

FILED

MAR 12 2003

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION

PEGGY B. DEANS, CLERK
U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF N.C.

----- X
 In re: : Chapter 11
 SPECTRASITE HOLDINGS, INC. : Case No. 02-03631-0 (ATS)
 :
 Debtor :
 :
 ----- X

FINAL FEE APPLICATION FOR COMPENSATION AND FOR REIMBURSEMENT OF EXPENSES

Name of Applicant: LAZARD FRÈRES & CO. LLC

Authorized to Provide Professional Services to: Debtor and Debtor-in-Possession

Date of Retention: November 21, 2002 nunc pro tunc to November 15, 2002

Period for which Compensation And Reimbursement is Sought: November 15, 2002 – January 28, 2003

Amount of Restructuring Transaction Fees Requested \$8,300,000.00

Monthly Financial Advisory Fees \$250,000.00

Amount of Expenses Requested: \$0.00

Total Amount of Compensation Requested: \$8,550,000.00

This is a(n): _____ monthly _____ interim X final application
 Total time expended for fee application preparation is approximately 8 hours.

300.

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LAZARD FRÈRES RESTRUCTURING GROUP CREDENTIALS
SpectraSite Restructuring Team

<u>Name</u>	<u>Highest Degree, School, Date</u>	<u>Licenses ¹</u>	<u>Title</u>	<u>Business Experience (years)</u>
Barry Ridings	MBA, Cornell University, 1976	Series 7, Series 24, Series 63	Managing Director	26
Thomas R. Haack	MBA, Stanford University, 1972	Series 7, Series 24, Series 63	Managing Director	31
Richard NeJame	MBA, U Penn-Wharton School, 1994	Series 7	Director	11
David Locala	MBA, Havard Business School, 1995	Series 7 Series 63	Director	14
David Descoteaux	MBA, University of Chicago, 1998	Series 7, Series 63	Vice President	9
Brad Berry	MBA, University of Chicago, 1999	Series 7 Series 23	Associate	9
Ari Lefkovits	JD, Stanford University, 1999	Series 7 Mass. Bar NY Bar	Associate	3.5
Raymond Ho	BA, Yale University. 1999	---	Sr. Financial Analyst	3
Gregory Stevens	BA, Georgetown University, 2001	---	Sr. Financial Analyst	1.5

Detail of Requested Fee & Expense Amounts
Please See Exhibit C

¹ The **Series 7** examination is a required exam to obtain the main NASD series license. It is a comprehensive standardized test that covers 3 broad areas of expertise in business and financial matters: Securities Markets and Customer Accounts, Product Knowledge, and Investment and Economic Analysis.
The **Series 63** is required for most individuals who solicit orders for any type of security in that state. The exam covers topics such as: State Registration Laws and Procedure, Lawful Practices, and a Definition of Terms.
The **Series 24** examination is for licensing NYSE managers to supervise branch activities as a General Securities Principal. The test covers such topics as: Supervision of Investment Banking, Trading Market Supervision, Sales Supervision, Primary and Secondary Markets, Supervising Customer Accounts and Orders, and Investment Companies and Retirement Plans.

Compensation by Project Category
Please see Exhibit D – Detail of Hours Expended

Lazard, in its normal course of business, invoices its clients a flat monthly fee and does not charge by the hour. Thus, Lazard does not ordinarily keep time records. However, for the benefit of the Court, Lazard has recorded its hourly time and has provided summaries of the time spent by professionals during the Complete Compensation Period, attached hereto as **Exhibit D**.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION**

----- X
In re: : Chapter 11
SPECTRASITE HOLDINGS, INC. : Case. No. 02-03631-0 (ATS)
: :
Debtor :
----- X

**FINAL APPLICATION OF LAZARD FRÈRES & CO. LLC AS INVESTMENT BANKER
AND FINANCIAL ADVISOR FOR THE DEBTOR AND DEBTOR-IN-POSSESSION FOR
ALLOWANCE OF COMPENSATION FOR PROFESSIONAL SERVICES RENDERED
AND FOR REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES INCURRED
FROM NOVEMBER 15, 2002 – JANUARY 28, 2003.**

Pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Court’s Administrative Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Revised Procedures for Interim Compensation and Reimbursement of Expenses for Professionals, dated November 21, 2002 (the “Procedures”), Lazard Frères & Co. LLC (“Lazard”) files this Final Application (the “Application”) for Allowance of Compensation and Reimbursement from **November 15, 2002 – January 28, 2003** (the “Complete Compensation Period”). By this Application, Lazard seeks a Final Allowance of **\$8,550,000.00** for financial advisory services provided to SpectraSite Holdings, Inc., (collectively, the “Debtor” and “Debtor-in-Possession”), and reimbursement of expenses pursuant to Lazard’s engagement letter dated July 11, 2002 (the “Engagement Letter”) attached hereto as **Exhibit A**.¹ In support of this Application, Lazard respectfully represents as follows:

¹ The Debtor has paid Lazard for services rendered prior to the bankruptcy filing. The request for payment of \$8,550,000.00 in fees plus expenses is the only request in connection with the final fee application.

