



The real-time enterprise is here, and it's here to stay. The goals: help people work together in today's virtual workplace, quickly and easily, whenever and wherever they need to; ensure that employees can locate and collaborate with the knowledge experts they need to succeed; and cut costs while boosting productivity. The need for real-time, converged applications has never been greater, as the vast majority of employees today work away from their company's headquarters, and companies continue to struggle to cut costs while growing productivity.

Pandora Networks Company Overview

We provide small and medium sized businesses a single source for all of their communications services requirements. The communications services we offer currently include voice telephony, secure instant messaging, online collaboration and video conferencing services. These communications services together are referred to as Integrated Communications, where an enterprise's voice and data communications are consolidated onto a single network. We provide Integrated Communications to our customers using a software-based PBX ("virtual PBX") that we call Worksmart. Worksmart is based on internet protocol ("IP") technology. All products sold by Pandora Networks are designed and owned by Pandora. We do not license any others technology.

Industry Overview

Communications services are critical to businesses, whether utilizing voice telephony or the more recently available data services such as instant messaging, web collaboration and video conferencing. According to MCI, Inc.'s 2004 Annual Report on form 10K, approximately \$1 trillion was spent worldwide in 2004 on telecommunication services, and about 60%, or \$600 billion, of this amount was spent on fixed wireline services including voice, data and Internet communications. The United States accounted for approximately 40%, or \$240 billion, of worldwide spending on fixed wireline services and is the largest individual market. MCI also estimates in its 2004 10K that medium and large-size businesses in the U.S. spent approximately \$115 billion and small businesses in the U.S. spent approximately \$50 billion on fixed wireline voice, data and Internet services. MCI further estimates that half of U.S. small business spending on fixed wireline services in 2004 was on local and long distance services and half on Internet and data services. Finally, in the international markets, MCI estimates that business customers spent approximately \$190 billion in 2004 on fixed wireline data, Internet and voice communication services.

Traditional PBX Systems. Traditional PBX systems using TDM-based technology have the benefit of reliability and guaranteed call quality. TDM-based PBX systems also have significant shortcomings, including (i) proprietary systems and lack of standards, (ii) limited functionality, (iii) limited ability to share applications, (iv) complex administration, (v) users are tied to a physical location and (vi) expensive moves, adds, changes, and deletes (MACD).

IP-based telephony Quality. IP-based telephony's historical quality issues were due to service providers utilizing the public internet, as opposed to private, dedicated IP networks. In 2004, though, the market for IP-based telephony matured to where the

quality and dependability is on par with or superior to circuit-switch based telephony. Companies such as XO Communications, Point One, Level 3 Communications and Global Crossing have built nationwide or in some cases global networks dedicated to IP-based voice traffic.

VoIP service adoption is comprised of consumer and business users. Consumers access VoIP from peer-to-peer services or through service providers. Peer-to-peer is a free service where a user utilizes his computer to speak to somebody using that person's computer, where the communication occurs over the public Internet. With peer-to-peer, all the user gets is voice communications and the quality is sporadic since it uses the public Internet. The primary peer-to-peer software providers are Skype and Voiceglo. Consumers can also access VoIP through paid services, where they plug a standard phone into a special modem which is linked to the user's broadband connection. With this service, the phone service has the same "feel" and functions as what the regional bell operating companies ("RBOCs") offer, including voicemail, 3-way calling, call forwarding, call blocking, etc. The primary providers of such consumer VoIP services are Vonage and AT&T Call Vantage. However, business customers need more advanced functions from their communications systems, which they traditionally have received through PBX-like services. Consequently business-like services must be more comprehensive than consumer oriented services. There are several competitors that offer business-oriented VoIP services, such as MCI, Covad and SBC. We provide business-quality VoIP services but we also offer significantly more capabilities with our Integrated Communications approach.

