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Securitized Products Special Topics

Small Cells: Ancillary Segment Offers Valuable Digital Infra Lessons



ExteNet Default Informs Data Center Workout Playbook

Recent developments in the small cell networks sector flesh out broad questions that investors are now grappling with around the AI/digital infrastructure buildout boom. Sector dynamics, as well as the struggles of the small cell issuer ExteNet and its attendant ABS transaction default, can inform aspects such as: (1) How market sentiment over AI monetization and data centers impact ancillary digital infrastructure segments? (2) How securitization trusts address digital infrastructure distressed situations? (3) What structural protections should investors look for to preempt potential broader data center malaise? (4) How critical the role of the digital infra collateral sponsor/manager is, and can the sponsor be easily replaced?

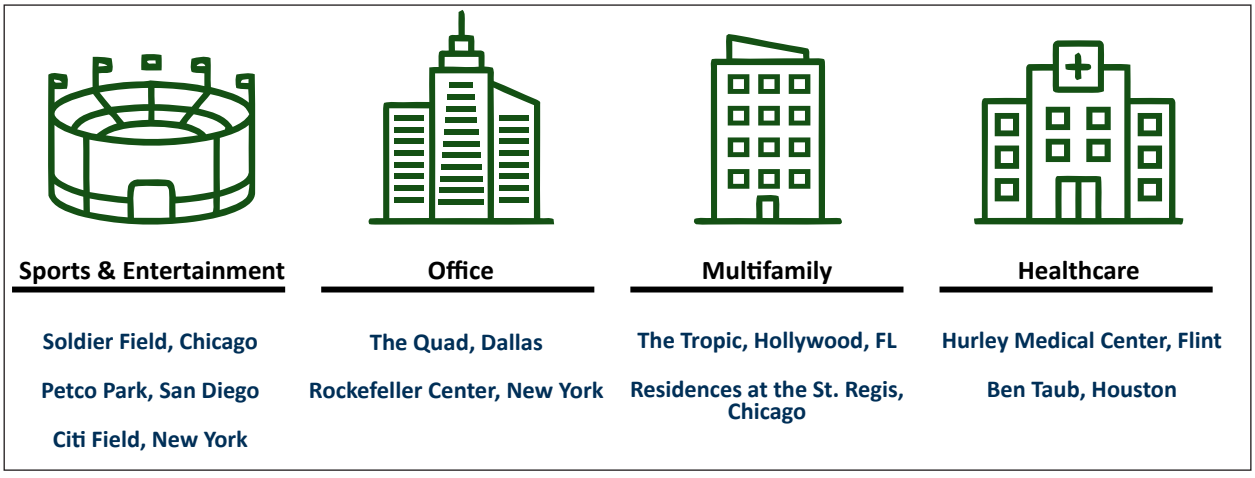
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Outdoor and indoor small cells and the related distributed network systems (DNS) are key components of digital connectivity. DNS networks complement macro wireless towers in geographies and locations in which the towers are not efficient, facilitating so-called network "densification".

Outdoor DNS supports wireless coverage and connectivity where macro wireless towers don't exist or are limited because of zoning restrictions. In turn, indoor spaces may experience poor cellular data performance because materials like concrete, steel and energy-efficient glass often block outdoor signals. Folks who attended ABS East last week perhaps can relate, following some struggles with cellular reception at the conference center ballrooms (before switching to WiFi). Small cell providers place small antennas throughout indoor venues such as office buildings, hotels, big-box retail, multifamily communities, and sports arenas (Figure 1).