BACKGROUND

1. On November 15, 2002 (the "Filing Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.
2. The Debtor is the parent company of SpectraSite Communications, Inc. ("Communications"), a leading operator of towers for the wireless communications and broadcast industries. Communications provides multiple services, including leasing antenna sites on multi-tenant towers, managing rooftop and in-building telecommunications access on commercial real estate, and designing, constructing, modifying and maintaining broadcast towers. Operations extend throughout the United States, and the Company operates in Canada as well. Key customers include leading wireless carriers (AT&T Wireless, Cingular, Nextel, Sprint PCS, T-Mobile, and Verizon Wireless) and broadcasters (Paxson Communications and Pegasus Communications).
3. Communications currently operates approximately 7,900 wireless towers, concentrated primarily in the top 100 markets in the United States. The Company has major market clusters in Chicago, Dallas, Detroit, Los Angeles, Philadelphia, and San Francisco.
4. Lazard was retained as investment banker and financial advisor to the Debtor to perform services set forth in the Engagement Letter. The Debtor retained Lazard concurrently with its bankruptcy filing to continue to provide investment banking and financial advisory services in connection with the restructuring of the Debtor's pre-petition indebtedness. The Debtor's pre-petition indebtedness included, as of the Filing Date, Senior Notes with an outstanding accreted value of approximately \$1.8 billion, as well as a secured credit facility at Communications with an outstanding balance of approximately \$785 million, of which the Debtor is a guarantor. Although retained in this case as of November 21, 2002, nunc pro tunc to November 15, 2002, Lazard provided extensive services to the Debtor and Communications beginning July 11, 2002, which were integral to the successful reorganization of the Debtor and Communications.
5. The Court approved the Debtor's retention of Lazard as investment banker and financial advisor as stated in the Retention Order dated November 21, 2002, attached hereto as **Exhibit B**.

6. Since being engaged in July 2002, Lazard agreed, in consideration of the compensation provided in the engagement letter, to perform the following investment banking services as the Company may reasonably request including:
 - (a) Review and analyze the Debtor's business, operations and financial projections;
 - (b) Evaluate the Debtor's potential debt capacity in light of its projected cash flows;
 - (c) Assist in the determination of a capital structure for the Debtor;
 - (d) Assist in the determination of a range of values for the Debtor on a going concern and liquidation basis;
 - (e) Advise the Debtor on tactics and strategies for negotiating with its various groups of Creditors (as defined in the Engagement Letter);
 - (f) Render financial advice to the Debtor and participate in meetings or negotiations with the Creditors in connection with any Restructuring Transaction;
 - (g) Advise the Debtor on the timing, nature, and terms of any new securities, other consideration or other inducements to be offered to its Creditors in connection with any Restructuring Transaction;
 - (h) Assist the Debtor in preparing documentation within Lazard's area of expertise required in connection with the implementation of any Restructuring Transaction;
 - (i) Provide financial advice and assistance to the Debtor in developing and obtaining confirmation of a plan of reorganization, and as the same may be modified from time to time (a "Plan");
 - (j) Assess the possibilities of bringing in new lenders and/or investors to replace, repay or settle with any of the Creditors;
 - (k) Advise the Debtor with respect to the structure of and negotiations relating to any Business Combination (as defined in Schedule I of the Engagement Letter) incorporating all or substantially all of the assets of the Debtor or the majority of the equity interests of the Debtor and any Business Combination involving the Debtor's network services business;
 - (l) Advise and attend meetings of the Debtor's Board of Directors and its committees;
 - (m) Provide testimony, as necessary, in any proceeding in any judicial forum; and
 - (n) Provide other restructuring advisory services, as necessary.
7. All services for which compensation is requested by Lazard were performed for or on behalf of the Debtor or Communications.

8. Lazard has not entered into any agreement (other than the Engagement Letter), express or implied, with any party in interest, including the Debtor, any creditors, or any representative of any of them, or with any attorney for such party in interest, for the purpose of fixing the fees or other compensation to be paid to Lazard for services rendered in connection herewith, from the assets of the Debtor. There is no agreement or understanding between Lazard and any other person, for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

SERVICES PROVIDED

9. Lazard was the Debtor' investment banker and financial advisor from the period of July 11, 2002 through the Chapter 11 bankruptcy. As financial advisor, Lazard assisted the Debtor in their restructuring and reorganization and offered advice to the Debtor' management in other related matters. The professionals who rendered investment banking and financial advisory services in these cases are as follows: Barry Ridings, Managing Director; Thomas R. Haack, Managing Director; Richard NeJame, Director; David Locala, Director; David Descoteaux, Vice President; Brad Berry, Associate; Ari Lefkovits, Associate; Raymond Ho, Sr. Financial Analyst; and Gregory Stevens, Sr. Financial Analyst.
10. During the Complete Compensation Period, the Debtor relied heavily on the experience and expertise of the above named persons in dealing with matters relating to the Company's restructuring, including strategy, financing alternatives, management issues and interaction with the Committee's advisors and other parties-in-interest. As a result, Lazard's highly skilled restructuring professionals devoted significant time and effort to perform the required professional services properly and expeditiously.
11. The Debtor acknowledges and agrees that Lazard's restructuring expertise as well as its capital markets knowledge, financing skills and mergers and acquisitions capabilities, some or all of which were required by the Debtor during the term of Lazard's engagement hereunder, were important factors in determining the amount of the Restructuring Transaction Fee and that the ultimate benefit to the Debtor of Lazard's services hereunder could not be measured merely by reference to the number of hours expended by Lazard's professionals in the performance of such services. In addition, given the numerous issues which Lazard was required to address in the performance of its services hereunder, Lazard's commitment to the variable level of time

and effort necessary to address all such issues as they arose, and the market prices for Lazard's services for engagements of this nature in an out-of-court context, the Debtor agrees that the fee arrangements are reasonable under the standards set forth in 11 U.S.C. Section 328(a).

12. The Debtor's main objective in these cases was to restructure its outstanding debt, either in conjunction with a strategic transaction or on a standalone basis. To this end, the Debtor pursued various strategies, with Lazard's assistance and advice, throughout Lazard's engagement. Below is a summary of how Lazard provided value-added services in helping the Debtor achieve its goal of restructuring its debt throughout Lazard's engagement.

