

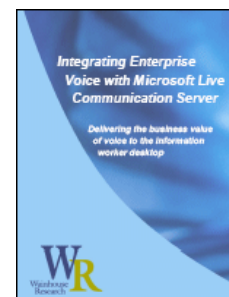
ONLINE NEWS AND VIEWS ON VISUAL COLLABORATION AND RICH MEDIA COMMUNICATIONS

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News in Brief

- The second meeting of Wainhouse Research's **Point Nine** program took place last week in Basel, Switzerland. Kindly hosted by Roche in their excellent meeting facility and sponsored by BT, Global Crossing, and Polycom, the peer networking session was attended by senior conferencing and collaboration managers from EADS, Mars, Novartis, Pfizer, Renault, Roche, Scania, UBS, and Ukerna. Discussions led by Point Nine members focused on the challenges of 1) implementing IP telephony and SIP, 2) managing multi-vendor environments, 3) deploying desktop video, and 4) using service providers and managed services to achieve the next level of user satisfaction. Attendees were overwhelmingly enthusiastic about the shared experience, the opportunity to network, and the possibilities for working with vendors to make future deployments easier. Wainhouse Research will be putting together a Point Nine calendar of events for 2006, likely to include 2-3 meetings per year in Europe and North America. We anticipate hosting separate sessions for telemedicine and legal firms as well. Interested end users should contact richard@wainhouse.com.
- Canada-based AudiSoft Technologies has contracted with Silence! SAS as its importer and non-exclusive distributor for Europe.
- It's final: Adobe has acquired Macromedia
- VitalStream has added podcasting to its Content Delivery Service product line, allowing its customers to deliver audio and video podcasts for immediate playback on portable devices and desktop media players. While targeting consumer podcasts such as radio shows, movie trailers, sports, news, and entertainment, podcasts are likely to impact the enterprise also as training content, executive announcements, and even meeting archives incorporate this delivery vehicle.
- Polycom announced that the Surrey, West Sussex and Hampshire (SWSH) Cancer Network Video Conferencing Project has expanded and upgraded its video communications solution to address the national shortage of cancer specialists and palliative care professionals. The company's VSX systems are being used to maximize the availability of expert resources for patient treatment and to reduce time-wasting travel.
- Wainhouse Research has a new white paper available. **"Integrating Enterprise Voice with Microsoft Live Communication Server: Delivering the business value of voice to the information worker desktop"** describes a middleware technology known as Genesys Enterprise Telephony Software (GETS) that allows companies to immediately integrate traditional, hybrid, and IP PBX voice systems, regardless of manufacturer, with Microsoft Office Live Communication Server. Download for free from wainhouse.com and wrplatinum.com.
- Pactolus (software) and Convedia (platform) announced that the two companies are entering an initiative to accelerate and simplify service provider deployment of SIP-based, IMS-compliant services. Over the last four years, the two companies' solutions have been deployed in



numerous service provider networks. According to the press release, “The emerging IMS cross-network service model fosters subscriber adoption of advanced calling features, customizations, unified contact databases and calling groups, which extends the usability of carrier services and promotes subscriber loyalty.” For the record, we think school is still out on IMS. It’s very complicated (think T.120 ten times over) and seems to be carrier driven, rather than user driven. In fact, IMS is so “last century.”

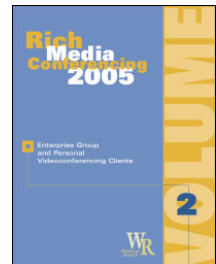
New Report Looks at Executive Systems



Our new report comparing 4 executive systems from 3 vendors is available to PLATINUM subscribers on www.wrplatinum.com. If you haven’t signed up for PLATINUM, now is the time to do so. Subscriptions are free to conferencing end user customers. The 16-page report checks out (left-to-right) the Polycom VSX 3000, the Sony TL-50, the Sony TL-30, and the TANDBERG 1500 MXP. Here’s a quick one-two, but you’ll want to read the complete report.

