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MESSAGE FROM THE CEO

In our first quarterly newsletter, I hope you find some inspiration about how VoIP technology – hosted, mobile, 2.0 – is gaining market-share slowly but surely. While there is a lot of hype surrounding how quickly VoIP will improve communications systems, reduce costs, and provide a 100% replacement technology for TDM, there are also now enough real life data-points to allow us to project how this will all play out. I'll share some ideas and my thoughts on what we see at VoIP Logic working with 100s of carriers and service providers.

From my perspective, I have seen enterprises switch to a hosted VoIP system when it does the following: improves their productivity, achieves tasks that can't as easily be accomplished otherwise, is offered to them by a trusted IT source and, most generally, saves them money and headaches. In this issue, we have a spotlight section on a customer that discusses how they have been successfully selling hosted VoIP bundled with data services to increasingly larger enterprises. Finally, a mantra I hear from all providers of hosted VoIP, is that BYOB (bring your own broadband) is too unreliable, too expensive to support and creates too much churn. The statistics seem to bear this out. So plan your network strategy very carefully.

Hosted VoIP has a leg up on IP PBXs (premise based PBXs) because carriers and service providers can integrate additional services at the request of enterprises with much greater ease and without waiting on software development by Avaya, Nortel, etc. For instance, service providers are able to pass along not only monitoring and management tools through Web portals, but they are also able to integrate invoicing, additional provisioning, diagnostic tools and third party developer plug-ins and resources that do not come 'standard'. In short, a hosted phone system, like any software provided as a service, is constantly upgrade-able from the core, which expands what is possible.

Some helpful tips to identify likely hosted VoIP target market customers:

- Enterprises using Hosted VoIP tend to have 20% or more of their workforce remote to a headquarters location – a circumstance which this technology bridges particularly well. The global trend towards a more dispersed workforce is gradual but it promotes hosted and managed business services.
- Enterprises have an increasing number of service providers offering everything from hosted Exchange server, computer management, LAN network management, VPN/WAN management, data network service provider and communications systems management. They want this to be simplified to fewer points of accountability for their business systems.
- Larger enterprises can really take advantage of productivity gains in one or more of their business systems. Once they feel comfortable with network stability (generally, dedicated bandwidth or MPLS) service providers, who are sensitive to the needs of medium sized enterprises and larger, should find fertile hunting grounds.

The mission of our quarterly newsletter is to provide a neutral voice to the dialogue about VoIP technology, hosted VoIP and the future of communications services.

Micah Singer - CEO, VoIP Logic



CUSTOMER CORNER

OneStream Networks
 Rochester, New York
www.onestreamnetworks.com
 Customer Since: Q2 2007
 Service: Hosted PBX

Q&A with Brian Skidmore, VP Sales, OneStream Networks

Please tell us about OneStream and its products and services:

OneStream Networks is a managed IP services provider specializing in nationwide enterprise-grade IP communications for mid-market businesses and resellers. OneStream offers end-to-end enterprise-grade communications and powerful ROI to customers through Smart Business Solutions, a comprehensive suite of on-demand network and outsourced IP telephony services delivered and managed via OneStream's national private Quality of Service (QoS)-enabled IP network and complemented by LAN, security and business continuity technical expertise.

Specifically, the company delivers the benefits of converged networks and IP communications through a comprehensive value proposition, recognizing that every customer is unique. OneStream uses a professional services approach to fully understand customer business needs and goals, and then collaboratively creates the optimal IP migration strategy. OneStream ensures a solution that is firmly aligned with the strategic, technical and financial goals of each customer, creating maximum total cost of ownership (TCO) benefit.

If you had to single out four or five "nuggets" on OneStream, what would they be?

- 1) OneStream was one of the first national providers to offer enterprise-grade voice and data communications over a private, fully-managed IP backbone.
- 2) OneStream guarantees its hosted IP telephony solutions with a money-back guarantee.
- 3) The average customer solutions help consolidate multiple services and networks. The average customer also replaces 4 to 7 vendors/partners while improving functionality and decreasing costs.
- 4) OneStream's best-practices approach to solutions and customer support have resulted in a 98% customer satisfaction rate.

What does VoIP Logic do for you and your company?

VoIP Logic is one of OneStream Networks' key technology partners, providing the integration middleware, supplemental technical support and applications development that enables us to stay on the leading edge of enterprise-grade hosted VoIP and unified communications services. We chose to work with VoIP Logic due to their unique ability to deliver best-in-class applications and services, like Cortex OSS, in an on-demand model that supports our business growth while limiting our capital expenditures. By combining the go-to-market benefits of the managed services model with the reliability of global support and world-class developers, VoIP Logic was and is a clear choice for us as a partner.