Advised in the Development and Implementation of Restructuring Strategy

At the time that the Debtor and Communications retained Lazard, the Debtor's prior restructuring plan was failing. The plan failed to garner sufficient support among holders of the Debtor's Senior Notes (the "Noteholders"), several of the largest Noteholders had filed a lawsuit to enjoin implementation of the plan, and a covenant violation on Communications' credit facility loomed. Upon being retained, Lazard met with the board, stakeholders, and management of both the Debtor and Communications to understand their goals and concerns regarding a restructuring and to forge a rapid, comprehensive, and successful restructuring strategy. As these interactions progressed, Lazard assisted the Debtor and Communications in developing the strategy of first pursuing an amendment to the Communications credit facility to provide for covenant relief and subsequently negotiating a restructuring with the Noteholders. This strategy allowed the Debtor greater flexibility with which to negotiate with the Noteholders and ultimately led to a significant deleveraging of the Debtor within a short timeframe.

Assisted in De-leveraging the Balance Sheet and Establishing an Appropriate Capital Structure

Lazard researched the capitalization of other companies in the tower industry and compared the Debtor's coverage, leverage and debt/equity ratios under alternative capital structures to the ratios of comparable companies. The experience of Lazard's professionals contributed to the determination of a credible estimated debt capacity.

These analyses played a critical role in negotiations with the Debtor's creditors and other parties-in-interest and resulted in a significant reduction in debt.

Assisted in Negotiating an Amendment to Communications' Credit Facility

Lazard played an active role in negotiating an amendment to Communications' credit facility, of which the Debtor is a guarantor. Absent an amendment, Communications faced the possibility of violating one or more of the credit facility's financial covenants on or around September 2002. On August 21, 2002, the Debtor and Communications announced an agreement with the banks to amend certain key financial covenants to the credit facility, arrived at with Lazard's assistance. Failure to amend the facility might have triggered an acceleration of credit facility maturity and might have led to a bankruptcy filing by Communications and its subsidiaries, in addition to the Debtor. A bankruptcy filing by Communications would likely have required a significantly longer and more complex Chapter 11 process and caused significant disruption in the Debtor's business, potentially leading to a substantial erosion of value for all of the Debtor's stakeholders. In addition to significantly greater expenses which would be incurred during the pendency of such a proceeding, the Debtor would most likely have had to incur large fees and expenses relating to exit financing.

Conducted Network Services Sales Process

In August 2002, the Debtor announced that Communications was exploring the sale of its network services division ("Network Services"). Lazard marketed Network Services, conducting a robust auction process that included 55 potential buyers, of whom twelve participants expressed preliminary indications of interest. Network Services was ultimately sold to members of the Network Services management team, for total proceeds of approximately \$8 million.

Assisted in Negotiations with the Prepetition Noteholders Committee

Lazard played a significant and active role in negotiating the terms of the agreement with the Prepetition Noteholders Committee (the "Committee") and its advisors. Lazard worked with the Committee and its advisors to coordinate due diligence and

conduct negotiations on numerous issues, including business plan review and valuation, equitization of the Noteholders, treatment of the Debtor's prepetition stockholders, and development of a management incentive and compensation plan. In November 2002, these negotiations resulted in an agreement in principle with the Committee on the terms of a restructuring. The agreement enjoyed wide support among Noteholders; over 66% of Noteholders executed lock-up agreements to support the transaction.

Assisted in the Development of Financial Forecasts

Lazard augmented the Debtor's financial models to help the Debtor evaluate different strategic and financial alternatives under a wide variety of scenarios. These models served as the basis for Lazard's valuation and capital structure analyses that are included in the Debtor's Plan of Reorganization, which was confirmed on January 28, 2003.

Performed Valuation Analysis

Lazard performed a variety of generally accepted valuation analyses to determine the Debtor's theoretical total enterprise value. The experience of Lazard's professionals contributed to the determination of a credible estimated valuation and the results of these analyses played an important role in negotiations with the Debtor's creditors and other parties-in-interest.

Assisted in preparation of Plan of Reorganization and Disclosure Statements

Lazard spent significant time assisting the Debtor and Debtor's counsel in drafting its Plan of Reorganization and Disclosure Statement. Specifically, Lazard prepared liquidation analyses of the Debtor's business as well as assisted the Company in formulating its pro forma financial statements. Lazard also spent significant time preparing for testimony in conjunction with the confirmation of the Debtor's Plan of Reorganization.

Rendered Fairness Opinion in Connection with the SBC and Cingular Amendment

Lazard rendered an opinion to Communications relating to the fairness of consideration to be received in connection with the sale of 545 towers to Cingular Wireless. Such opinion was a condition to the closing of the SBC and Cingular Amendment and, by extension, the entire restructuring (the SBC and Cingular Amendment was a condition to consummation of the agreement with the Committee).

