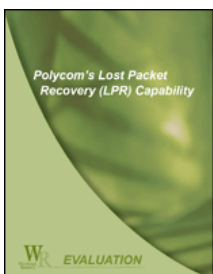


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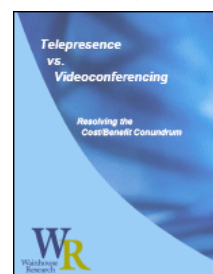
Andrew W. Davis, andrewwd@wainhouse.com

News In Brief

- Wire One has launched its Automated Self-Service Video Conferencing offering. This is a self-service service, a concept intended to promote ease of scheduling and call automation as well as lower costs to customers. By using Wire One's web-based scheduling tool, engageMeeting Manager, customers are able to verify room availability, schedule conferences for automated launch, or initiate meetings with on-demand access.
- Conference Plus has signed a new agreement with Language Learning Enterprises to provide its conferencing customers on-demand "live" 24-hour telephone interpretation in 150 different languages. Conference Plus customers can now make an interpretation request, and within seconds, a live interpreter joins the conference call. LLE is a leading provider of 24-hour telephone interpretation



- WR has published two new whitepapers. One is on [Polycom's Lost Packet Recovery \(LPR\) Capability](#) that helps protect IP video calls from the damaging impact of packet loss and provides a more consistent, high-quality experience in typical public and home broadband network environments. The whitepaper has an MSRP of \$0. The second is titled [Telepresence vs. Videoconferencing: Resolving the cost / benefit conundrum](#). This short work contains a counter-intuitive look at the cost of these two solutions. It's not what you might think. The MSRP of the telepresence report is 0€ Both whitepapers are [available now](#).



- Dialogic Corporation announced the availability of advanced video processing capabilities in the latest version of its Multimedia Software 2.0 for AdvancedTCA. The new software enables Dialogic customers to build high-value, next-generation video services such as advanced IVVR, video call center and video conferencing/chat for 3G wireless and broadband IP networks.
- Telepresence and VoIP vendor Telanetix announced representation agreements with DMJ Technologies, Peter E. Schmitt Company, Omnivue, Mizzen Marketing, and Nu-Way Technologies to strengthen sales reach to 27 states.
- Phoenix Audio Technologies announced a strategic partnership with Spire Global, Sony's Sales, Marketing and Support Arm in the U.S. Spire Global will bundle Phoenix's high definition portable audio products with Sony's videoconferencing products.

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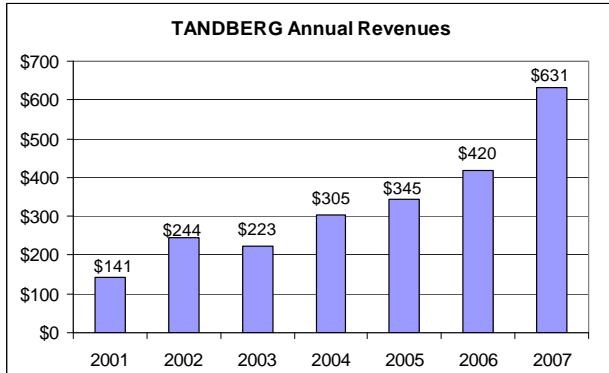
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Dollars & Sense

Tandberg Q4-2007

Tandberg turned in another amazing quarter, with annual growth rates in the stratosphere, everywhere except for North America, which despite a negative sequential number, still had an impressive 26% annual growth rate. Quarterly revenues for Tandberg were \$192.9M, bringing full year revenues up to \$630.5M, a 50.2% growth over 2006. Endpoint revenues were up over 41% compared to Q4-06, driven by a 31.7% annual rise in endpoint units. Endpoint revenues as reported by Tandberg include personal executive systems sold on an OEM basis to a large IP-PBX vendor.

