

Looks like it's wheeling and dealing time in the conferencing arena.

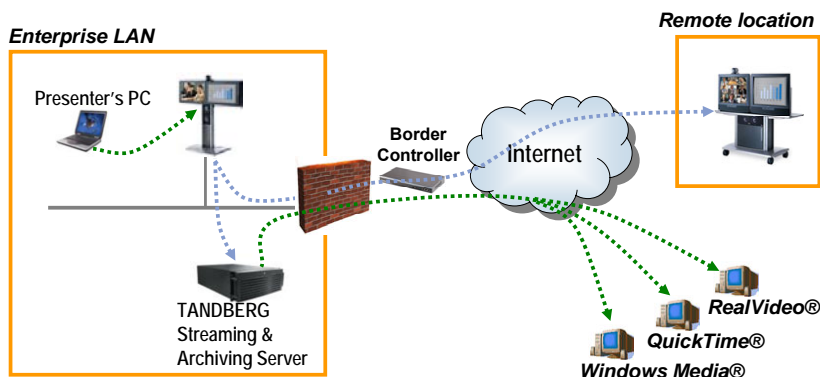
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Wheeling and Dealing

TANDBERG Acquires Ectus

TANDBERG has once again reached across international borders to make an acquisition, this time New Zealand-based Ectus. The move positions TANDBERG to deliver anytime, anywhere, streaming and archiving of business-quality video – and in any media format. Ectus, which has been very active in the Wainhouse Research Summit for the past three years,



provides streaming and archiving technology that allows video users to record a video call at the same time as a multimedia presentation and enables a large audience to easily access that content. The first product resulting from the acquisition will be a streaming and archiving server tightly integrated into the TANDBERG end-to-end video solution, with beta trials scheduled for Q4-2005.

The combined TANDBERG-Ectus Streaming & Archiving Server will include support for popular viewing formats, including Windows Media, RealVideo, and Apple QuickTime, the ability to stream a presenter and presentation at the same time, and administration through TMS. A future version will also enable content viewing from any 3G mobile phone when combined with TANDBERG's 3G gateway.

Here's What I Think. This is another smart move by the TANDBERG team, and given their track record with acquisitions, I'd expect to see TANDBERG leverage the Ectus capabilities (and patent portfolio) in multiple directions. One is straight-away videoconferencing, where Ectus provides a handy recording, archiving, and playback environment. A nice feature of the Ectus solution is support for H.323 devices as well as H.239 support for dual streams, giving the server the ability to handle presenters and presentations simultaneously. Also, by



combining the streaming and archiving server with TANDBERG's Expressway solution for traversing network firewalls, video users can create content from a home, a remote office and even a hotel room. This will be a complete end-to-end solution. Ectus began with a focus on education and the acquisition is likely to strengthen TANDBERG's presence in education and corporate training and eLearning in general. The streaming format is familiar to professionals in these spaces, and Ectus could be a natural lead-in for TANDBERG to introduce

corporate trainers and others to the benefits of live, two-way video. Another recent TANDBERG acquisition was a technology company (Ivigo) in the 3G gateway space. Putting all this together, mobile phone users will be able to access video and presentation content from anywhere. This is a big buzz today, although I'm not really sure what people will want to look at on 2" LCD displays.

⇒ [WR Forum: TANDBERG Acquires Ectus](#)

Arel Communications to go Private

Arel Communications and Software, which reported Q2 revenues of \$1.08 million and an operating loss of \$1.54 million, said that its audit committee had approved a proposal to take the firm private at the cost of \$1.50 per share. Arel shares closed at \$1.06 on Friday of last week. There are 13.2 million shares outstanding, making the value of the deal worth some \$20 million. The move is being backed by Cetus Corp., a firm controlled by Clayton Mathile, the largest shareholder of Arel, according to the company. The proposed plan would entail the repurchase of Arel's shares by the Company. Cetus has agreed in principle to provide the company with the funding to carry out the proposed plan and for its future operating needs.

Here's What I Think: It's not all that common to see a public company go private, but this is a good move for Arel. It's obvious that in today's age of enlightenment and litigation, the costs of being publicly traded are high and that the minimum revenue stream to support a public entity is much higher than is the case for Arel today. Going private will help Arel cut down overhead costs while also giving management the room to build a stronger company. Clayton Mathile has built a successful company in the past and appears to be committed to Arel for the long term.