FEE STATEMENTS

13. Lazard requests final compensation in the amount of **\$8,550,000.00** for the period of November 15, 2002 through January 28, 2003 as compensation for professional services rendered during the Complete Compensation Period as per its Engagement Letter dated July 11, 2002.² This amount consists of a Restructuring Transaction Fee (as defined in the Engagement Letter) and a Monthly Financial Advisory Fee (as defined in the Engagement Letter) for the months of December 2002 and January 2003. Pursuant to the terms of the Engagement Letter, the Monthly Financial Advisory Fee for the month January 2003 is credited against the Restructuring Transaction Fee. Prior to the Petition Date, Lazard was paid \$250,000.00 for investment banking services rendered during the month of November 2002. As a result, Lazard seeks no compensation for investment banking services performed during the post-petition period November 15, 2002 through November 30, 2002. See **Exhibit C** for a detailed calculation.
14. Lazard, in its normal course of business, does not charge by the hour. Thus, Lazard does not ordinarily keep time records. However, for the benefit of the Court, Lazard has recorded its hourly time and has provided summaries of the time spent by professionals during the Complete Compensation Period, attached hereto as **Exhibit D**. Although Lazard did not keep time records for the period prior to the Filing Date, Lazard professionals expended substantial amounts of time working on the numerous aspects of the Debtor' successful reorganization.
15. In accordance with the factors enumerated in section 327(a) of the Bankruptcy Code, it is respectfully submitted that the amount requested by Lazard is fair and reasonable given (a) the complexity of these cases, (b) the time expended, (c) the nature and extent of the services rendered, (d) the value of such services, and (e) the costs of comparable services other than in a case under this title. Moreover, Lazard has reviewed the requirements of the Court's

² The Debtor has paid Lazard for services rendered prior to the bankruptcy filing. The request for payment of \$8,550,000.00 in fees plus expenses is the only request in connection with the final fee application.

Administrative Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Revised Procedures for Interim Compensation and Reimbursement of Expenses for Professionals, dated November 21, 2002, and believes that this Application complies with that Order.

ACTUAL AND NECESSARY EXPENSES

16. Communications has reimbursed Lazard for actual and necessary expenses Lazard incurred during the Complete Compensation Period. The expenses which have been reimbursed comprise only those items of expense that Lazard customarily charges its clients, and which are not otherwise absorbed in Lazard's overhead. Consequently, Lazard requests no additional allowance for expenses.
17. With respect to expenses, it should be noted that Lazard has absorbed certain expenses customarily charged by other professionals in bankruptcy cases. For example, Lazard does not allocate office telephonic charges by client and thus these costs are absorbed by Lazard in its overhead and not charged to the Debtor's estate. Lazard respectfully submits that the expenses for which it received allowance from Communications during the Application Period were necessary and reasonable both in scope and amount.

CONCLUSION

18. WHEREFORE, Lazard respectfully requests allowance of compensation for professional services rendered during the Compensation Period in the amount of **\$8,550,000.00**.

Dated: March 11, 2003

New York, New York

LAZARD FRÈRES & CO. LLC

By: Thomas R. Haack

Thomas R. Haack
Managing Director
Lazard Frères & Co. LLC
30 Rockefeller Plaza, 61st Floor
New York, NY 10020
(212-632-6000)
Financial Advisors for Debtor and
Debtor-in-Possession

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION**

----- X
In re: : Chapter 11
SPECTRASITE HOLDINGS, INC. : Case. No. 02-03631-0 (ATS)
: :
Debtor :
----- X

Thomas R. Haack, being duly sworn, deposes and says:

1. I am an employee of Lazard Frères & Co. LLC (“Lazard”), which firm maintains offices for providing investment banking services at 30 Rockefeller Plaza, New York, New York 10020. Lazard has acted as investment banker to and rendered professional services on behalf of SPECTRASITE HOLDINGS, INC., et al. (“SpectraSite” or the “Debtor”) and certain affiliates and subsidiaries, each Debtor and Debtor-in-possession herein.

2. This affidavit is submitted pursuant to Bankruptcy Code Rule 2016 in connection with Lazard’s final application (the “Application”) for an allowance of compensation for services rendered to the Debtor from November 15, 2002 through January 28, 2003 in the amount of **\$8,550,000.00**.

3. All of the services for which compensation is sought by Lazard were performed for and on behalf of the Debtor and not on behalf of any other person.

4. No agreement or understanding exists between Lazard and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these cases.



Thomas R. Haack
Managing Director

Sworn to before me this 11th day of March 2003



Notary Public

JUDITH ORLANDO
Notary Public, State of New York
No. 010R5066917
Qualified in New York County
Commission Expires Oct. 7, 2006

**CERTIFICATION PURSUANT TO ADMINISTRATIVE ORDER UNDER 11 U.S.C §§ 105
AND 331 ESTABLISHING PROCEDURE FOR INTERIM COMPENSATION AND
REIMBURSEMENT OF EXPENSES FOR PROFESSIONALS AND COMMITTEE
MEMBERS**

1. I have read the Application of Lazard Frères & Co. LLC (“Lazard”) for Allowance of Fees and Reimbursement of Expenses for the Period from November 15, 2002 through January 28, 2003 (the “Application”)
2. To the best of my knowledge, information and belief, formed after reasonable inquiry, the Application complies substantially with the mandatory guidelines set forth in the Administrative Order 11 U.S.C. §§ 105 (a) and 331 Establishing Procedure For Interim Compensation and Reimbursement Of Expenses For Professionals dated November 21, 2002 (the “Procedures”).
3. To the best of my knowledge, information and belief, formed after reasonable inquiry, the fees and disbursements sought in the Application fall within the guidelines of the Procedures, except as specifically noted in this certification and in the Application.
4. To the best of my knowledge, information and belief, formed after reasonable inquiry, the fees and disbursements sought are billed in accordance with the practices customarily employed by Lazard and generally accepted by Lazard’s clients.
5. To the best of my knowledge, information and belief, formed after reasonable inquiry; in providing reimbursable services, Lazard does not make a profit on these services; in charging for a particular service, Lazard does not include in the amount for which reimbursement is

sought the amortization of the cost of any investment, equipment or capital outlay; in seeking reimbursement for services which Lazard justifiably purchased or contracted from a third party, Lazard seeks reimbursement only for the amount paid by Lazard to such vendor.