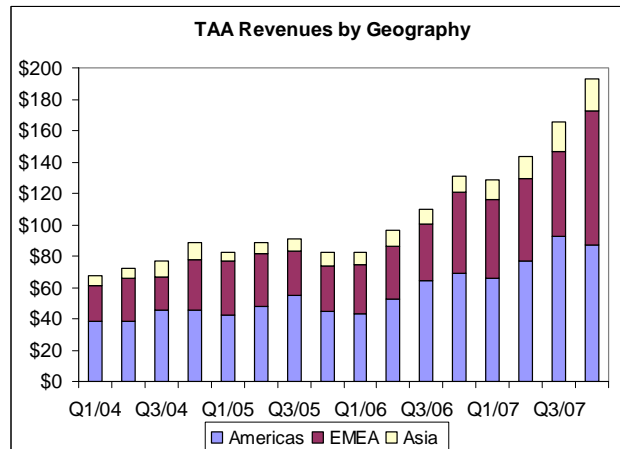
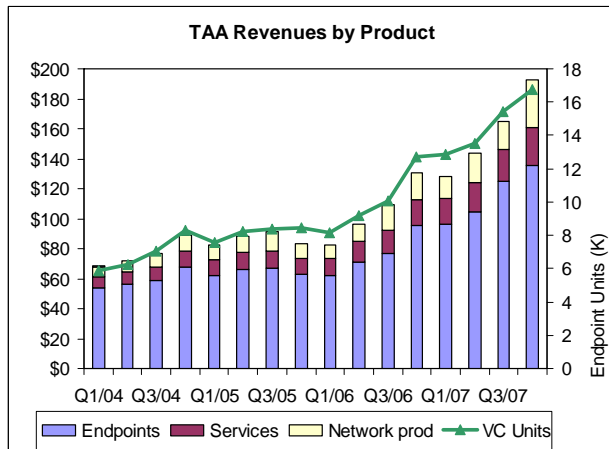


TAA	Q4 06	Q3 07	Q4 07	Sequential Growth	Annual Growth
Americas	\$68.9	\$92.4	\$86.7	-6.2%	25.8%
EMEA	\$51.5	\$54.0	\$85.5	58.3%	66.0%
Asia	\$10.4	\$18.9	\$20.7	9.5%	99.0%
Total Rev	\$130.8	\$165.3	\$192.9	16.7%	47.5%
Endpoints	\$95.7	\$124.9	\$135.6	8.6%	41.7%
Services	\$17.3	\$21.5	\$25.3	17.7%	46.2%
Infrastructure	\$17.9	\$18.9	\$32.0	69.3%	78.8%
Op Inc	\$31.5	\$38.7	\$44.9	16.0%	42.5%
Endpoint Units	12,744	15,398	16,787	9.0%	31.7%

Note: Y2007 number includes one quarter's revenues from Codian acquisition

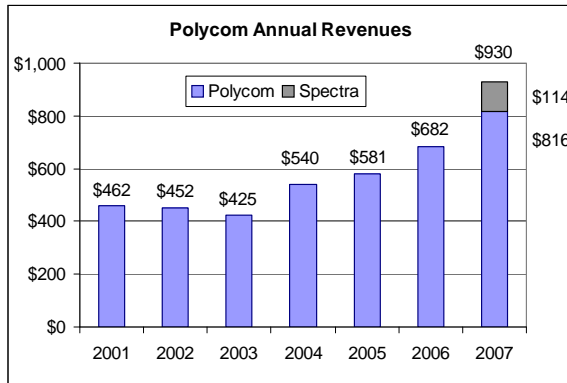
This was the first full quarter of Codian revenue (deal closed in September 2007), which skewed the growth figures upward for Tandberg (Codian did \$10.5mn in 3Q revenue and presumably considerably more than this in Q4). Tandberg's infrastructure revenues grew to \$32mn (boosted by Codian), up from \$18mn in the year ago quarter. Tandberg also had strong success in EMEA with revenues up 66% y/y (despite reporting softness in the U.K.).

