, said Rand Lewis, a partner at Centennial Ventures Inc. of Denver, one of Optasite's largest investors.

"This has led to a growth in the number of towers, to have both greater coverage and to have more capacity," he said.

Centennial Ventures, along with investors such as Columbia Capital Inc. of Alexandria, Va., and Highland Capital Partners Inc. of Lexington, have made such a significant investments in Optasite because of the

increased demand for good cell-phone networks and the experience of the Optasite management team, Mr. Lewis said.

Mr. Eisenstein was one of the co-founders of American Tower Corp. of Boston, which owns and operates more than 15,000 cell towers nationwide.

That company, which is traded on the New York Stock Exchange, has annual revenue of more than \$760 million from leasing space on its cell towers and employs more than 1,700.

James H. Ross III, president and chief operating officer of Optasite, previously founded four different wireless infrastructure companies. Most recently, he was a founder of **Concourse Communications** Group LLC of Chicago, which makes wireless equipment used at airports.

One of the company's other investors is Worcester Capital Partners, the city's first venture capital fund.

The fund, created in 2001 with investments of \$11.4 million from area institutions, is run by Word D. "Tripp" Peake, who manages it along with Long River Ventures, a fund based in Western Massachusetts.

Optasite has been the single largest investment so far by Worcester Capital Partners, Mr. Peake said.

"The company is really making tremendous progress," he said. "We've been with them since the beginning, and it's great to see investors responding to them."

Optasite was launched in Worcester in 2000. The company relocated to Connecticut in October 2002, after it was acquired by Pinnacle Site Development Inc. of Glastonbury, Conn.

The merged company retained the Optasite name, but struggled in 2003. Its investors brought in a new management team that included Mr. Eisenstein and Mr. Ross.

The company moved back to Worcester in April, and at that time received a \$10 million infusion from its investors.

Business Reporter Jim Bodor can be reached at jbodor@telegram.com.

GRAPHIC: PHOTO; T&G Staff/JIM COLLINS; From left, Optasite President and Chief Operating Officer James H. Ross III, Chief Financial Officer Beau Paradowski and construction manager Jason Nellis pore over plans for communication towers yesterday at the Worcester firm.

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