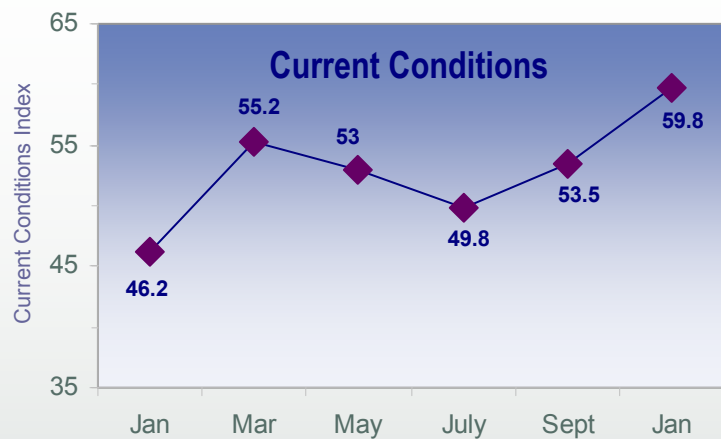


The “**Current Conditions**” index rose to a new high of **59.8**. The “Current Conditions” index has risen steadily since July 2004 and is now at its highest level since Sage began tracking this index in January 2002. The increase this period has been driven primarily by wireless operators, who are noticeably more optimistic than any other type of service provider covered in this survey. Large gains in the “Overall Conditions” and “Employment” sub-indices primarily drove the increase in the general Current Conditions index this month.

The “**Expectations**” index continued its recovery this period, climbing back to levels not seen since early 2004. After a precipitous drop in July 2004, the overall “Expectations” index has steadily risen. Gains this period in the sub-indices of “Capital Spending,” “Overall Conditions,” and “Employment” were primarily responsible for the 5-point increase in the Expectations index.



Methodology

The Sage Service Provider Confidence Index is a tracking study with data collected bi-monthly. Sage asks its service provider panelists a series of questions about their organizations that probe both current conditions and future expectations.

The questions cover six categories: spending on capital equipment, spending on product and service development, revenues, employment, investor confidence, and overall industry conditions. Sage analyzes the responses to these questions to create two aggregated indices, **Current Conditions** and **Expectations**.

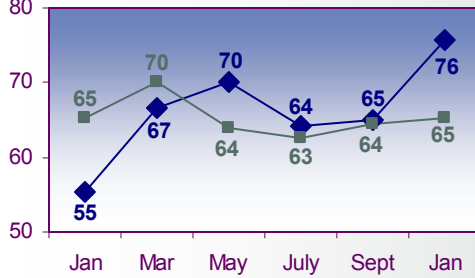
For each of the six question categories, Sage calculates respondents' **Current Conditions** and **Expectations** values. The Current Conditions Index and Expectations Index are the per respondent means of the values for each question category. These indices are normalized to a scale of -50 to 150. The higher the score, the greater the degree of confidence. A score of 50 is neutral.

More complete details of the Sage Service Provider Confidence Index methodology can be found on the Sage Web site:

www.sageresearch.com.

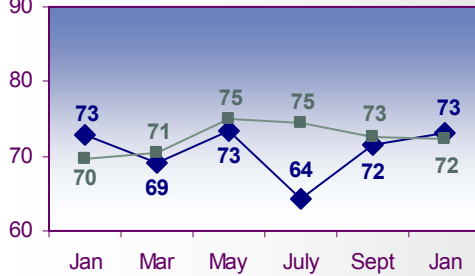
This is the nineteenth period of data collection for this tracking study. For this period, Sage included responses from 102 service provider professionals, 51% of which were director level and above. The January index includes ILECs (37%), CLECs (9%), long distance/IXCs (8%), ISPs/Web Hosting (10%), wireless operators (28%), ASPs (2%), MSOs (3%) and other service providers (3%). By geography, the January 2005 sample includes providers from North America (97%), Europe/Russia/NIS (1%), Asia-Pacific (1%) and Latin America (1%).