What unique features of VoIP Logic's model help OneStream Networks?

Over the past year, VoIP Logic has proven itself a very reliable partner for OneStream. Through their managed service model, the company was able to exceed our expectations for delivery of a powerful set of operational management tools and applications. One example is Cortex. The availability of Cortex gives us consolidated access to our multiple platforms and systems, enabling streamlined provisioning, billing management, live call monitoring and peer monitoring. These tools are key components of OneStream's Service Excellence Program and help drive and support our world-class service delivery and exceptional customer retention.

How has your business done in the past year?

One Stream continues to be a leader in the enterprise IP telephony space, using an end-to-end managed IP services and QoS network model to drive stunning growth in mid-market accounts across all verticals. We are excited to see increasing success in larger accounts where the complexities and limitations of legacy voice and data networks are suppressing growth and innovation. Businesses are quickly realizing that outsourcing communications is the best way to enable productivity, re-focus on core competencies, and reduce the operational and financial burdens of traditional multi-vendor and multi-system communications environments. We fully expect that, as a key business enabler, OneStream Networks will continue to experience tremendous growth and success in all markets.



INDUSTRY TRENDS

VoIP Technology Update

6.8 million Class 4 VoIP softswitch licenses shipped during the quarter, down from 7.1 million in 1Q08.

8.9 million service provider media gateways ports shipped during 2Q08, up significantly from 8.1 million ports in the previous quarter.

5.2 million SBC sessions capacity shipped in 2Q08, down from 8.9 million in 1Q08. Revenue, however, did not show such a depression Q-o-Q. Revenue decreased 1.3% sequentially.

-- iLocus

VoIP Subscriber Growth Remains Robust

Cable telephony subscriber growth continues to be strong, with almost 8 million new subscribers added around the world over the past 12 months. Growth in North America has been particularly strong, as cable operators near the end of their transition to voice-over-Internet protocol (VoIP)-enabled network architectures, the high-tech market research firm says.

Worldwide cable telephony service revenues are on track to reach \$12.6 billion in 2008, up from \$10.7 billion in 2007. Total worldwide cable telephony subscribers are projected to reach 37 million by the end of 2008, and rise to over 64 million by 2012.

-- In-Stat

VoIP in Multi-play Bundles is Having a Major Impact

Over 16 million U.S. consumer VoIP lines were in service by the first quarter of 2008, representing nearly 14 percent of all households and 27 percent of broadband households. Meanwhile, data released by the Centers for Disease Control (CDC) says in the last six months of 2007, at least 16 percent of U.S. households have one or more cell phones, but no landlines.

Since 2005, the RBOCs--AT&T, Verizon and Qwest--have lost over 17 million residential telephone lines with more than 80 percent of these customers tapping into the services of cable telephony providers. A chart illustrating the losses and gains around fixed and VoIP could best be described as the cone of pain for RBOCs; VoIP subscribers are going up nearly as rapidly as fixed line subscribers are departing, so there's a nice upward line for VoIP and a downward one for RBOCs on a year-to-year basis.

RBOCs are fighting back against cable with their own triple-play offerings, but they have a long way to go to recapture subscribers. Verizon had over 18.8 million subs to its FiOS fiber offering in Q108 while ATT has 379,000 U-Verse broadband and video subscribers, including 4,000 VoIP subscribers.

-- TeleGeography

Gartner has Recently Revealed Smartphone Industry Figures for Quarter 2, 2008 and Things are Looking Good for Symbian, RIM and Apple

The figures are in for Quarter 2, 2008 and things are looking good for Symbian, RIM and Apple. According to the figures:

- Over 32 million Smartphones were shipped worldwide during the Q2, 2008 and there was a 15.7% growth rate in shipments during Q2, 2008 as compared to Q2, 2007.
- Symbian is still the Industry leader with over 18 million shipments worldwide and 57.1% market share. It achieved 0.7% growth rate in Q2, 2008 as compared to Q2, 2007.
- RIM has overtaken Windows Mobile to obtain the second position with over 5 million shipments and 17.4% market share. It achieved the second highest 126.4% growth rate in Q2, 2008 as compared to Q2, 2007.
- Microsoft Windows Mobile came third with over 3 million shipments worldwide and 12.0% market share. It achieved 20.6% growth rate in Q2, 2008 as compared to Q2, 2007.

- Gartner



As of October 7, 2008, Apple, Inc. reported that it's close to reaching its goal of selling 10 million iPhone 3Gs.

