

October 19, 2007

Industry View
In-Line

Telecom Services

***The State of Telecom 2007:
Investment and Investor
Sentiment***

***Presentation to The Columbia
Institute for Tele-Information***



MORGAN STANLEY RESEARCH

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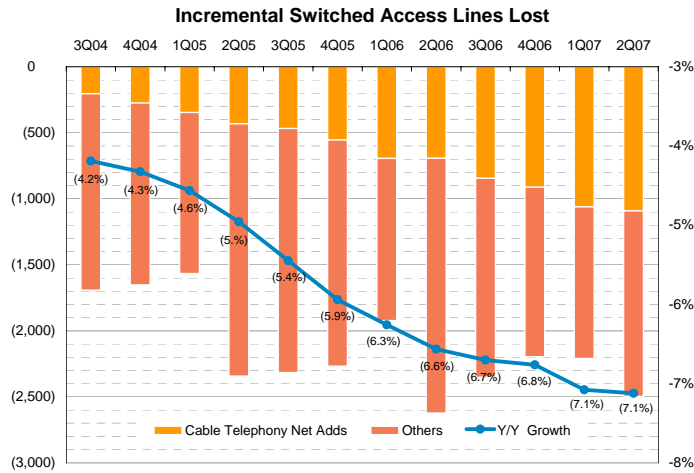
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MORGAN STANLEY RESEARCH
October 19, 2007

AGENDA

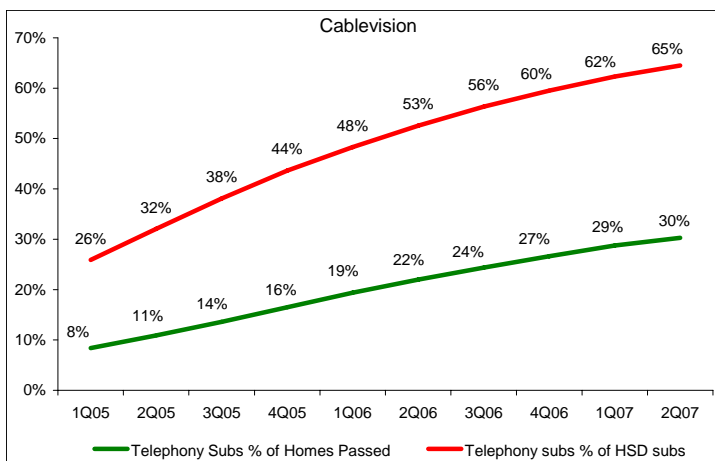
- Key Trends
 - Access Lines
 - Broadband
 - Telco TV
 - Wireless
 - Wireless Data
- Financial Indicators
- Investor Sentiment & Outlook

Bells Losing 2 Million Lines Per Quarter



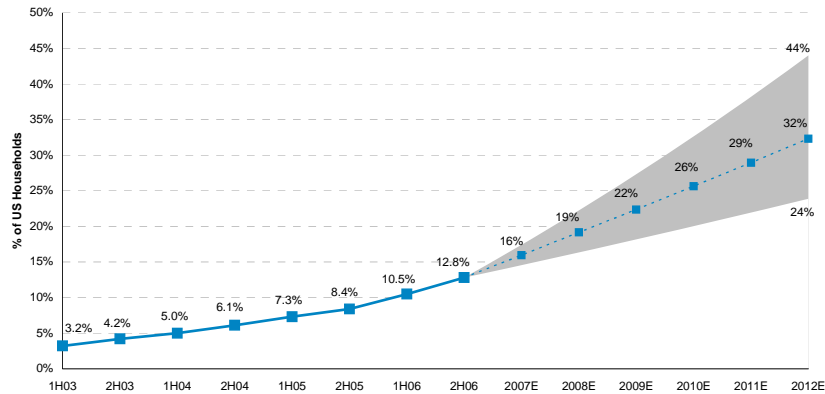
Source: Company Data, and Morgan Stanley Research
Note: Data shown for Y2, T and Q.