Dated: March 11, 2003
New York, New York


By: 
Thomas R. Haack
Managing Director

EXHIBIT A

Engagement letter

LAZARD

LAZARD FRÈRES & CO. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212-632-6000
www.lazard.com

July 11, 2002

SpectraSite Holdings, Inc.
SpectraSite Communications, Inc.
100 Regency Forest Drive
Suite 400
Cary, NC 27511

Attention: Mr. Steven H. Clark
President and Chief Executive Officer

Ladies and Gentlemen:

This letter agreement (the "Agreement") confirms the understanding and agreement between Lazard Frères & Co. LLC ("Lazard") and SpectraSite Holdings, Inc. and SpectraSite Communications, Inc. (collectively, "SpectraSite") and its controlled subsidiaries (collectively, the "Company").

1. Assignment Scope

SpectraSite hereby retains Lazard to act as its investment banker, to render financial advisory services to the Company, on the terms and subject to the conditions hereinafter set forth, in connection with a Restructuring Transaction and the other matters referred to herein. As used in this Agreement, the term "Restructuring Transaction" shall mean, collectively, any significant financial restructuring, reorganization (whether or not pursuant to Chapter 11 of the United States Bankruptcy Code) and/or recapitalization, which may be implemented by means of, *inter alia*, the solicitation of waivers and consents from the holders of the Company's bank debt or debt securities or other claims against the Company (collectively, the "Claims"); and the holders of such Claims, collectively, the "Creditors"); the modification or amendment of the terms and conditions of such Claims; the conversion of such Claims into equity of the Company; an exchange offer involving the issuance of new securities in exchange for such Claims; the issuance or sale of new debt or equity securities or other interests; the refinancing, renewal or refunding of the Company's existing bank debt; the raising of debtor in possession financing; the sale, merger or consolidation of the Company to or with another person or entity; the sale or disposition of all or a substantial portion of the Company's assets; or any other similar transaction or series of transactions.

2. Restructuring Services

Lazard agrees, in consideration of the compensation set forth in Section 5 below, to perform such of the following investment banking services as the Company may reasonably request, including:

- (a) Review and analyze the Company's business, operations and financial projections;
- (b) Evaluate the Company's potential debt capacity in light of its projected cash flows;
- (c) Assist in the determination of a capital structure for the Company;
- (d) Assist in the determination of a range of values for the Company on a going concern and liquidation basis;
- (e) Advise the Company on tactics and strategies for negotiating with its various groups of Creditors;
- (f) Render financial advice to the Company and participate in meetings or negotiations with the Creditors in connection with any Restructuring Transaction;
- (g) Advise the Company on the timing, nature, and terms of any new securities, other consideration or other inducements to be offered to its Creditors in connection with any Restructuring Transaction;
- (h) Assist the Company in preparing documentation within our area of expertise required in connection with the implementation of any Restructuring Transaction;
- (i) In the event a Restructuring Transaction is implemented in a proceeding under title 11 of the United States Bankruptcy Code, provide financial advice and assistance to the Company in developing and obtaining confirmation of a plan of reorganization, and as the same may be modified from time to time (a "Plan");
- (j) Assess the possibilities of bringing in new lenders and/or investors to replace, repay or settle with any of the Creditors;
- (k) Advise the Company with respect to the structure of and negotiations relating to any Business Combination (as defined in Schedule I) incorporating all or substantially all of the assets of the Company or the majority of the equity interests of the Company and any Business Combination involving the Company's network services business;
- (l) Assist in arranging financing, (including debtor-in-possession financing or exit financing) for the Company;
- (m) Advise and attend meetings of the Company's Board of Directors and its committees;

- (n) Provide testimony, as necessary, in any proceeding in any judicial forum; and
- (o) Provide other restructuring advisory services, as necessary.

In performing its services pursuant to this Agreement, Lazard is not assuming any responsibility for the decision by the Company or any other party to pursue (or not to pursue) any particular business strategy or to effect (or not to effect) any particular Restructuring Transaction or other transaction. Lazard shall not have any obligation or responsibility to provide accounting, audit, "crisis management" or business consultant services to the Company, and shall have no responsibility for the design of or implementation of any operating, organizational, administrative, cash management or liquidity improvement strategies, or to provide any advice or opinion with respect to the Company's solvency, nor shall Lazard perform any independent appraisal or valuation of the assets or Liabilities of the Company. Further, the Company acknowledges that it has retained its own legal counsel and accountants for legal, tax and accounting advice.

3. Information

In connection with Lazard's activities on the Company's behalf, the Company will use its reasonable best efforts to cooperate with Lazard and will furnish to, or cause to be furnished to, Lazard, any and all information and data concerning the Company (the "Information") which Lazard deems appropriate and will provide Lazard with access to the Company's officers, directors, employees, appraisers, independent accountants, legal counsel and other consultants and advisors. The Company represents and warrants that all information (a) made available by the Company to Lazard, the Creditors and other parties to any Restructuring Transaction or (b) contained in any filing by the Company with any court, governmental or regulatory agency, commission or instrumentality, was, or will be, as of its date, complete and correct in all material respects and did not or will not, as of its date, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are made. The Company further represents and warrants that any projections or other information provided by it to Lazard, will have been prepared in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable. The Company recognizes and confirms that, in advising the Company and completing its engagement hereunder, Lazard will be using and relying on the Information, and information from public and other sources and on data, material and other information furnished to Lazard by the Company and other parties. It is understood that in performing under this engagement Lazard may assume and rely upon the accuracy and completeness of, and it is not assuming any responsibility for independent verification of any Information or information so furnished by the Company or any third party.