According to a report by Thomas Weisel Partners, with Polycom and Tandberg reporting 3% and 6% q/q declines in 4Q-07 North American sales, respectively, a key area of concern for the video market heading into 2008 is the health of U.S. enterprise spending - and the sustainability of the international strength. On the other hand, there is some cause for optimism since video promises cost savings and productivity benefits, even in a weak macro environment



Polycom Q4-2007

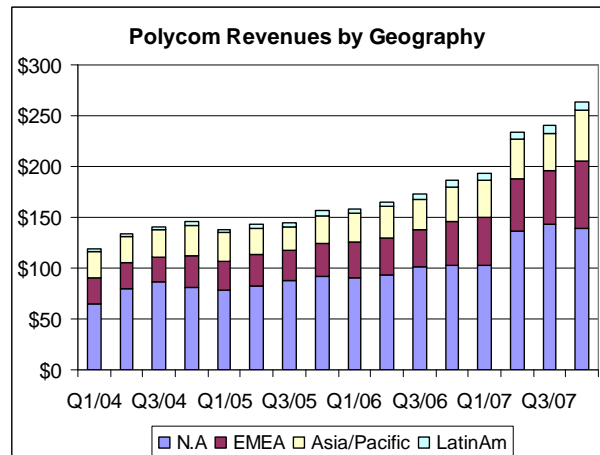
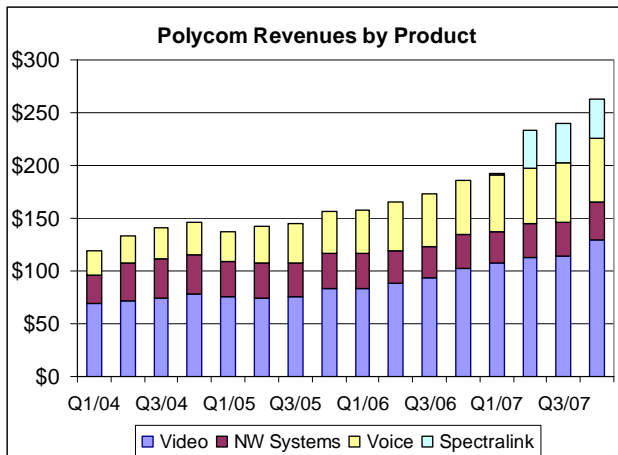
Polycom turned in an upbeat quarter with revenues of \$263.3 (including \$37.2M from SpectraLink), representing a 41% annual growth rate. Full year revenues were \$929.9M, up 36.3% from the year 2006 numbers. The group video business grew about 21% annual in units and 25% in revenues. Based on comments made by Polycom management it appears that HD products represent about 25-30% of total video revenues (we believe this would be 25% of both endpoints and infrastructure, which are now combined in the video solutions business unit, but this calculation is a bit vague). Management also reported that telepresence sales growth was well north of 100% quarter over quarter, although coming off a small base. The weak point in the numbers chart would be the sequential growth figures for North America, a similar weakness to the numbers displayed by arch-competitor Tandberg. Meanwhile EMEA turned in very strong results for both companies, perhaps helping everyone to get through what might turn out to be tough times here in North America.

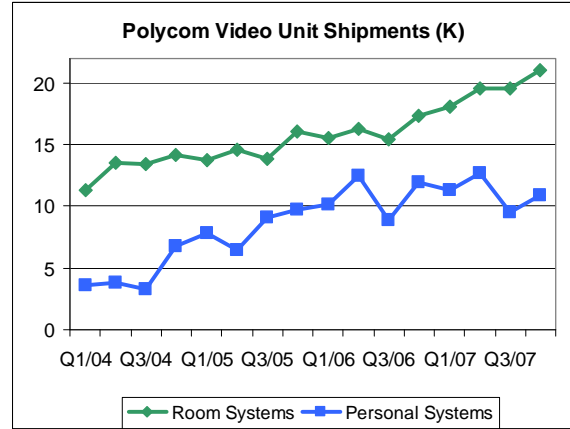
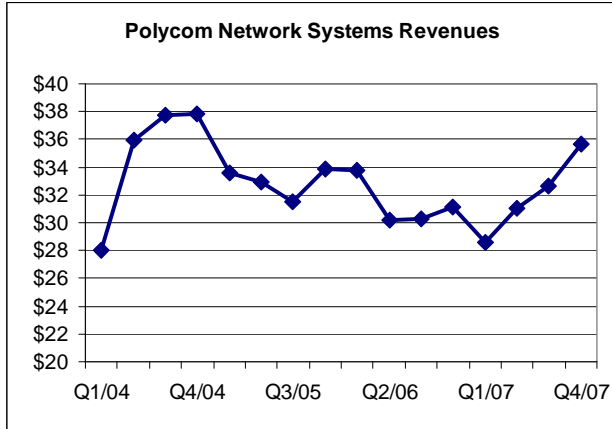