Figure 1. Small Cells Venues

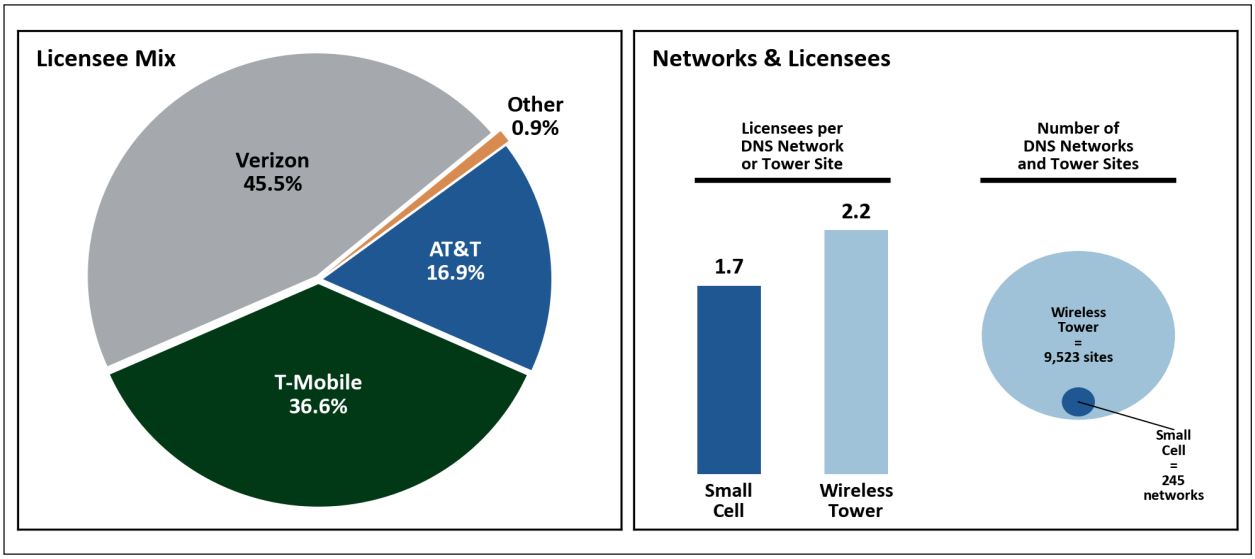


Source: Company materials and Academy Securities

Digital Infra Exposures with Limited AI/Bubble Sensitivity

Small cell network securitizations share attributes of both wireless towers and dark fiber transactions.[1] Contractual license payments back the small cell issuance. The licenses typically are with the major wireless carriers – AT&T, T-Mobile, and Verizon (Figure 2). As such, there is limited risk of licensee (or "tenant") non-payment. However, licensees may choose not to renew their leases ("churn" risk). The manager/sponsor experience in managing the digital infra equipment plays a key role in the strength of the transaction. Technology risk and potential obsolescence are also present.

Figure 2. Small Cells Collateral Characteristics



Source: Deal documents, ratings agencies and Academy Securities

Small cell exposures clearly fall smack on within the digital infrastructure ecosystem. But the sector features different dynamics than pure AI/data center investments. Like fiber ABS, small cell transactions may mitigate headline/bubble risk in portfolios, yet still offer exposure to fast-growing digital infra segments.

Investors may also be able to leverage existing views on CRE property type and market fundamentals to assess outdoor, and especially indoor DNS collateral. Interestingly, rating agencies generally view outdoor DNS more favorably than indoor DNS because outdoor DNS is not affected by the longevity of the building or venue. On the flip side, outdoor DNS do not benefit from zoning restrictions, and may be more exposed to churn risk. Indoor DNS networks across viable, durable properties can offer long-term stable cashflow stream. In turn, an accelerating focus on building new sports stadiums, or undertaking major renovations to existing ones, can facilitate strong demand for small cell solutions.[2]

1 "Tower ABS: Tenant Preferences Bode Well for Leasing Demand," Securitized Products Special Topics, Academy Securities, October 10, 2024; "Fiber ABS: Distinct Sub-segments and Diverse Performance Drivers," Securitized Products Special Topics, Academy Securities, December 17, 2025

2 "Sports Securitization: Gear Up to Vet League Revenues and Stadium Cashflows," Securitized Products Special Topics, Academy Securities, February 18, 2025