The recent advent of Integrated Communications offers businesses entirely new means to communicate. But, businesses also face the daunting task of integrating all these services so they work together seamlessly. This issue is more profound for small and medium sized businesses that typically lack the internal resources to actively manage their communications resources. Sourcing the varied components of Integrated Communications from multiple suppliers and integrating them together is a huge challenge for small and medium sized businesses. As a result, while many small and medium sized businesses would like to incorporate Integrated Communications and IP PBX + Telephony into their business, they have not been able to do so due to the complexity of integration.

Business Case for Integrated Communications

With the early implementations of IP-based telephony, the value proposition centered on lower long distance charges and lower management costs. With TDM-based long distance charges now averaging less than \$0.05 per minute, lower toll charges are not the only compelling argument. Lower management costs, particularly MACD, are valuable, but the initial cost to install in the enterprise the IP equipment to handle both data and voice traffic can offset those potential cost savings. The business case for Integrated Communications needs to move beyond cost savings and focus on the value and revenue generating potential of the convergence of voice and data.

Using Technology to Increase Productivity. By offering a standard, open platform, new applications can be developed to make it easier for workers to access information from any device. IP communications introduces new communications features including voice features such as unified messaging, simultaneous ringing, and intelligent call routing to any device; something that traditional PBXs cannot do. It also can provide for other non-voice applications such as instant messaging, web collaboration, conferencing, and more.

These features make users more productive by streamlining their communications and access to information. In addition, Web-based administration provides for simpler management, enabling technical staff to respond more quickly to end users and enables end users to manage their own services.

Servicing an Increasingly Mobile and Distributed Workforce. As the workforce become less centralized and static, Integrated Communications enable IT to deliver the same functionality to the remote office as the corporate headquarters. Mobile and distance workers can access the same voice-mail systems and the same unified applications as their colleague at headquarters. They can also communicate with other workers with the same ease as if being in the same location.

Delivering Revenue Generating Applications and Features. In addition to cost savings and productivity improvements that enterprises can achieve, Integrated Communications provides a foundation for future revenue generating applications. For example, a new customer support application will provide for a higher level of real-time customer interaction by enabling customers to have access to trained service engineers that can resolve problems with IP-based interaction tools. This improves customer service, enhancing customer loyalty and long-term value. New multimedia applications are another example. They can streamline communications to the entire organization and enable collaboration that shortens project lifecycles.

Reducing Costs. By managing one converged infrastructure, IT departments can greatly reduce administrative and management complexity. If an employee is moving, the same person that relocated the PC can also move the phone. The intelligence is no longer tied into the PBX, but instead is client-server architecture. End-user telephones become plug-and-play. Convergence also offers the opportunity to introduce new applications that convert expensive metered services such as conference calls, to last-rate event billing [what does this mean?]. IP-based conferencing can introduce significant cost savings compared to high costs of existing conference-call services.

Unifying All Communications Platforms. Integrated Communications removes media barriers and increases productivity by enabling users to access corporate information from any device, regardless of platform. By reducing the number of contact methods from five or six (work phone, mobile phone, computer, PDA, etc.) to just one, Integrated Communications increases productivity, enables collaboration, and increase responsiveness.

Aligning IT and Business Processes. Convergence delivers an open and integrated communications platform that gives CIO's the opportunity to optimize existing business processes. An example is the ability to integrate corporate directories into IP phones and other collaboration tools. Directory integration enables end users to access all corporate contact information from multiple devices. With convergence, technology will no longer limit them but enhances the ability to reinvent business process, drive down costs, and deliver value to the enterprise.

Pandora Networks Solution

We solve the problems small and medium sized businesses face in trying to access the benefits of Integrated Communications. Our communications service offering is simple to use. We offer all the components of Integrated Communications in a single, integrated offering, so our customers do not have to source their voice telephony, secure instant messaging, online collaboration and video conferencing from multiple sources and then get them to work together seamlessly. In addition, our customers have access to new and enhanced communications features using our services.

We are continually adding new features to Worksmart that further businesses' communications capabilities. And, because Worksmart is based on IP technology, our cost to provide communications services is much lower than traditional TDM-based technology, and we are able to pass along these savings to our customers in the form of lower prices.