Cablevision Telephony – Surpasses 65% of Broadband Subs



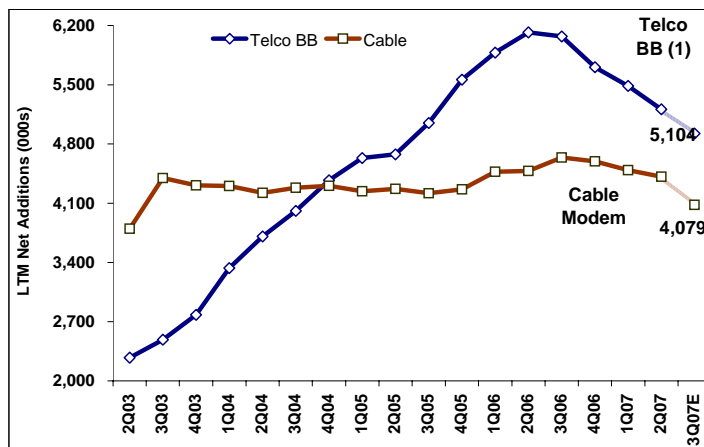
Source: Company data, Morgan Stanley Research

Nearly One-Third of Homes Become Wireless-Only in Base Case



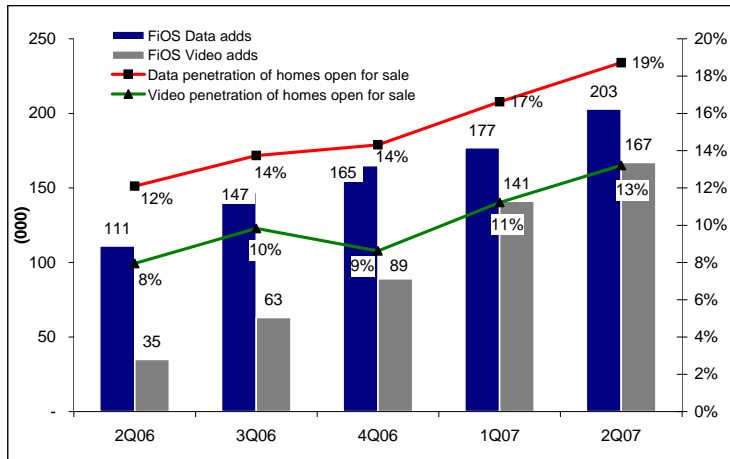
Source: Company data, Morgan Stanley Research

Broadband Growth Continues to Moderate (Last 12 Months Adds)



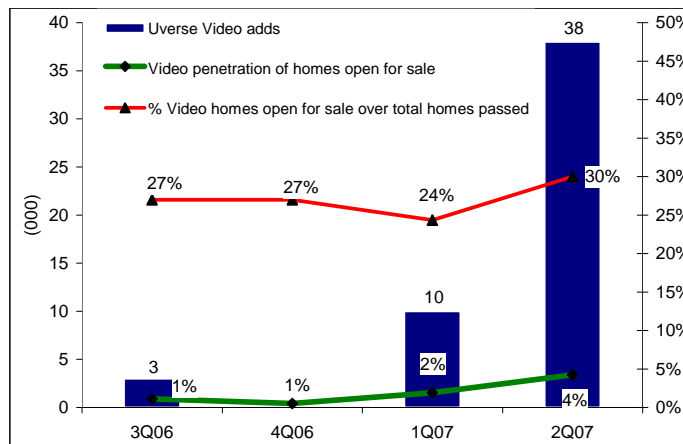
Source: Company Data, and Morgan Stanley Research
Note: Data shown is trailing 12 months broadband subscriber additions.
(1) Includes FiOS and U-verse.

Verizon FiOS Adds Above Expectations in Q2



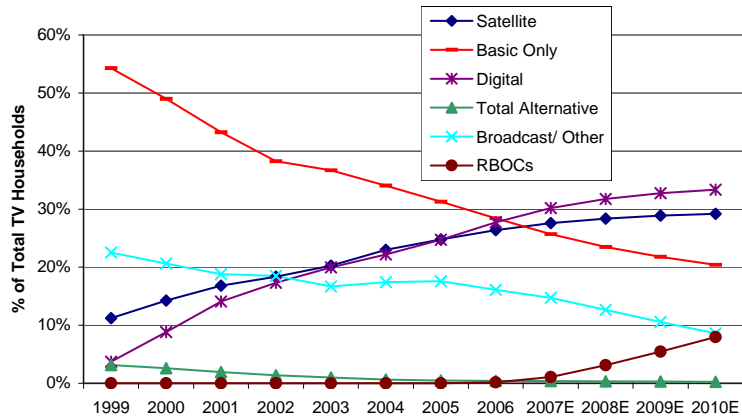
Source: Company data, Morgan Stanley Research