Interwise Takes in \$3 Million

Hercules Technology Growth Capital, a NASDAQ traded finance company providing debt and equity growth capital to technology related companies at all stages of development, has invested \$3 million in Interwise. Interwise provides voice, web, and video conferencing in both CPE and CSP business models.

Raindance Acquires Assets of BCE

Raindance Communications acquired certain revenue-generating assets and assumed certain related obligations of BCE Conferencing Inc., a subsidiary of Bell Canada, Canada's largest communications company. Raindance will acquire these assets for approximately \$6 million in cash. Raindance expects the transaction to be immediately accretive to earnings.

ESPRE Solutions Raises Funding

ESPRE announced that it has reached an agreement with its joint venture partner, StreamTraX Visual Communication Technologies to fund ESPRE \$15 million. The funding, sourced through StreamTraX, will be invested as equity into ESPRE Solutions over 5 consecutive quarters beginning Q4-2005.

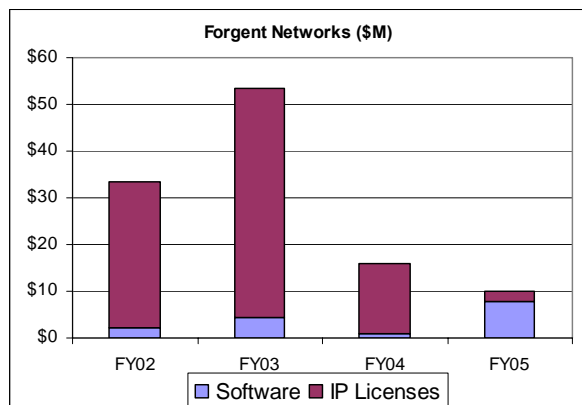
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Forgent Fiscal Q4-05



Forgent reported fiscal Q4 revenues of \$0.88 million, compared with \$6.2 million for the same period a year earlier. Operating loss was \$2.76 million. At the same time, the company reported that its NetSimplicity software revenues grew by 26% quarter over quarter to \$0.6 million. While the company has clearly tanked, it still has federal litigation pending against nearly 40 companies for infringement of the company's JPEG-related photo patent. According to an article in the Austin Business Journal, Forgent employs 19 people in Austin.

Three Events for your October Calendar

1 The [CSP Summit](#) is this week! We have put together a compelling [agenda](#) (October 6-7) that we hope will challenge CSPs and their partners to explore new areas for growth. **Will VoIP CPE Kill the Need for Hosted Conferencing Services?** At this year's CSP Summit WR's Andy Nilssen will address the threat of CPE and provide a roadmap through the maze of new services and relationships in his session, *The Completely Connected Enterprise: The Relationship Between ICE, CPE, Managed & Hosted Services*. Additionally four workshops will address 1) VoIP and IMS—sponsored by Convedia; 2) Converged Collaboration & Conferencing—sponsored by Macromedia; 3) Bundling Conferencing Applications with IP Media Servers—sponsored by Pactolus & AudioCodes; and 4) Outsourcing Enhanced Services—sponsored by Callfinity. Details at wainhouse.com/cspsummit.



2 Richard Norris and Ira Weinstein will be presenting two sessions on *Maximizing your Conferencing ROI* and *High Definition – Does Anyone Really Care?* at this year's [Polycom User Group Annual Meeting](#), October 15-19 in Phoenix, AZ. The PUG conference includes many other educational and keynote sessions as well as an exhibit hall.



3 MVC and meetyoo conferencing are running another one of their famed German roadshows, this time sponsored by Arel, Codian, LifeSize, NEC, Microsoft, Polycom, TANDBERG, and yours truly Wainhouse Research – Oct. 17 in Frankfurt; Oct. 19 in Munich, and Oct. 21 in Berlin. These events will have a CIO focus and include presentations by Microsoft and Wainhouse Research. www.meetyoo.de/citytour2005.

