THE CONVERGENCE CONSULTING GROUP LTD.

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The Battle for the American Couch Potato: Bundling, Television Internet, Telephone, Wireless

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Commentary

Now in its eighth year of publication, The Battle for the American (Couch Potato: Bundling, TV, Internet, Telephone, Wireless (April 2010, 120 pages) contains analysis of product offers (including price comparisons), strategy, and subscriber/financial performance metrics by **Company** as well as by overall **Market**. In addition to Convergence analysis, sources include hundreds of Company interviews, quarterly/annual reports & presentations.

Please see Table of Contents for more of what is included in this Report, as Report also breaks out by Company:

2009 RBOC/Telcos residential wireline telephone line loss was 11%; we forecast 10% for 2010. Wireless substitution was responsible for 60% of the 2009 loss. We estimate wireless-only households at 24% YE2009, up from 20% YE2008, and forecast 27.5% YE2010. Note: YE is year-end.

Cable represented 22% of residential wireline telephone subs YE2009, up from 18% YE2008, we forecast 27% YE2010.

Overall per annum wireless service ARPU continues to drop propelled by wireless voice revenue/ARPU declines, and despite wireless data's revenue growth (33% in 2009). We forecast that price competition, which intensified yet again at the start of 2010, will continue to increase going forward.

Buoyed by the digital transition, 2 million US TV subscribers were added in 2009, up from 1.46 million in 2008. We forecast 1.8 million sub additions in 2010 and 1.65 million in 2011.

Based on our TV Cord Cutting Model, as of year-end 2009 almost 800,000 US households had cut their TV subscriptions (to rely solely on Online, Netflix, OTA, etc). We forecast cord cutters will grow to 1.6 million households by year-end 2011.

AT&T and Verizon have made headway in adding TV subscribers due to competitively priced TV and broadband offerings & increased coverage area of their upgraded networks.

We forecast RBOCs/Telcos will have 7% of TV subs YE2010, up from 5% YE2009, & 10% YE2012. Cable will continue to lose 2%/annum TV market share through 2011, while Satellite will continue to slightly better than maintain TV share through 2011.

2009 TV access revenue was $84 billion; we forecast 5% revenue growth again in 2010. At YE2009, 35% of TV subs had DVR & 36% had HD; we forecast DVR at 50% & HD at 58% YE2012. 2009 Cable/Telco VOD revenue grew 18%.

2009 residential broadband sub additions were 4.84 million (2007 residential broadband additions were 8.82 million), we forecast 5.3 million in 2010. 2009 residential broadband access revenue was $35.4 billion; we forecast 10% revenue growth again in 2010. YE2009 residential Internet penetration was 68% (YE2009 residential broadband penetration was 59%).

Cable continues to add more residential broadband subs per annum than the RBOC/Telcos, and we forecast that Cable will maintain its 57% residential broadband subscriber market share through 2012. The RBOC/Telcos ongoing residential telephone line loss creates a declining base to gain or retain broadband subs.