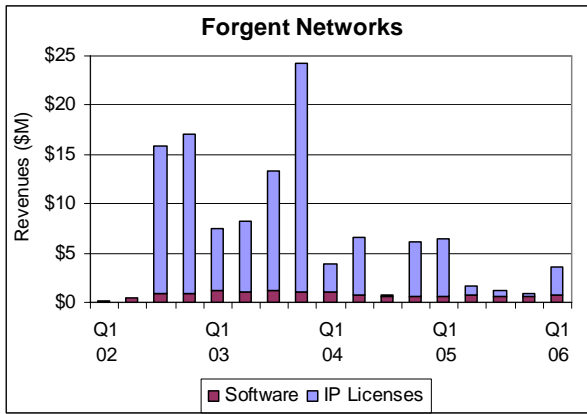
	What We Liked	What We Didn’t Like
Polycom VSX 3000	<ul style="list-style-type: none"> • Great audio • Great video • Easy-to-use interface 	<ul style="list-style-type: none"> • Clunky industrial design with 4:3 display • Poor performance in H.239 calls • No integration between PC display and videoconferencing system
Sony TL-50	<ul style="list-style-type: none"> • Large, bright display plus beautiful industrial design • Good integration between computer display and videoconferencing systems • Digital zoom camera 	<ul style="list-style-type: none"> • The hand held remote and menu system • Fan noise • Sub-par audio performance
Sony TL-30	<ul style="list-style-type: none"> • Nice industrial design and bright display • Innovative single mouse controls video system and user’s computer • Digital zoom camera 	<ul style="list-style-type: none"> • Poor video images produced by camera • Confusing user interface • Weak interoperability
TANDBERG 1500 MXP	<ul style="list-style-type: none"> • Versatile and powerful embedded MCU • Videoconferencing, computer display, and TV all rolled into one • The MXP remote and menu system 	<ul style="list-style-type: none"> • Two hand-held remotes, two power supplies • Unexciting display monitor in unexciting industrial design • No pan or zoom capability

Thanks to all of you who filled out our survey on videoconferencing endpoints. The survey results help us track trends and end user preferences and are a key input to [Rich Media Conferencing 2005 Volume 2: Enterprise Group and Personal Videoconferencing Endpoints](#). As always, we chose five survey respondents at random for our \$50 gift certificates to amazon.com. Winners were Lbrito at Goldman Sachs, NShaner at Video Guidance, SCallaghan at Bristol Myers, DDavis at Interactive Care Technologies, and CWade at Intuit.



Dollars & Sense

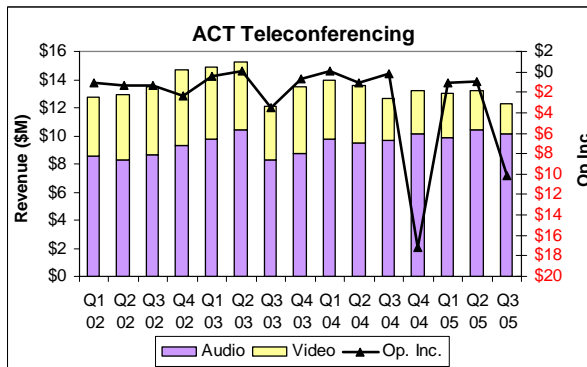
Forgent Fiscal Q1-06



Forgent	Q1 05	Q4 05	Q1 06	Sequential Growth	Annual Growth
Software	\$0.60	\$0.61	\$0.73	19.7%	21.7%
IP Licenses	\$5.86	\$0.27	\$2.92	981.5%	-50.2%
Total Rev	\$6.46	\$0.88	\$3.65	314.8%	-43.5%
Op Inc.	\$0.39	(\$2.76)	(\$1.46)	NM	NM

Forgent reported Q1 revenues of \$3.6 million, driven largely by patent licensing. The NetSimplicity software business grew by approximately 19% to \$0.7 million for the first quarter of fiscal 2006, compared to \$0.6 million for the fiscal fourth quarter of 2005.

ACT Teleconferencing – Q3-05



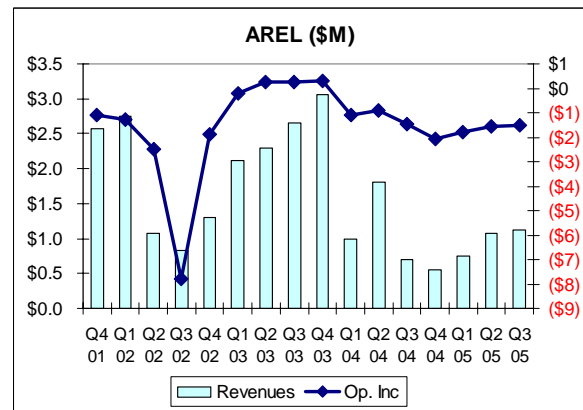
ACT	Q3 04	Q2 05	Q3 05	Sequential Growth	Annual Growth
Audio	\$9.7	\$10.4	\$10.1	-2.9%	4.6%
Video	\$3.0	\$2.8	\$2.2	-22.9%	-28.7%
Total Rev	\$12.7	\$13.2	\$12.3	-7.1%	-3.4%
Op. Inc.	(\$0.2)	(\$0.9)	(\$10.1)	NM	NM