AT&T U-verse Starting to Scale



Source: Company data, Morgan Stanley Research

Bells Could Approach 10% by 2010

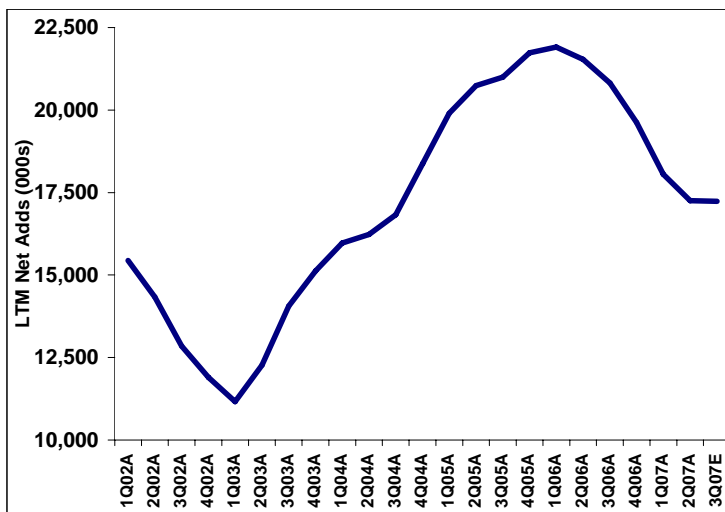


E= Morgan Stanley Research Estimates
Source: Company Data, and Morgan Stanley Research

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Wireless Contract Net Adds Continue to Head South

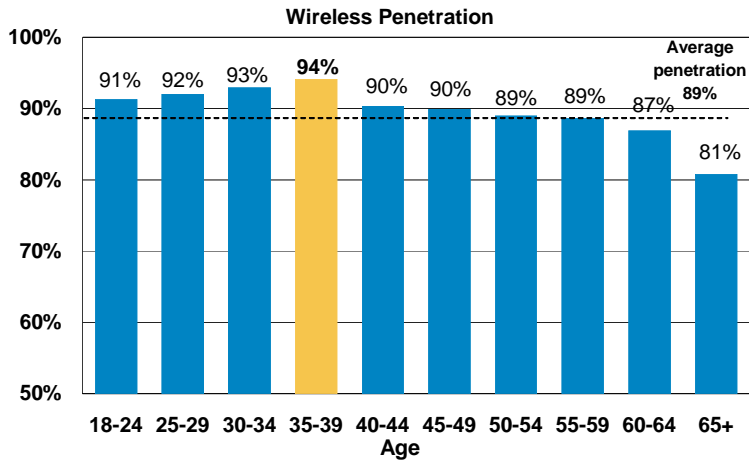


Source: Company data, Morgan Stanley Research

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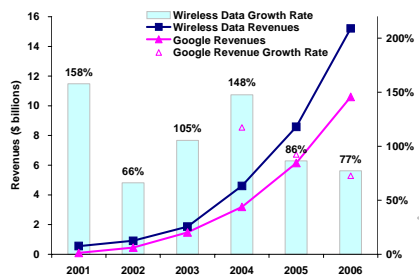
Wireless Penetration Highest Among 35-39 Year Olds



Source: Morgan Stanley Research

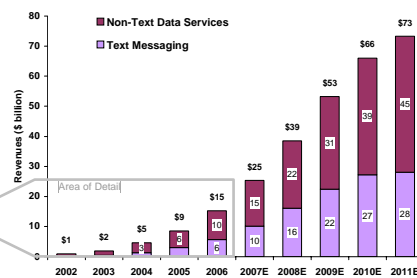
Revenues Could Triple in Five Years

Growth of Wireless Data & Comparison with Google



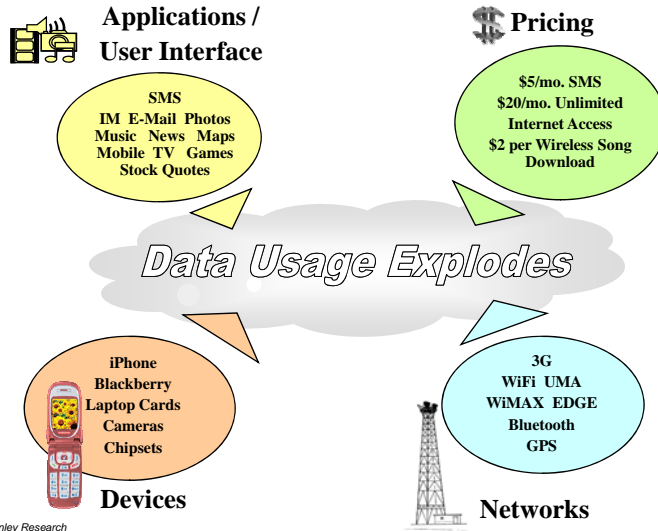
Source: CTIA's Wireless Industry Indices, company data, Morgan Stanley Research
Note: In 2002 and 2003, Google's growth rates were 409% and 234%, respectively.