News in Brief

- Vapps announced that the FreeConferenceCall.com and Gizmo Project have deployed the CB1000 voice conferencing platform to power an innovative first-to-market conferencing service. The service hosted by FreeConferenceCall.com gives users the choice of employing Gizmo Project's IP softphone, a traditional handset, or cellular phone for conducting or joining IP and PSTN native conferences at absolutely no cost and from anywhere around the world. Vapps also announced that SpeedConferences.com has deployed the CB1000 hybrid IP/TDM platform.
- On2 Technologies and VitalStream, a streaming media solutions provider and international content delivery network, announced that they have partnered to create a single-source solution combining powerful, high quality Macromedia Flash Video encoding tools from On2 with VitalStream's global streaming and content delivery services for digital media enterprises.

- Vcall from WILink plc announced the launch of Vcall Web Conferencing 4.0 optimized for interactive web events. The new release features improved interactivity, more branding options for clients and more advanced on-demand rich media features.
- From anonymous sources we have been tipped off about a recent decision by DISN Video Services, part of the US Defense Information Systems Agency (DISA), Global Information Grid (GIG) and Combat Support 25 (GS25) operations. DISN Video Services, with a network consisting of five hubs, works off a global contract that provides department of defense video teleconferencing users with a bridging service. My sources, who were NOT part of the winning team, tell me that: 1) DISN has awarded Northrop Grumman the DVS II contract with an all Cisco solution. This means that the next generation classified and unclassified Military videoconferencing networks will run on RADVISION platforms. 2) DISN went out of their way to not select Polycom due to problems in the SouthWest Asia hub. 3) TANDBERG was weakly supported in their bids although the bid spec looked as though it was written for TANDBERG.

People & Places

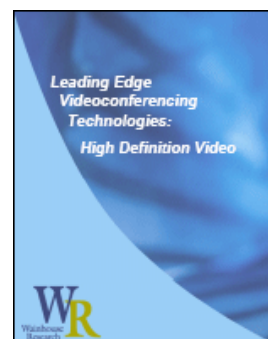
LifeSize Communications, **Andreas Wienold**, Regional Sales Manager Central & Eastern Europe, **Andrea Apatini**, Regional Sales Manager, Northeast Region (US)

Polycom, **Wayne Dunlap**, CTO. This is a correction from the last WRB where we incorrectly spelled Wayne's last name as Allard.

Two New White Papers

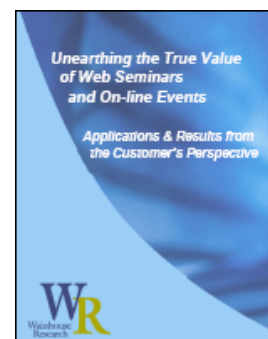
1. Available to Platinum subscribers only

A new white paper that explores one of the new technologies impacting videoconferencing – high definition video – is now available to PLATINUM subscribers (www.wrplatinum.com). This 13-page document explains in one place 1) multiple technology issues that are bringing realism to the videoconferencing experience, 2) the technical fundamentals behind HD, 3) the issues and benefits that HD presents to videoconferencing users, and 4) the current positions on HD videoconferencing for Aethra, LifeSize, Polycom, Sony, and TANDBERG.



2. Available on Platinum and Wainhouse.com

By conducting a WR-conducted web survey to a portion of the WebEx Event Center user base, *Unearthing the True Value of Web Seminars and On-line Events* takes a state-of-the-art look at what applications customers are using web seminars for and the results that they are achieving. This white paper can be downloaded for free from wainhouse.com/whitepapers, wrplatinum.com, and webex.com.



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One on One with Vapps CEO Ben Lilienthal



WRB: Vapps has been around for a while. You sell an IP audio bridge aimed at service providers. Are you gaining traction yet?

BL: Our success in the marketplace correlates to a larger trend of increasing demand for VoIP infrastructure and specifically, VoIP audio conferencing. While our product, the CB1000, has been in commercial production since December 2003, it took until December 2004 for our second customer to put it into production. So, you're right, we've been around a while, but we are just starting to gain traction. Since December 2004, we have launched with over a dozen service providers in North America and in Europe. In addition to displacing incumbent vendors in these carrier accounts, we have landed major enterprise accounts including Amazon.com.

WRB: Where do you see the market going?