PLCM	Q4-06	Q3-07	Q4-07	Sequential Growth	Annual Growth
Video	\$103.0	\$113.7	\$129.2	13.6%	25.4%
Network Systems	\$31.1	\$32.6	\$35.7	9.5%	14.8%
Voice+Spectra	\$52.4	\$93.7	\$98.4	5.0%	87.8%
Total Rev	\$186.5	\$240.0	\$263.3	9.7%	41.2%
Group Units	17,394	19,529	21,010	7.6%	20.8%
Op Inc.	\$25.5	\$23.1	\$26.6	15.0%	4.2%
North America	\$103.2	\$142.9	\$139.5	-2.4%	35.2%
EMEA	\$43.4	\$53.3	\$65.7	23.3%	51.4%
Asia/Pacific	\$33.5	\$36.9	\$49.6	34.4%	48.1%
Latin America	\$6.4	\$7.0	\$8.5	21.4%	32.8%

Noticeable Polycom details this quarter include the continued improvement in the network systems business (now part of the video solutions division) With the company's recent HDX 8000, 7000 and 4000 announcements, we would expect high def sales to continue to accelerate.

Note: About 15% of Polycom's total revenues are in services and are distributed within the voice, video, and network systems numbers reported above. Since Tandberg does not include services in their reported video or infrastructure revenue numbers, this makes the comparison between the numbers in the above tables NOT an apples-to-apples comparison. These differences ARE accounted for in our SpotCheck report (which IS an apples-to-apples comparison).

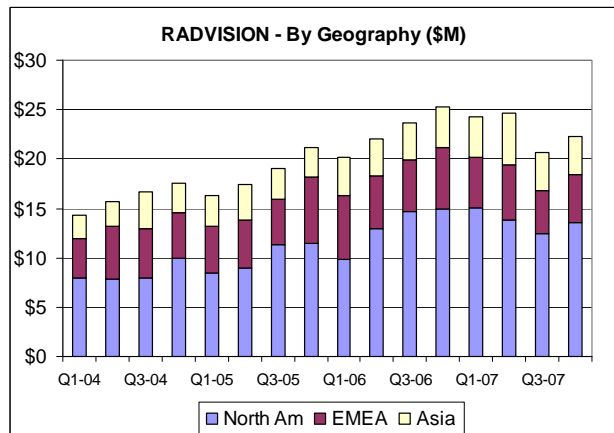
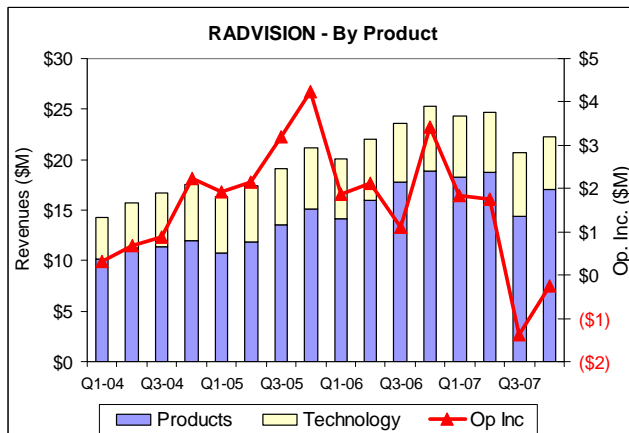