Capital Spending



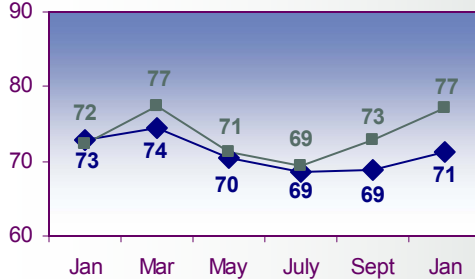
- ◆ The **capital spending expectations** sub-index rose sharply to a new high of 76. Wireless operators are the most bullish category of service providers for capital expenditure plans in 2005.
- The **capital spending current conditions** sub-index remained steady once again at 65 points. It is still well within “high” territory (above 50), meaning that service providers report increased spending recently.

Service Development Spending



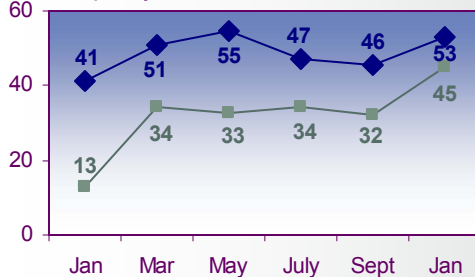
- ◆ The **service development expectations** sub-index remained steady this period, inching up from 72 to 73. The sharp dip (to 64) in July 2004 now appears to be an aberration rather than a trend.
- The **service development current conditions** sub-index continued to slip slightly this period (from 73 to 72), although it is still well within “high” territory (above 50). Providers of all flavors continue to spend aggressively to create new services to differentiate themselves.

Revenues



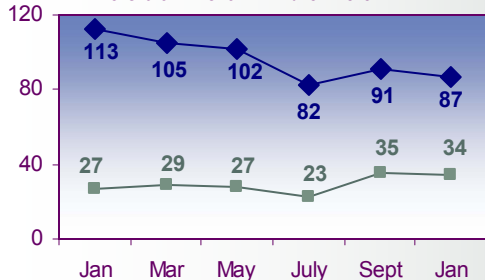
- ◆ The **revenue expectations** sub-index continued to inch up slightly this period from 69 to 71. It has remained relatively steady (and in “high” territory) for the last year.
- The **revenue current conditions** sub-index increased another 4 points this quarter, matching the previous high of 77 that was last seen in March 2004.

Employment



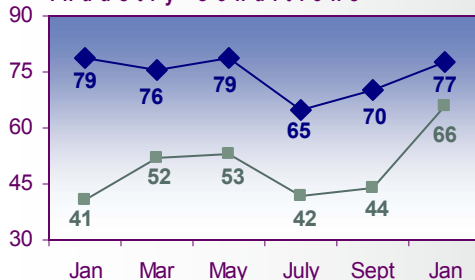
- ◆ The **employment expectations** sub-index increased sharply this period from 46 to 53, once again crossing (barely) into “high” territory (above 50). It is 12 points higher than its January 2004 level.
- The **employment current conditions** jumped dramatically this period from 32 to 45. Although still technically in “low” territory (below 50), this is the highest level this sub-index has ever seen.

Investor Confidence



- ◆ The **investor confidence expectations** sub-index fell slightly this period from 91 to 87. It has consistently remained the highest of all expectations sub-indices, however.
- The **investor confidence current conditions** sub-index remained steady this month at 34. Telecom service provider professionals continue to believe that the NASDAQ index is currently low, and that it has upside potential.

Industry Conditions



- ◆ The **industry conditions** expectations sub-index increased sharply this period from 70 to 77. It has now largely recovered from the sharp drop in July 2004.
- The **current industry conditions** sub-index posted its single biggest increase ever (22 points), reaching a new high of 66. This increase in optimism is unprecedented in the three-year history of the SPCI index and dramatically reverses the dip in July 2004.