ACT Teleconferencing announced its operating results for the third quarter of 2005. The Company's net loss for the third quarter was \$10.9 million. This figure includes impairment of goodwill of \$7.1 million, impairment of long-lived tangible assets of \$1.3 million, and restructuring charges of \$332,000. Also, included in the net loss is selling, general and administrative charges of \$500,000 for terminated employment contracts and \$146,000 for options expense. The Company experienced strong audio revenue and minute growth during the third quarter. Audio conferencing revenue for the quarter increased by \$440,000 to \$10.1 million, compared to \$9.6 million for the same period in the prior year. Third quarter audio conferencing volumes increased by 18% to 75.1 million minutes compared to 63.6 million minutes for the same period in 2004. Reserved conferencing accounted for 31% of audio conferencing volume and grew by 17% over last year, while reservationless accounted for 69% of the audio conferencing volume, and grew by 19% over last year.

Arel Q3-05

In what might be its last quarter as a public company, since Arel has announced its intentions to go private, Arel reported revenues of \$1.13 million vs. 0.84 million in Q2-05 after accounting for discontinued operations (not reflected in my Q2 numbers below).

AREL	Q3 04	Q2 05	Q3 05	Sequential Growth	Annual Growth
Revenues	\$0.71	\$1.08	\$1.13	4.3%	59.0%
Op. Inc.	-\$1.46	-\$1.54	-\$1.50	NM	NM



- UK-based Data Connection reported financial results for the 12 months ending August 31. The company's revenues increased 30% year-on-year to \$68M; the year also represented the 24th consecutive year of increasing profitability, with record earnings of \$16M.
- Conferencing service provider Arkadin has acquired Scherers Conferencing.

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Conferencing & Collaboration Event Calendar	
WHEN & WHERE	WHAT & WHO
2006-April 19-20-21, Berlin, Germany	WR European Forum Conferencing, Collaboration, and Next Generation Meeting Tools
2006-July 19-20-21, Boston, M-A	The Wainhouse Research Summit – 2006

One on One with Nigel Spicer, President of 1stWorks.



Several people from 1stWorks dropped by our Brookline headquarters recently to talk about their technology and the company's desktop application solution. While relatively unknown in the general purpose enterprise collaboration space, the company claims more than 10,000 customers in 70 countries.

WRB: Your 1stWorks collaboration service, hotComm, would appear to have a zillion competitors. What makes your product or service unique?

NS: Depending on the application, you can certainly find any number of other solutions in both the collaboration and conferencing markets. However, there are only a few products that can truly deliver all 5 media types – VoIP, full-motion video, content sharing, text messaging and the

interactive tools required for effective online meetings and conferences over a single IP connection. And even fewer can scale from a one-to-one setting to broadcasting to thousands with the same software. Many of the other products offer only a subset of these services or require multiple IP connections at the desktop. This complicates the installation and support of the software and also increases bandwidth requirements. Our competitive edge is the ability to share high-quality real-time information in a totally interactive and scalable environment among users on fast or slow connections.



WRB. In what markets or applications have you been successful?

NS: Given our scalable architecture, we have been particularly successful with live trading and training rooms in the futures market within financial services. This user base requires real-time transfer of both dynamically constructed graphics (pricing charts) and audio information to large audiences, some virtual rooms have over 800 users every day, who are connected with every desktop, Internet service and level of computer skill you can think of.

We also have users in the higher-education market. The hotComm software can be configured to support a virtual classroom

model where live lectures that include video, VoIP and presentation services can be delivered from a professor's desktop or a student's dorm room. In our latest version we have also added Intellectual Property Rights Management which enables presenters to disable remote recording. Conversely, hotComm can just as easily be configured to support an interactive group discussion or continuing project. There is a secure document repository built into hotComm that provides users with a persistent "shared" location to check-in/check-out content, work on that content off-line, and then re-incorporate the information in a real-time session.