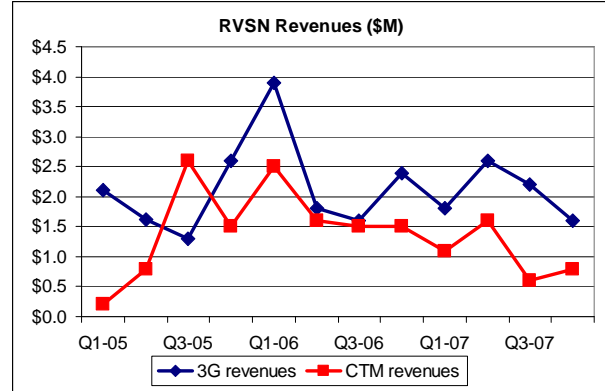
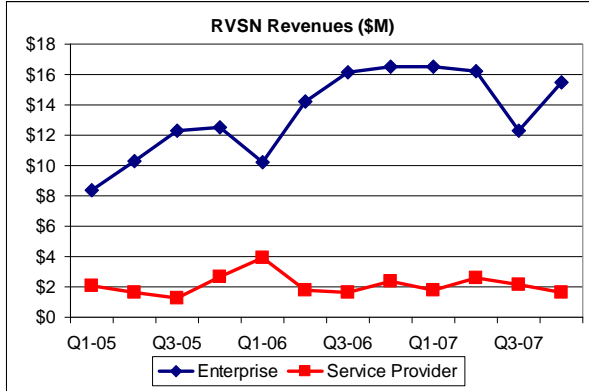
RADVISION Q4-2007

Radvision rebounded this quarter with strong sequential growth in the networking business unit that helped offset a sharp decline in technology sales. Q4-2006 was a reasonably strong quarter for the company; hence every one of the annual growth figures that we track for Radvision came in negative. Compared to those of its competition, Radvision's numbers, particularly in EMEA and AsiaPac are disturbing. The company reported that videoconferencing sales through the reseller channel partners were up 49% sequentially and sales through the Cisco OEM relationship were up a very strong 15% sequentially. For the full year, revenues of \$92 million (up 1%) included \$30M from Cisco.

RVSN	Q4-06	Q3-07	Q4-07	Sequential Growth	Annual Growth
Products	\$18.9	\$14.5	\$17.1	18.3%	-9.5%
Technology	\$6.4	\$6.3	\$5.2	-16.9%	-18.8%
Total Sales	\$25.3	\$20.7	\$22.3	7.7%	-11.9%
NA	\$15.0	\$12.4	\$13.6	9.0%	-9.4%
EMEA	\$6.1	\$4.4	\$4.9	10.8%	-20.5%
Asia	\$4.2	\$3.9	\$3.9	0.2%	-7.5%
Op Inc.	\$3.42	(\$1.37)	(\$0.24)	-82.6%	-107.0%
3G sales	\$2.4	\$2.2	\$1.6	-27.3%	-33.3%
CTM sales	\$1.5	\$0.6	\$0.8	33.3%	-46.7%

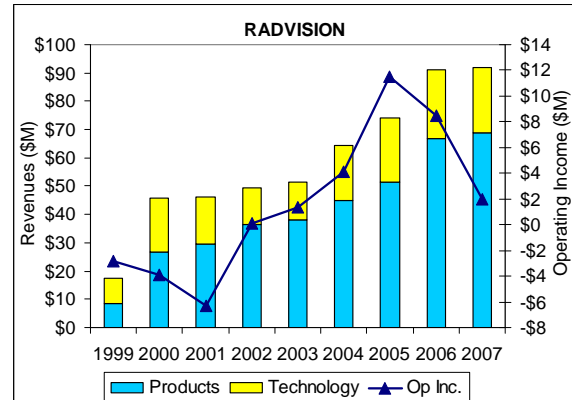


During the earnings call, CEO Boaz Raviv discussed a shifting in emphasis on the part of the company moving into 2008. There will be more emphasis on enterprise products, sales, and marketing, and slightly less on the service provider customer base (see our chart below). Boaz also stated that "mobile video is not taking off" and that the service providers don't really know how to deploy and sell video services; and that much of the business has moved to application service providers (many of whom we suspect are in the adult entertainment arena) who are in a revenue sharing model with the service providers.



We have expressed our opinion in the past (ask Bob Rickwood, with whom we had many an argument on this point) that videoconferencing on a mobile phone really wasn't that attractive. Screens are too small; ergonomics are awkward; cost is probably too high, etc. And while history may prove us wrong, our chart above of Radvision's 3G product revenues for the past three years could probably be best described as a "flat" line. The Click to Meet line is a bit more difficult to interpret since much of the CTM technology has moved into Radvision's Scopia Desktop product line.