- Top Tech News

VoIP Expertise In Demand

VoIP salaries are on the rise. OnForce Inc., an online jobs mart where employers and workers meet on the Internet and agree on an hourly rate published, in a recent report that shows growth in VoIP rates have increased by over 20% between Q1 and Q2 2008 in an otherwise troubled larger employment market-place.

-- TMCNET

THE REGULATORY CORNER

Opinion: Net Neutrality or Government Brutality?

Net-neutrality advocates disagree over just how much control network operators should be allowed to maintain. Some believe that neutrality means data packets must be handled on a first-come-first-served basis without exception, while others would permit the existence of differing quality-of-service levels as long as there are no special fees...

There have been several efforts to pass net-neutrality laws at the federal and state levels, but they have thus far been rebuffed. That may change, however, particularly if Senator Barack Obama wins the presidential election in November. He has expressed support for net neutrality, dating back to a 2006 bill (S 2817). The prospect of imposing government regulation on what is essentially a free market might lead one to believe that Democrats are more likely to support net-neutrality mandates than Republicans (notwithstanding the fact that the GOP frequently acts in contradiction to its pro-market rhetoric), and, indeed, there is some truth to this.

--News Factor

VOICES FROM THE INDUSTRY

The State of the VoIP Managed Services Market

By Charles Weaver, President, MSPAlliance

For over 10 years now managed services has been a rapidly growing sector of the Information Technology market. While the early years of this industry were primarily dominated by remote monitoring and management services, Voice-over-IP has always been a sector that has largely been ignored. This is not to say that VoIP technology was not being sold. Rather, that the tools necessary to effectively manage and monitor the VoIP experience for businesses did not exist. Managed Service Providers (MSPs) were relegated to advising and selling VoIP equipment without the capabilities to offer very robust quality of service monitoring or guarantees.

Today, technology has finally caught up and the VoIP market is flourishing, not just for product vendors, but for MSPs who are seeking to provide higher levels of VoIP service to their clients. Tools and services like hosted PBX, centralized monitoring of VoIP systems, remote management of VoIP products, and other innovative technologies are not only making it easier for MSPs to manage these systems but they are also encouraging small and medium sized businesses to adopt VoIP technologies.

The increasing prevalence of remote and mobile workforces is also having a tremendous impact on corporate communications strategies. As the number of remote workers increases so does the necessity to maintain heterogeneous communications systems. Traditional voice technologies have been largely inadequate to meet this challenge. Exciting advancements in IP technologies have made enterprise VoIP systems not only accessible to the small and medium sized business market (SMB) but easy to manage as well. These VoIP systems are providing SMBs with professional and solid communications platforms that can be effectively managed by MSPs who specialize in this area.

Throughout the next few years, it is highly plausible, if not probable, that the VoIP market will greatly increase throughout the modernized world. Those geographic regions that possess the minimal infrastructure requirements will likely see rapid adoption of VoIP. Correspondingly, MSPs will also emerge in those same markets to manage and ensure quality of service for their clients.

While it is safe to say that VoIP has taken its time to mature as a sector of the managed services industry, the next several years will likely experience large growth, producing a beneficial effect for both businesses and MSPs.



VoIP LOGIC: NEWS & NOTES

VoIP Logic Honored as #76 among the Top 100 US Telecom Companies on Inc. Magazine's 2008 list of the 5000 fastest growing private companies with 155% growth.

VoIP Logic Continues to Enhance Cortex® OSS.

In September, VoIP Logic introduced Cortex CDR Manager, a Call Detail Record Management module for its award-winning Cortex OSS middleware. CDR Manager is a hosted tool for real-time reporting and access to call records generated during VoIP peering.

VoIP Logic Introduces Cortex OSS Wholesale Billing Module

In July, VoIP Logic introduced a new Wholesale Billing module to provide pricing, rating and invoicing capabilities to wholesale carriers that use the market leading NextPoint/Genband MSX for VoIP peering.

VoIP Logic Becomes NextPoint/Genband Channel Partner

As of July 1, 2008 VoIP Logic became a channel partner with NextPoint/Genband responsible for providing commercial sales, sales engineering and support engineering to Tier II and III NextPoint customers in 4 main regions around the globe – North America, CALA, EMEA and Asia-Pacific.

See Us At...

VoiceCon, November 10-13, San Francisco, California, USA

Carrier Networking Exchange, October 20-22, Frankfurt, Germany

ISPCON, November 11 - 13, San Jose, California, USA

PTC, January 18 - 21, 2009, Honolulu, Hawaii, USA

ITEXPO East 2009, February 2-4, 2009, Miami FL, USA

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