The Company hereby agrees to use its reasonable best efforts to keep Lazard advised of all developments materially affecting the Company or its financial position. In connection with Lazard's activities hereunder, the Company hereby authorizes Lazard to make appropriate use of

such Information, including discussing it with any third parties to whom the Company and Lazard mutually agree all or part of such Information should be provided.

4. Fees

As consideration for Lazard's agreement to provide the services set forth in Section 2, the Company agrees to pay Lazard the following fees:

- (a) Monthly Financial Advisory Fees. The Company shall pay Lazard a monthly financial advisory fee of \$250,000 in cash for each month of Lazard's engagement hereunder commencing with the month of July 2002, the fee for such month to be prorated to reflect the date hereof. The monthly financial advisory fee shall be payable in advance on the first day of each month during the term of Lazard's engagement hereunder. The monthly financial advisory fees payable for the months of January 2003 through December 2003, inclusive, shall be credited against the Restructuring Transaction Fee (as defined below) payable under section 4(b) or the Business Combination Fee (as defined below) payable under section 4(c)(i) below, if, as and when such Fee is payable.
- (b) Restructuring Transaction Fee. In the event that the Company consummates a Restructuring Transaction, the Company shall pay Lazard a restructuring transaction fee in cash (the "Restructuring Transaction Fee") in the amount of \$8.3 million, such fee to be payable promptly upon the closing of such Restructuring Transaction.
- (c) Business Combination Fee.
 - i) If, whether in connection with the consummation of a Restructuring Transaction or otherwise, the Company consummates a Business Combination (as defined in Schedule I) incorporating all or substantially all of its assets or the majority of the equity interests of the Company, Lazard shall act as investment banker in connection therewith. The Company shall pay Lazard a fee in cash in connection therewith equal to the Restructuring Transaction Fee as described and as calculated in section 4(b) above. 100% of any fee paid under this Section 4(c)(i) shall be credited against any fees payable under Section 4(b).
 - ii) In the event that the Company consummates a Business Combination involving the Company's network services business (a "Limited Business Combination"), the Company shall pay Lazard a fee in cash in connection therewith equal to the greater of \$750,000 or the fee based on the Aggregate Consideration calculated as set forth in Schedule I hereto ("Limited Business Combination Fee"). 100% of any fee paid under this Section 4(c)(ii) shall be credited against any fees payable under Section 4(b).

- iii) Any fee payable under this section 4(c) shall be paid upon closing of the applicable Business Combination provided that Lazard recognizes that it must comply with any applicable statutes, rules and/or order in the event that the Business Combination is accomplished in a bankruptcy proceeding.

5. Expenses and Indemnification

In addition to any fees that may be payable to Lazard in accordance with the provisions of Section 4, the Company agrees that it shall promptly reimburse Lazard for all reasonable out-of-pocket expenses (including travel and lodging, data processing and communications charges, courier services, and other appropriate expenditures, including the reasonable fees and expenses of outside counsel and other professional advisors) incurred by Lazard in connection with the performance of its services hereunder. The expenses to be reimbursed pursuant to the immediately preceding sentence shall not exceed \$500,000 without the prior consent of the Company; provided, however, this sentence shall in no way affect the Company's obligations as set forth in the Indemnification Letter (defined below).

As part of the compensation payable to Lazard hereunder, the Company agrees to the indemnification and contribution provisions (the "Indemnification Letter") attached to this Agreement as Addendum A and incorporated herein in their entirety.

6. Retention in Chapter 11 Proceedings

In the event that the Company determines to commence Chapter 11 proceedings in order to pursue a Restructuring Transaction, the Company will use its best efforts to obtain prompt authorization from the Bankruptcy Court to retain Lazard on the terms and conditions set forth in this Agreement under the provisions of Section 328(a) of the Bankruptcy Code. Subject to being so retained, Lazard agrees that during the pendency of any such proceedings, it shall continue to perform its obligations under this Agreement and that it shall file interim and final applications for allowance of the fees and expenses payable to it under the terms of this Agreement pursuant to the applicable Federal Rules of Bankruptcy Procedure, and the local rules and order of the Bankruptcy Court. The order of the Bankruptcy Court approving the Agreement and authorizing Lazard's retention shall be acceptable to Lazard in its sole discretion. In so agreeing to seek Lazard's retention under Section 328(a) of the Bankruptcy Code, the Company acknowledges that it believes that Lazard's general restructuring experience and expertise, its knowledge of the capital markets and its merger and acquisition capabilities will inure to the benefit of the Company in pursuing any Restructuring Transaction, that the value to the Company of Lazard's services hereunder derives in substantial part from that expertise and experience and that, accordingly, the structure and amount of the contingent Restructuring Transaction Fee is reasonable regardless of the number of hours to be expended by Lazard's professionals in the performance of the services to be provided hereunder.

7. Term

Lazard's engagement hereunder shall extend until the earlier of consummation of a Restructuring Transaction (whether pursuant to a Plan or otherwise) or the effective termination of this Agreement in accordance with the provisions of this Section 7. This Agreement may be terminated by SpectraSite or Lazard at any time without any liability or continuing obligation to the other party, except that (a) Lazard shall remain entitled to any fees accrued pursuant to Section 4 but not paid prior to such expiration or termination, as the case may be, and to reimbursement of any expenses incurred prior to such expiration or termination, as the case may be, as contemplated by Section 5 hereof, and (b) in the case of any expiration or termination by the Company, Lazard shall remain entitled to full payment of the Restructuring Transaction Fee or Business Combination Fee contemplated by Section 4 hereof in respect of any Restructuring Transaction or Business Combination announced or resulting from negotiations commenced during the period from the date hereof until 1 year following the effective date of such expiration or termination, as the case may be. The Indemnification Letter shall survive any expiration or termination of this Agreement.