Radvision finished the year 2007 essentially flat with 2006 in revenues and with over \$130M in cash in the bank. The company expressed optimism for 2008 and mentioned 1) increasing business opportunities with Cisco; 2) a nice partnership with IBM based on Sametime version 8; 3) the changing competitive environment in room video infrastructure now that Codian is no longer independent and Radvision is the obvious partner for Sony, LifeSize, Aethra, and Avistar; 4) Scopia 5.5 is now shipping; and 5) IMS (which we believe is one of the most complex communications technologies invented by man or beast) is on the horizon.



The Big Three

		Q4-06	Q3-07	Q4-07	Sequential Growth	Annual Growth
PLCM	Room Video Units	17,394	19,529	21,010	7.6%	20.8%
TAA	Room Video Units***	12,744	15,398	16,787	9.0%	31.7%
PLCM	Video revenues (\$M)	\$103.0	\$113.7	\$129.2	13.6%	25.4%
TAA	Video revenues (\$M)	\$95.7	\$124.9	\$135.6	8.6%	41.7%
PLCM	Infrastructure revenues (\$M)	\$31.1	\$32.6	\$35.7	9.5%	14.8%
TAA	Infrastructure revenues (\$M)	\$17.9	\$18.9	\$32.0*	69.3%	78.8%
RVSN	Infrastructure revenues (\$M)	\$18.9	\$14.5	\$17.1	18.3%	-9.5%
PLCM	Total revenues (\$M)	\$186.5	\$240.0**	\$263.3**	9.7%	41.2%
TAA	Total revenues (\$M)	\$130.8	\$165.3	\$192.9	16.7%	47.5%
RVSN	Total revenues (\$M)	\$25.3	\$20.7	\$22.3	7.7%	-11.9%

* includes results from Codian Acquisition

** includes results from SpectraLink acquisition

*** includes OEM units sold in North America and Tandberg 1000 units (both of which are likely to be used for personal conferencing solutions rather than in conference rooms).

Avistar Q4-2007

Avistar reported revenue for the twelve months ended December 31, 2007 was \$12.0 million, and income from settlement and patent licensing was \$16.2 million for the same period. This compared to revenue of \$13.2 million and income from settlement and patent licensing of \$4.2 million for the twelve months ended December 31, 2006, representing a 61% year-over-year growth in the combined metric. Revenue for the three months ended December 31, 2007 was \$1.9 million, compared to revenue of \$1.8 million for the three months ended September 30, 2007 and \$2.3 million for the three months ended December 31, 2006.

ClearOne Fiscal Q2-2008

Revenue for the quarter increased 7% to \$10.8 million from \$10.1 million in the same quarter of last year. Operating income rose to \$1.9 million from \$915,000 in the same quarter last year.

Going Green with Telepresence: 26 Feb *Richard Norris, richard@wainhouse.com*



Our February meeting of the P9 User Forum will focus on going green with video-conferencing, telepresence, and collaboration solutions. We have secured an exciting keynote speaker in Peter Lockley, Head of Transport Policy, the World Wildlife Fund. Peter's

keynote will provide an overview of the climate challenges we face and aviation's current and future contribution. He will outline the role that telepresence can have in the reduction of business travel and WWF's work in this field. Also presenting at this unusual world-wide, 6-site, telepresence-based four hour session is Paul Marcoux, VP of green engineering for Cisco Systems. As the new "Green" Czar, Paul is responsible for driving Cisco's green initiatives both internally and externally with customers. Paul has tremendous industry presence and vision. He has authored many publications on topics like Data Center Technology & "Greening." He is also a founding member of The Green Grid Organization and The Green Grid Technical Committee.



Peter Lockley Paul Marcoux

Wainhouse Research has reserved six telepresence suites courtesy of Cisco and will use these on 26-February to host a half day Point Nine round table discussion. If you can make it to Boston, New York, Atlanta, DC, London, or Amsterdam visit www.wainhouse.com/point9 to reserve your place. Starting time will be 8:00 in the North American time zone and 13:00 and 14:00 in London and Amsterdam respectively. Contact Sara Fargo, sfargo@wainhouse.com if you would like to sponsor this very unusual session demonstrating the power of telepresence in sales, marketing, HR, and other business processes.