WRB: You've recently filed many patent applications for a general purpose entropy encoder. What is this all about?

NS: In developing hotComm, we have consistently focused on performance in multimedia content delivery and, consequently, we have a heightened interest in data compression. Over the last 18 months, our Chief Scientist, Ratko Tomic, has developed a general purpose algorithm which solves the problem of arithmetic precision in Enumerative Coding. While Enumerative Coding has been acknowledged as the most effective universal coding scheme since the 1970s, to this point it is only used in CD and DVD encoding where brute force techniques can be used to create the constrained codes.

The wider research effort for a general purpose solution thus far had only produced the Arithmetic Coder, (invented by Jorma Rissanen, IBM, 1976) that is in widespread use today as an entropy coder, but is essentially only an approximation of the exact codes used in Enumerative Coding.

In addition to advantages in speed, compression efficiency, and resilience to uncertain inputs, the 1stWorks Encoder uses only simple instructions, shifts and adds rather than more complex multiply and divide instructions. This fact alone delivers an incremental speed advantage for applications running on the lower-powered processors typically employed in portable devices

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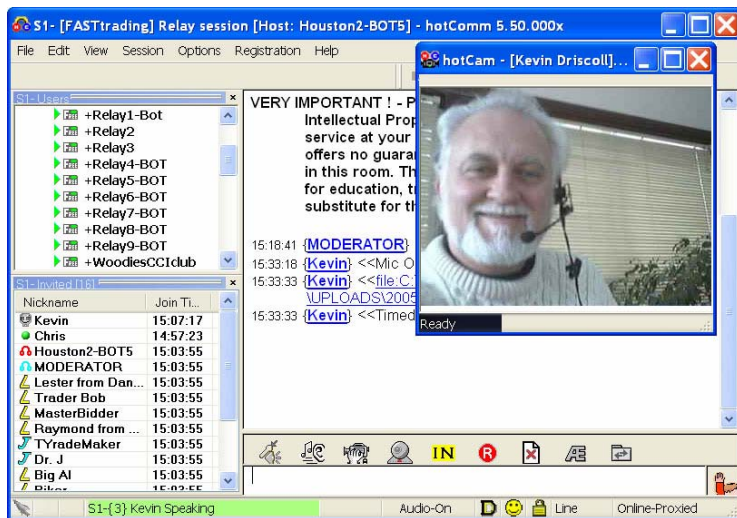
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while significantly extending battery life.

WRB: What are some of the performance claims you are making for the coder? Does the technology apply to audio, video, data, or all of the above?

NS: Simply stated, the 1stWorks Encoder always compresses data to a smaller size than the very best research-level Arithmetic Coders, while simultaneously delivering a significant speed advantage. Like all data compression applications, your results will always depend on your purpose. In our testing with large amounts of data, such as the sparse arrays which are typically encountered in search applications like Google, the speed advantage is more than



240 times faster, while the compressed output size advantage is “only” 6%. In contrast, when tested with small amounts of dynamically variable content such as audio and video, the speed advantage is reduced to “only” 20 times, but the compressed output size is reduced by more than 50%.

WRB: These claims for your coder, quite frankly, sound unrealistic. Do you find that people have a hard time believing you?

NS: Skepticism is a reality in this area so, yes, the initial reaction is frequently disbelief. Nevertheless, our task is still to tell the marketplace what we have created, to provide the supporting data and then let the marketplace decide. It also seems that if we had merely claimed that our Encoder was only twice as fast, we might expect a more balanced reaction. In general, the world of technology seems to be more accepting of incrementalism, as in the progression of Moore’s Law or the steady increase in modem connection speeds from 300 baud to 56K to today’s broadband DSL. But the really major advances have come as inflection points where the advent of a new solution made any previously accepted constraints (size, speed, power consumption, cooling requirements, weight) not only less significant, but frequently irrelevant.

For those who want to review the underlying mathematical evolution of the 1stWorks Encoder, we have placed a copy of the Quantized Indexing paper (our name for the method) on the Computing Research Archive web site with a link at www.1stWorks.com. That page also includes links to two additional introductory papers. We currently have working code which we have been using internally and are actively proceeding with the development of a reference program and a sample video codec.

And anyone can reach me at mnspicer@1stWorks.com.

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