8. Miscellaneous Provisions

Any financial advice, written or oral, rendered by Lazard pursuant to this Agreement is intended solely for the benefit and use of the management and the Board of Directors of the Company in considering the matters to which this Agreement relates, and except as provided for herein, or as may be required by applicable law, regulation or judicial process, the Company agrees that such advice may not be disclosed publicly or made available to third parties without the express, prior written consent of Lazard, which consent shall not be unreasonably withheld or delayed. Any advice rendered to the Company's management or Board of Directors shall not constitute a recommendation to any stakeholder of the Company, nor shall Lazard's engagement confer rights upon any securityholder, stakeholder, creditor, lender, or other person not a party hereto.

No fee payable to any other person by the Company or any other party shall reduce or otherwise affect any fee payable hereunder to Lazard. The provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the Company, Lazard and any other person entitled to indemnity under the Indemnification Letter.

Lazard has been retained under this Agreement as an independent contractor, and it is understood and agreed that this Agreement does not create a fiduciary relationship between Lazard and the Company, the Board of Directors or any Creditors or securityholders of the Company. It is also understood and agreed that nothing in this letter is intended to constitute a commitment by Lazard to provide any financing to the Company or a representation by Lazard that any such financing (whether from Lazard or any other person or entity) is or may be available to the Company.

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SpectraSite Holdings, Inc.
SpectraSite Communications, Inc.
July 11, 2002
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This Agreement and any claim related directly or indirectly to this Agreement (including any claim concerning advice provided pursuant to this Agreement) shall be governed and construed in accordance with the laws of the State of New York (without giving regard to the conflicts of law provisions thereof). Except as may be otherwise agreed by the parties, no such claim shall be commenced, prosecuted or continued in any forum other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, and each of the parties hereby submits to the jurisdiction of such courts. The Company hereby waives on behalf of itself and its successors and assigns any and all right to argue that the choice of forum provision is or has become unreasonable in any legal proceeding. Each of Lazard and the Company waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to or arising out of the engagement of Lazard pursuant to, or the performance by Lazard of the services contemplated by, this Agreement.

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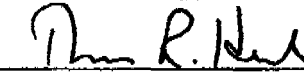
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If the foregoing correctly sets forth the agreement between us, please so indicate on the enclosed signed copy of this Agreement and the Indemnification Provisions in the space provided therefor and return it to us, whereupon this Agreement and the Indemnification Provisions shall each constitute a binding agreement between us.

Very truly yours,

LAZARD FRÈRES & CO. LLC

By



Thomas R. Haack
Managing Director

AGREED TO AND ACCEPTED

as of the date first above written:

SPECTRASITE HOLDINGS, INC.
SPECTRASITE COMMUNICATIONS, INC.

By



Steven H. Clark
President and Chief Executive Officer

SCHEDULE ILimited Business Combination Fee

The following table outlines Lazard's Limited Business Combination Fee schedule. The total fee is calculated by breaking down the Aggregate Consideration, multiplying each increment by the corresponding incremental fee and adding the results.

<u>Portion of Aggregate Consideration</u> <i>(\$ in millions)</i>	<u>Incremental Fee %</u>
\$0 - \$25	2.00%
\$25 - \$50	1.50%
\$50 - \$100	1.20%
\$100 - \$200	1.00%
\$200 - \$300	0.95%
\$300 - \$400	0.90%
\$400 - \$500	0.85%
\$500 - \$600	0.80%
\$600 - \$700	0.75%
\$700 - \$800	0.70%
\$800 - \$900	0.65%
\$900 +	0.60%

For purposes hereof, the term "Aggregate Consideration" means the total amount of cash and the fair market value (on the date of payment) of all other property paid or payable (including amounts paid into escrow) to the Company or its securityholders in connection with the Business Combination (or any related transaction), including amounts paid or payable in respect of convertible securities, warrants, stock appreciation rights, options or similar rights, whether or not vested, plus the principal amount of all indebtedness for borrowed money as set forth in the most recent consolidated balance sheet of the Company prior to consummation of the Business Combination or, in the case of a sale of assets, all indebtedness for borrowed money assumed by the third party. Aggregate Consideration shall also include the aggregate amount of any dividends or other distributions declared by the Company after the date hereof, other than normal quarterly cash dividends, and, in a case of a sale of assets, the net value of any current assets related to the assets sold but not sold by the Company. If any portion of the Aggregate Consideration is subject to increase by contingent payments related to future events or paid into escrow, the portion of our fee relating thereto shall be calculated by us in good faith and paid to us upon the consummation of the Limited Business Combination.

For purposes of calculating Aggregate Consideration, (i) all shares will be deemed transferred where a Business Combination is effected by the transfer of shares, (a) constituting a majority of the then outstanding equity securities of or equity interest in the Company, or (b) possessing a majority of the then outstanding voting power of the outstanding equity securities of or equity interest in the Company, and (ii) the value of securities (whether debt or equity) that are freely tradable in an established public market will be determined on the basis of the average closing price in such market for the 10 trading days prior to the closing of the Business Combination (the "Valuation Date"); and the value of securities that have no established public market or other property will be the fair market value of such securities or other property on such Valuation Date and any restricted stock (i.e., stock in a public company not freely tradeable) received shall be valued at 85% of the public market price of such stock. "Aggregate Consideration" shall also be deemed to include pension liabilities and guarantees of monies borrowed assumed directly or indirectly by the acquiror.