People & Places

LifeSize, **Colin Buechler**, Sr. VP of Marketing

Vidyo, **Alfred Hui**, VP Sales, APAC; **Yossi Massafi**, VP Worldwide Sales Operations; **Rob Hughes**, Sr. VP of Worldwide Sales and Support





VBrick Systems, **Mark Phillips**, business development director EMEA

Avistar Communications, **Stephen Epstein**, CMO

Microsoft, **Stephen Elop** (formerly with Macromedia), head of business division

Visual Communications and Telepresence at the Berlin Collaboration Summit: 8-10 April

This year's Berlin Summit will have a special focus on emerging applications and solutions in visual communications. Besides two presentations on video services, we are especially excited to announce two end user customers who will talk on their experiences with videoconferencing and telepresence systems. A few of the highlights from this year's 19-speaker agenda:

			
Robert Mayer-Klamm Qimonda (Germany)	John-Erik Horn Media Saturn (Germany)	Andrew W. Davis Wainhouse Research (USA)	Ernest Companys Techno Trends (Spain)
Experiences with Qimonda's Near Telepresence Video Communications Systems	From Communications to Collaboration to Telepresence	Visual Communications: Turning today's hype into tomorrow's reality	Professional Videoconferencing : Using the Internet for an Outsourced Service

➤ Robert Mayer-Klamm, responsible for IT Architecture and Strategy at Qimonda, will be speaking on Qimonda's rationale and strategy for building the Qimonda Video core cell to support the business's needs for global round table meetings. Qimonda is a leading global memory supplier with a broad diversified DRAM product portfolio for a variety of applications. Robert's presentation will discuss benefits and challenges of the innovative, customized telepresence system deployed in North America, Asia, & Europe.

➤ John-Erik Horn, Head of Technical Innovation at Media-Saturn-Holding GmbH will explain how Media-Saturn began a VoIP

rollout in 2004 with the goal of implementing a common telecommunication platform for all stores and how multiple applications have been added to improve the communication between the stores and the customers. At the international level, the deployment of 20 telepresence systems has enhanced the quality of communications between the international headquarters site and subsidiary operations. This presentation will review the telepresence experience and highlight how telepresence has accelerated business decision processes at Media Saturn.

Wainhouse Research analyst Andrew W. Davis will give an industry overview, review the announcements and market trends of the past 18 months, and discuss how vendors and customers are adjusting to new technologies, new market players, and new emphasis on using all resources wisely. Other presentations at the Summit will discuss visual communications as a new class of services for the enterprise and SMB and the integration of videoconferencing into unified communications offerings from Microsoft, Cisco, and other enterprise vendors.

The WR Collaboration Summit, now in its fourth year in Europe, has become the premier industry event and brings together the top enterprise conferencing and collaboration managers, videoconferencing professionals, meeting facilitators, and IT/network decision-makers with the industry's leading innovators, service providers, and experts. The event features a conference, workshops, a technology demo area, and extensive networking opportunities for all attendees.

Visit www.wainhouse.com/berlin08 for the complete story on this international conference. The [registration web page](#) is now live. Don't miss this opportunity to hear what's happening with

presence and IM, telephony-based conferencing and collaboration, mobile solutions, and high-definition video and telepresence. Network with your peers and with industry experts.

In addition to our conference, the 2008 program will feature in-depth workshops plus several hours of exhibit hall demos. The Berlin Collaboration Summit has a limited number of sponsorship opportunities remaining - contact Sara Fargo, sfargo@wainhouse.com.

WR Collaboration Summit Berlin Sponsors



Conferencing & Collaboration Event Calendar	
WHEN & WHERE	WHAT & WHO
14 February; Canary Wharf, London	IP Video Expo (AV in the City)
26 February; London, New York, Boston, Washington D.C., Atlanta, and Amsterdam	Point Nine User Forum via multipoint telepresence session, hosted by Cisco.
8-10 April; Berlin, Germany	Wainhouse Research Collaboration Summit - Berlin
16-18 July; Boston, MA	Wainhouse Research Collaboration Summit – Boston
27 October, Boston, MA	Wainhouse Research CSP Summit

One on Two with VTEL Executives Bob Swem and Richard Ford



I met recently with several members of VTEL's executive team, including President and CEO Richard Ford (on right) and Head of Development Bob Swem (on left), in sunny Austin, TX. We were in the middle of a parched, snake-infested field that was posing as a Texas State Park, but the guys had brought with them one of their IPanel videoconferencing systems and a Sprint wireless USB network card so we could call for help, or at least order in lunch over video. I was impressed. Who knew they had cellular networks in Texas?