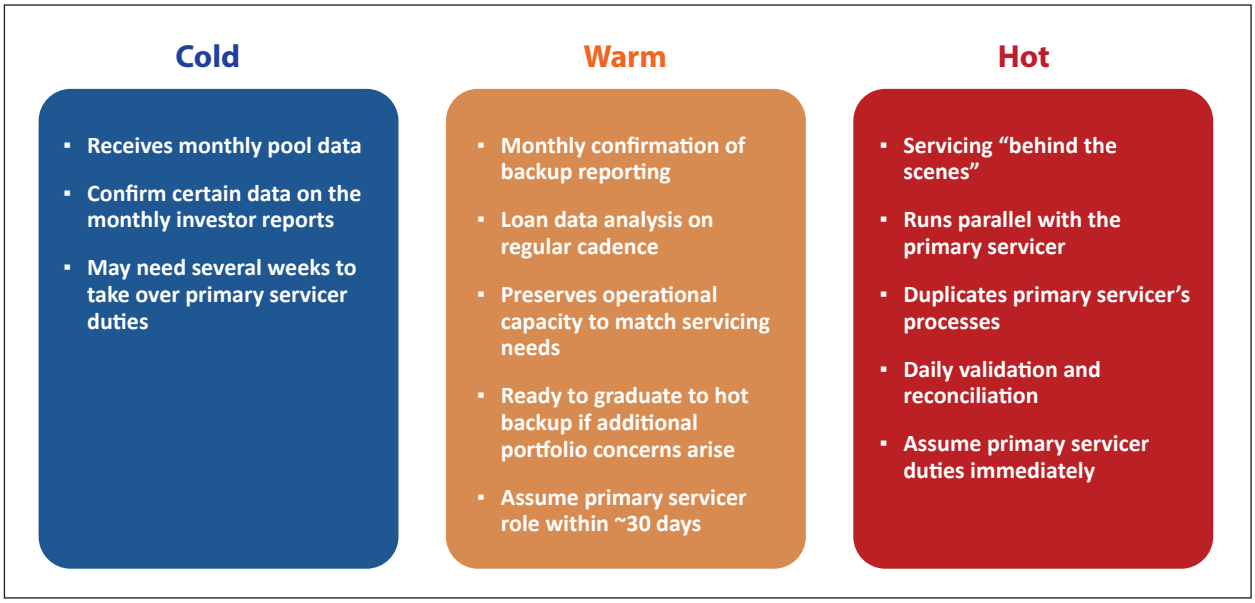
Gearing Up for Data Center Workouts

The recent default of the small cell transactions ExteNet 2025-1 and 2024-1 provide important lessons for investors on gearing up for potential distress across other digital infrastructure situations down the road. The digital infra space, especially data centers, have not experienced meaningful defaults or distressed workouts so far. If/when needed, a workout playbook for the sector is uncertain. In particular, it is not clear if trusts can easily and seamlessly take over digital infra collateral and operations from experienced managers/sponsors. In contrast, workout pathways for other property types, such as office or retail, are more established by now.[3] The market also has experience with recovery timelines and levels for traditional properties.

The $117.5 million EXTNT 2025-1 and $375.9 million EXTNT 2024-1 have been missing interest payments since July 2026. Rating agencies downgraded to "default" the senior tranches of both deals. The servicer has not advanced the missing payments, even though the servicer did not make non-recoverability determination. There is no backup manager for the transactions. An "event of default" results in a manager termination event, based on deal documents. The servicer is acting to select a replacement manager, at the direction of noteholders.

The ExteNet situation should sharpen the market focus on backup manager arrangements, and deal cashflow mechanisms. ExteNet predicament may be isolated. It does not appear to be materially affecting a strengthening fiber ABS pipeline. But we will be on the lookout to see if upcoming deals incorporate structural protections aimed at addressing situations such as ExteNet. The post-Tricolor market reaction bodes well. Investor demand for additional loan verification products and more frequent oversight from backup servicers reportedly has spiked in the year following subprime auto lender Tricolor's collapse. We anticipated at the time greater market focus on the value vs. cost tradeoff of various types of backup servicers (Figure 3).[4]

Figure 3. Backup Servicer Types



Source: Presales and Academy Securities

3 "Mod Substantiations: Tracking a Shift in Distressed Workouts," CMBS Credit Focus, Academy Securities, June 2, 2026

4 "Backup Servicing: Tricolor Spotlights Backup Servicers Temperature," Securitized Products Special Topics, Academy Securities, October 15, 2025