Wireless Data Industry Growth Forecast



Source: CTIA's Wireless Industry Indices, Morgan Stanley Research

The Tipping Point Arrives for Wireless Data



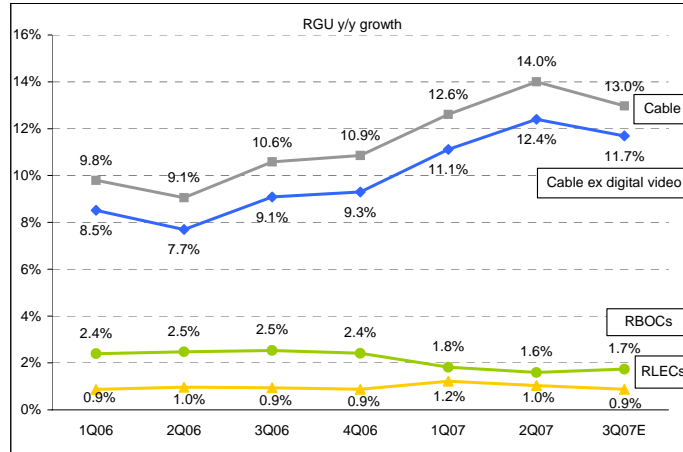
Source: Morgan Stanley Research

Wireless Data Service Revenue Composition

Text Messaging	~ 30%
Data Bucket Plans* (messaging, wireless web)	< 30%
E-mail* (Blackberry)	< 20%
Data Access Cards*	15 – 20%
Content Download	< 10%

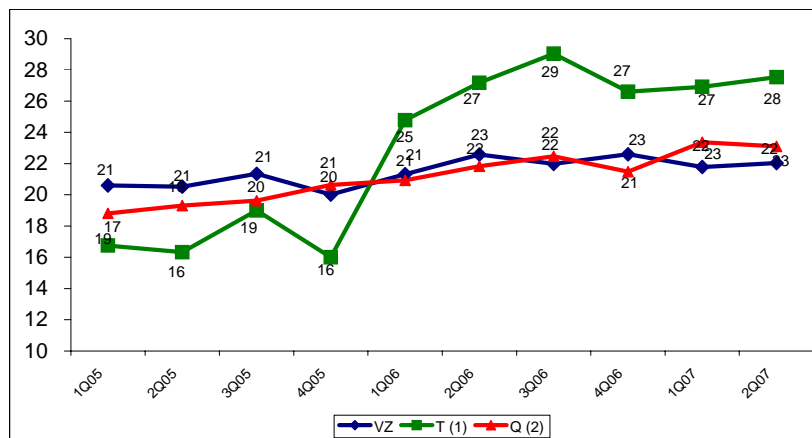
*Segments with the highest growth
Source: Morgan Stanley Research

Cable Cos Maintaining Lead in RGU Growth Over Telcos



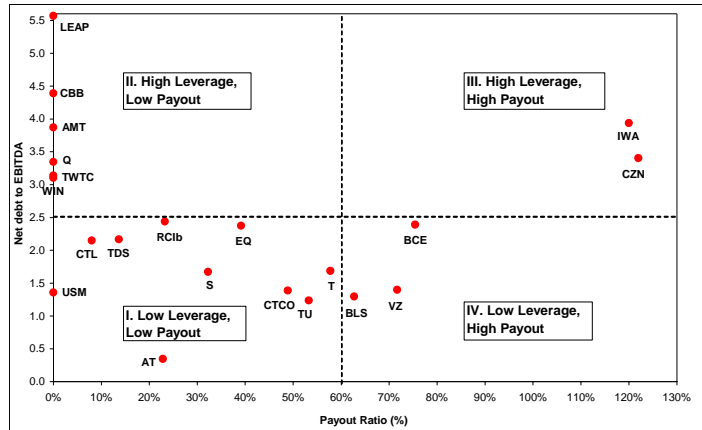
E= Morgan Stanley Research Estimates
Source: Company Data, and Morgan Stanley Research