BL: Our thesis from day one has been that TDM vendors are exactly the wrong people to deliver VoIP gear because VoIP is a completely different animal. Vapps is on the right side of a lot of these macro trends that I will discuss below. The disappearance and implosion of Spectel and Voyant have created multiple, large opportunities for emerging vendors like us to gain entry into the service provider market. Second, the transition to VoIP in service provider and enterprise networks has created demand for VoIP-native equipment from vendors like us. Going forward, service providers will continue to transition to VoIP infrastructure, the enterprise segment will solidify and build out the missing network pieces, and the non-traditional segment will continue to put pressure on service providers to offer differentiated services with increasing margin pressure.

WRB: In one or two sentences, what is Vapps' distinctive competence?

Vapps has a 99.999% reliable and uniquely flexible product and works closely with its customers to customize their service offerings. Additionally, our product integrates into existing provisioning, administration and billing systems. Last, we deliver an Operator GUI that "looks-and-feels" very similar to what TDM call centre personnel are used to seeing.

WRB: Can you give me an example of what you are talking about?

BL: For example, our product mimics existing call flows so callers do not know that they are now on a Vapps VoIP box instead of the legacy TDM systems. The CB1000 also enables multiple service offerings from the same platform. So, from one box, you can deliver all the incumbent call flows, have multi-lingual offerings, and have a playback and record line. We have one customer who runs 14 different services from one unit of our equipment including offerings in English, French and Spanish.

WRB: You're a small company trying to sell to large companies. This is not an easy road. Why would any body want to make a strategic investment with a small company like Vapps.

BL: Excuse the hubris, but most people do not realize how sophisticated an organization we are. Between Jerry Norton, Vapps CTO and co-founder, and me, we have three successful start-ups under our belt and 35+years of telecom and software experience. At Vapps, Jerry has run a dual-shore development team for three years, built a carrier-class VoIP product and completed a number of filings with the US Patent Office, none of which are simple tasks. In addition, our investors include the former vice chairman of Lehman Brothers and the former CEO of a \$2 billion, public company. Having such investors forces us to confront both the business and technology issues head on.

Specifically, when big companies like Amazon.com, a Fortune 50 company, look to do business with vendors like Vapps they evaluate you on a number of criteria including a strong balance

sheet, a superior product offering and 24x7 technical support. Our organization has made strategic capital and personnel investments in each of these areas to ensure that our customers feel comfortable working with us and are confident that we will be there to support them in the middle of the night and in the future. Furthermore, our ability to rapidly deliver customized service offerings for our clients gives them a competitive advantage in the marketplace. The ability to deliver differentiated service offerings, higher margins, and increased customer acquisition are the drivers for our success to date

WRB: There has been a lot of talk about media servers in this market yet Vapps does not use a “media server” designation. Can you explain?

BL: Our belief is that conferencing still requires dedicated DSP resources to do the audio mixing, so the question becomes “Where do you get those DSP resources?” Vapps closely evaluated several media server options when we started designing 3+ years ago. It turns out that when you take apart a media server, it is just a bunch of DSP cards inside. So, we realized that we could create more value for our customers and a technically superior product by working directly with DSP manufacturers like Natural MicroSystems (“NMS”), a public, \$100mm revenue company. We use off-the-shelf hardware from NMS and write the software that powers our VoIP audio conferencing system. As the NMS hardware continues to follow Moore’s law, we and our customers reap the benefits. Already we have seen the density on our 4U systems triple from 600 ports per chassis to 2,000 ports in 18 months based on the advances that NMS is making. Furthermore, our ability to link chassis creates a distributed environment where there is no single point of failure in our systems, something that you don’t have in a monolithic media server. This is a topic that I am happy to discuss in greater detail as service providers begin to make capital investments in VoIP infrastructure.

WRB: Any final thoughts?

BL: Vapps is on the right side of a number of much larger trends that are affecting the overall technology industry and the global economy as a whole. This includes the transition from TDM to IP in voice networks but more generally the macro trends like the movement from proprietary to open systems, increased pricing pressure on service providers and vendors, the commoditization of hardware, the rise of open source software like Linux, the globalization of the work force, and the increasing collaborative nature of work. Our technology and product choices incorporate these trends. When Thomas Friedman writes that VoIP audio conferencing is one of the 10 flatteners that accelerate globalization, you understand that Vapps is a key infrastructure component enabling an evolving global ecosystem. See you in Chicago!

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