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Timeshare ABS: Program-specific Attributes to Drive Performance

Music ABS: Pool Variations Emerge Amid Constructive Sector View

Tower ABS: Tenant Preferences Bode Well for Leasing Demand

Aircraft ABS: Momentum Builds for Insurance Booster

Data Centers: Tenant Rosters Poised to Change

Container ABS: Geopolitical Tailwinds as Issuance Picks Up

Gas Securitization: Shorter WAL Alternative to Electric Charge Deals

Net Leases: Scarcity Value as Issuance Poised to Pick Up

Recovery Bonds: Deal Reporting Shows True-Up Adjustments Potency

Data Centers: Performance Wrinkles to Test Operators' Role

Recovery Bonds: Diversifying Exposure Moves Beyond Disasters

Device Payment ABS: Expect Stable Performance as Collateral Evolves

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Commercial Solar ABS: Emergent Segment to Alleviate Headline Risks

Cell Towers: Lender-Friendly Features Dovetail with Secular Tailwinds

Timeshare ABS: Exposure to Favorable Hospitality Segments

Recovery Bonds: No Need to Closely Watch the Fed or the Economy Here

Data Centers: A Strong Segment Juggles ABS and CMBS

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Demand Flexibility: Data Centers Are Not Standalone Properties

Oil & Gas ABS: Midstream Deals Tap Infra and Data Center Buildouts

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Data Center Campuses: Phase Buildouts to Scatter Investor Exposures

PJM Auctions: Weeding Out Spec Data Center Construction

Payment Priorities: Mobile & Electric Bills Upend Consumer Waterfall

Stranded Assets: Power Plants and Data Centers Performance Intertwine

Infrastructure CLO: Concentrated Exposures in Favored Segments

Fiber ABS: Distinct Sub-segments and Diverse Performance Drivers

Power Failures: Amazon/PacifiCorp Dispute Highlights Power Agreements

Backup Servicing: Tricolor Spotlights Backup Servicer Temperature

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Data Centers Capex: Mixed Estimates on a Key Cashflow Driver

ARDs: Missing Anticipated Repayment Not Unusual, May Warrant Workout

BBnB: Check Your Booked-But-not-Billed Data Center Exposure

Stadium Finance: Shift to Private Funding Sets Stage for Securitization

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Life Sciences: Surveil Your Exposure as Distress Percolates

CRE CLO Liquidations: Losses Accumulate, but No Immediate Writedowns

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Multifamily Expenses: Broad Increases Mask the Fluctuations

Small Balance Commercial: Periphery Locations and "Weak" Sponsors May Prove Supportive

Investor Non-QM: Pockets of Value as Underwriting Tightens

Multifamily Prepays: Becoming Less Common, as Property Sales Drop

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Multifamily CRT: Limited Credit Risk on Synthetic Exposures

OC Triggers: Subtle Thresholds Come to the Fore As Collateral Stress Builds Up

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NYC Multifamily: Rent Increases to Support Cashflows Amid Regulatory Restrictions

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Mod Waterfalls: Split A/B Should Not Override Deal Allocation Priorities

Parking Garages: Seattle Distress Spotlights Niche Property Sector

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Control Rights: The Interplay of Co-Lender and Intercreditor Agreements

Negative ASER: Unexpected Upside for Subordinate Bonds

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Distressed Office: 522 Fifth Avenue Trade Illustrates Office Upside

BOLT: Liquidation Confirms Priority of Shortfalls Recovery

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Non-Trust Debt: Check the Seniority of Your CMBS Collateral

Recovering Shortfalls: Credit IO Value in Distressed Office

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Reserves vs Advances: Servicers Tap Reserves to Lower Advances

Forward Forbearances: One Market Plaza Introduces a Twist to Mods

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Blanket NRAs: Shutting Down Advances Upends Credit IO Trades

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Special Servicer Replacements: 1740 Broadway Crystalizes Implications

Crossgates Liquidation: Holdbacks Complicate Severity Projections

WODRA: Bond Cashflows Under Stress in Post-Mod Advance Recovery

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