The term "Business Combination" means any transaction or series of transactions involving (a) an acquisition, merger, consolidation, or other business combination pursuant to which all or a portion of the businesses or assets of the Company are combined with a non-affiliated company or any of such company's subsidiaries; (b) the acquisition, directly or indirectly, by a buyer (which term shall include a "group" of persons as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended), of equity interests or options, or any combination thereof; (c) any other purchase or other acquisition by a buyer of assets of the Company or (d) the formation of a joint venture or partnership with the Company or direct investment in the Company for the purpose of effecting a transfer of a controlling or significant minority interest in the Company to a third party. Notwithstanding anything contained herein to the contrary, the term "Business Combination" shall not include a transfer of control of the Company and/or its subsidiaries to their existing stakeholders (or their successors and assigns) pursuant to a plan of reorganization in any bankruptcy proceeding in which they may be involved.

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LAZARD FRÈRES & Co. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212-632-6000
www.lazard.com

ADDENDUM A

July 11, 2002

SpectraSite Holdings, Inc.
SpectraSite Communications, Inc.
100 Regency Forest Drive
Suite 400
Cary, NC 27511

Attention: Mr. Steven H. Clark
President and Chief Executive Officer

Ladies and Gentlemen:

In connection with our engagement to advise and assist you with the matters set forth in the engagement letter of even date herewith, you and we are entering into this letter agreement. It is understood and agreed that in the event that Lazard Frères & Co. LLC or any of our members, employees, agents, affiliates or controlling persons, if any (each of the foregoing, including Lazard Frères & Co. LLC, being an "Indemnified Person") become involved in any capacity in any action, claim, proceeding or investigation brought or threatened by or against any person, including your stockholders, related to, arising out of or in connection with our engagement, you will promptly reimburse each such Indemnified Person for its legal and other expenses (including the cost of any investigation and preparation) as and when they are incurred in connection therewith; provided, however, that if it is found as set forth below in any such action, claim, proceeding or investigation that any loss, claim, liability or expense of an Indemnified Person has resulted primarily from the gross negligence or bad faith of such Indemnified Person in performing the services which are the subject of our engagement, such Indemnified Person shall repay such portion of the reimbursed amounts that is attributable to expenses incurred in relation to the act or omission of the Indemnified Person which is the subject of such finding. You will indemnify and hold harmless each Indemnified Person from and against any losses, claims, damages, liabilities or expense to which any Indemnified Person may become subject under any applicable federal or state law, or otherwise, related to, arising out of or in connection with our engagement, whether or not any pending or threatened action, claim, proceeding or investigation giving rise to such losses, claims, damages, liabilities or expense is initiated or brought by or on your behalf and whether or not in connection with any action, proceeding or investigation in which you or such Indemnified Persons are a party, except to the extent that any such loss, claim, damage, liability or expense is found by a court of competent jurisdiction in a judgment which has become final in that it is no longer subject to appeal or review to have resulted primarily from such Indemnified Person's bad faith or gross negligence. You also agree that no Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to you or your subsidiaries or affiliates or your respective

security holders or creditors related to, arising out of or in connection with our engagement except to the extent that any loss, claim, damage or liability is found by a court of competent jurisdiction in a judgment which has become final in that it is no longer subject to appeal or review to have resulted primarily from such Indemnified Person's bad faith or gross negligence. If multiple claims are brought against us in an arbitration related to, arising out of or in connection with our engagement, with respect to at least one of which such claims indemnification is permitted under applicable law, you agree that any arbitration award shall be conclusively deemed to be based on claims as to which indemnification is permitted and provided for hereunder, except to the extent the arbitration award expressly states that the award, or any portion thereof, is based solely on a claim as to which indemnification is not available.

If for any reason the foregoing indemnification is held unenforceable, then you shall contribute to the loss, claim, damage, liability or expense for which such indemnification is held unenforceable in such proportion as is appropriate to reflect the relative benefits received, or sought to be received, by you and your stockholders on the one hand and the party entitled to contribution on the other hand in the matters contemplated by our engagement as well as the relative fault of yourselves and such party with respect to such loss, claim, damage, liability or expense and any other relevant equitable considerations. You agree that for the purposes hereof the relative benefits received, or sought to be received, by you and your stockholders and ourselves shall be deemed to be in the same proportion as (i) the total value paid or proposed to be paid or received by you or your stockholders, as the case may be, pursuant to the transaction (whether or not consummated) for which we have been engaged to perform investment banking services bears to (ii) the fees paid or proposed to be paid to us in connection with such engagement; provided, however, that, to the extent permitted by applicable law, in no event shall we or any other Indemnified Person be required to contribute an aggregate amount in excess of the aggregate fees actually paid to us for such investment banking services. Your reimbursement, indemnity and contribution obligations under this letter shall be in addition to any liability which you may otherwise have, shall not be limited by any rights we or any other Indemnified Person may otherwise have and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of yourselves, ourselves, and any other Indemnified Persons.

Promptly after receipt by an Indemnified Person of notice of his, her or its involvement in any action, claim, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against you hereunder, notify you in writing of such involvement. In any event, failure to notify you shall not relieve you from any liability which you may have on account of this indemnity or otherwise, except to the extent that you have been materially prejudiced by such failure. If any Indemnified Person is entitled to indemnification hereunder with respect to any action, claim, proceeding or investigation brought by a third party, you shall be entitled to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Person. Upon assumption by you of such defense, the Indemnified Person shall have the right to participate therein and to retain its own counsel but you shall not be liable for any legal fees and expenses of such other counsel or for the fees and expenses of other providers of professional services subsequently incurred by such Indemnified Person in connection with the