Wireline EBITDA per Connection: Productivity Improves



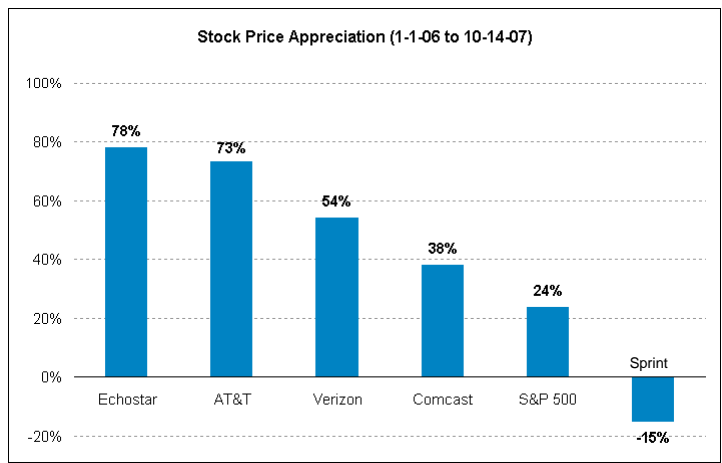
Source: Company Data, and Morgan Stanley Research

Leverage Is Generally Modest



E = Morgan Stanley estimates
 Source: FactSet, and Morgan Stanley Research
 Note: Leverage is defined as the ratio of Net debt to EBITDA (2006E) (from ModelWare).
 Payout ratio is defined as the ratio of dividend per share ("DPS") to consensus EPS (2006E) (from FactSet).
 LVL, SBAC, and FRP are not included in the graph above.

The Bells Are Booming



Source: Company data, Morgan Stanley Research

Key Factors Driving Performance

- Booming Broadband & Wireless
- Merger Synergies/ Industry Consolidation
- Regulatory Charge
- Return of Cash – Dividends & Buybacks
- Share Shifts
- Telecom as a Defensive Haven

2008 Could Be More Challenging

- DSL & Wireless Maturing
- Competitive Risks Are Rising
- Merger Synergies Are Fading
- Valuations Are Elevated
- The Economy Is Under Pressure

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	966	42%	330	44%	34%
Equal-weight/Hold	1017	44%	326	44%	32%
Underweight/Sell	317	14%	88	12%	28%
Total	2300		744		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

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Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Industry Coverage: Telecom Services

Company (Ticker)	Rating (as of)	Price (10/15/2007)
Vance Edelson		
AMDOCS (DOX.N)	E (12/18/2006)	\$35.95
American Tower Corp. (AMT.N)	O-V (08/17/2007)	\$43.05
Crown Castle Corp. (CCLN)	O-V (06/18/2007)	\$38.41
Level 3 Communications, Inc. (L.VLT.O)	E-V (06/29/2006)	\$4.36
PAETEC Holding Corp. (PAET.O)	O (05/24/2007)	\$12.73
SAVVIS Inc. (SVVS.O)	O (01/30/2007)	\$41.88
SBA Communications (SBAC.O)	O (10/05/2005)	\$34.5
TELUS Corp. (TU.N)	E (09/08/2006)	\$56.88
Time Warner Telecom Inc. (TWTC.O)	O (03/27/2006)	\$22.84
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AT&T, Inc. (T.N)	O (03/08/2006)	\$42.19
Altel Corporation (AT.N)	E (03/08/2006)	\$70.6
BCE Inc. (BCE.N)	NA (12/18/2006)	C\$40.58
CenturyTel (CTLN)	E (08/01/2006)	\$45.32
Cincinnati Bell Inc. (CBB.N)	E-V (11/03/2006)	\$5.03
Citizens Communications (CZ.N)	E (05/07/2007)	\$13.51
Clearwire Corporation (CLWR.O)	E-V (07/27/2007)	\$20.16
Embarras Corporation (EG.N)	U (09/27/2007)	\$57.29
FairPoint Communications (FRP.N)	+	\$19.18
Iowa Telecom (IWA.N)	U (04/17/2006)	\$20
Leap Wireless (LEAP.O)	O-V (04/28/2006)	\$75.3
MetroPCS Communications (PCS.N)	E-V (05/29/2007)	\$24.02
Qwest Communications Int'l (Q.N)	E (08/02/2007)	\$8.4
Rogers Communications, Inc. (RCB.T.O)	O (04/27/2005)	C\$47.44
Sprint Nextel Corporation (S.N)	U (02/24/2004)	\$17.79
Telephone & Data Systems (TDS.A)	E (09/21/2007)	\$67.72
US Cellular Corporation (USM.A)	E-V (08/13/2003)	\$96.84
Verizon Communications (VZ.N)	E (01/19/2005)	\$44.63
Wardstream Corp. (W.N)	O (04/17/2006)	\$14.1

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