WRB: You reported to us recently some great successes with the IPanel product line. To what would you attribute that success? What makes the IPanel special?

RF: The IPanel, which as you know is PC-based, brings a lot of benefits to our customers, including versatility for conferencing and collaboration and multimedia applications, ease of use, and complete integration into a simple package. We also think the price is attractive, because a complete room system for under \$6,000 is now attainable.

WRB: PC-based videoconferencing systems have a checkered past. How did the IPanel overcome the PC problems?

BS: The market has changed. It's no longer a telephony model. Videoconferencing used to be a standalone application that primarily worked via ISDN. A dedicated proprietary architecture was required to do the high degree of signal processing and communications control, and you needed the switched ISDN network to provide high quality-dedicated bandwidth. Now videoconferencing is more appropriately an application on a general-purpose platform running on the PC's LAN and Internet (IP) connections. Today's general-purpose platform is clearly the PC. The IPanel is a super videoconferencing system, but it also plays DVDs, runs office applications, etc. Our customers see the IPanel as just another PC on their network.

WRB: Who are your IPanel customers?

RF: Generally, small and medium size commercial businesses with 3 to 10 sites, K-12 classrooms where all-in-one functionality resonates with users and where our wireless and cellular capabilities are important, and special projects (emerging markets) where the price/performance/flexibility value proposition of the IPanel is compelling.

WRB: What are your channel strategies for the IPanel? Is this a direct sale by VTEL? Are you selling outside the USA?

RF: Primarily, we are using our reseller network. We provide them a good margin to sell and support the IPanel. When we don't have a local reseller, we will take the business direct. This is possible because the IPanel is basically a plug and play device. Its operation is widely understood by users and by support staffs. We also sell internationally via resellers, and are actively adding reseller partners worldwide. To our direct customers we also ship complete IPanels to countries all over the world. It's common for our SME commercial customers to have several sites outside of the USA.

WRB: Videoconferencing is a market that is usually reserved for the big guys with worldwide footprint. As a small player, does this make you nervous? What keeps you up at night?

BS: No. The big videoconferencing players are focused on Fortune 1000 accounts selling them expensive systems for high definition and even telepresence. Our market is the SME segment. These customers don't have the budget for the more expensive end point systems and (especially) network charges to support these high-end video experiences. We are selling the equivalent of Honda Accords to the small and medium commercial customer and they are consistently amazed at the performance and value proposition of the IPanel. Our customer is looking for wide utility (a lot of value for the buck) and practicality. We keep IPanel operations familiar and simple ... "less is more".

In education accounts the IPanel is also the most versatile classroom communications platform. The teacher gets a lot of functionality for one low cost, plus they understand how to use it all. Since the IPanel is fully H.323 standards compatible, we operate in mixed environments. We don't care if the school district bought Polycom years ago...they can always incorporate an IPanel into the mix. Education networks understand how to manage PCs. The IPanel isn't a "foreign" technological intruder.

WRB: What are the major challenges you see for VTEL in the next two years?

BS: Funding for increased marketing programs and channel expansion. These are not terribly difficult. But, we need to find innovative ways of showing our target customers how useful/practical our IPanels are to their operation. This requires a live demo. Once the customer sees all that the IPanel does (and its low cost) we close most prospects.

To this end we've been extremely happy with the advent of the Verizon and Sprint wireless broadband service. We plug their wireless broadband card directly into an IPanel's USB port and immediately we can connect to any other H.323 videoconferencing system in the world. We don't have to go through the customer's firewall. Consequently, we can arrive on the customer's site and within 10 minutes be demonstrating the complete functionality of the IPanel...including live videoconferencing. This is yet another advantage of the IPanel's integral PC design.

WRB: I know you are privately held. What can you tell us about VTEL financials?

RF: VTEL had a very successful and profitable year in 2007. We were also able to retire all of the several million dollars of debt that had accompanied the original employee buy-out of the company in 2002. This solidified our balance sheet, and combined with VTEL's continuing profitability, will enable us to increase our sales and marketing going forward.

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