Our customers have two ways to access our Integrated Communications services. The first is via a Hosted service, where Worksmart runs on one of our computer servers located at a co-location facility, and our customers access these services via a personal computer and/or IP phone and a broadband connection. The hosted customers pay (i) a monthly fee for each user, (ii) for metered usage of the Integrated Communications and (iii) for miscellaneous services such as number portability, 411 calls, technical support and other services.

The second means for our customers to access our Integrated Communications services is by purchasing a computer server on which Worksmart runs and placing the server at the customer's own location. Customers that choose this alternative pay (i) for the computer server and Worksmart, (ii) a one-time charge for each user, (iii) for metered usage of the Integrated Communications and (iv) for miscellaneous services such as number portability, 411 calls, technical support and other services. The principal difference to our customers in having us host Worksmart as opposed to our customer hosting it themselves is an on-going monthly charge for each user when we host Worksmart versus an upfront expense and the need to maintain the computer server when our customers host Worksmart. In both cases, though, we bill our customers for usage of our Integrated Communications services.

Our solution to provide Integrated Communications services is attractive to our customers for several reasons:

Single Source for Integrated Communications. We are the only communications service provider that offers the full suite of Integrated Communications services. Other service providers will offer just IP-based voice telephony, just instant messaging, just web collaboration or just video services. The customer must source these communications services from four providers and then get them to work together seamlessly, which is a challenging endeavor. By using our Integrated Communications service, our customers avoid this complexity.

Truly Integrated Offering. We developed Worksmart, our own Integrated Communications software, which enables us to provide truly integrated virtual PBX, instant messaging, web collaboration and video conferencing services. Typically, other communications service providers purchase the software necessary to provide these communications services from outside vendors. By developing the software that powers our service, we are able to more rapidly respond to customer requests for new functionality; more quickly address any software bugs if or when they arise.

Extensive Functionality. Worksmart contains new functionality not available with traditional PBX systems, including voice features such as unified messaging, simultaneous ringing, intelligent call routing to any device, integration of corporate directories into IP phones, remote extensions, web administration, on-net (free) calling to internal users, etc. In addition to the productivity improvements that companies can achieve with Worksmart, Worksmart provides a foundation for future revenue generating applications. For example, a new customer support application can provide for a higher level of real-time customer interaction by enabling customers to have access to trained service engineers that can resolve problems with IP-based interaction tools.

This improves customer service, enhancing customer loyalty and long-term value. Worksmart also provides other non-voice applications such as instant messaging, web collaboration and

video conferencing, unlike traditional PBX systems. These applications can streamline communications to the entire organization and enable collaboration that shortens project lifecycles, making users more productive by streamlining their communications and access to information.

Additionally, Web-based administration simplifies management requirements, enabling technical staff to respond more quickly to end users and enables end users to manage their own services.

Substantial Cost Savings. Our service is based on IP technology, substantially reducing our cost of providing Integrated Communications services. As a result, we are able to pass along these cost savings to our customers in the form of lower prices for the ongoing use of these services. Similarly, the upfront costs to our customers are also substantially reduced. A traditional PBX system will cost \$30,000 + for the hardware and installation, not to mention the ongoing expense of supporting and maintaining the hardware. This is a substantial expenditure for a small or medium sized business. For our hosted service, our customers have no upfront cost and no ongoing hardware maintenance cost. If our customers would prefer to locate a computer server with Worksmart on their premises, we will sell this to them for approximately \$5,000 to \$15,000, substantially less than the \$30,000 that a traditional PBX costs. The reason we can offer such a lower price is that our software is running on standard computer servers, not specific PBX equipment.

Enable Mobile Employees. Workforces are becoming increasingly mobile, whether working from home or when traveling. Our service enables employees to work from any location where they have a computer with Worksmart installed on it (available for download from the internet) and a broadband connection. This ability to communicate over numerous means from various locations substantially increases our customers' productivity.

Pandora Networks Company Information:

Since 2001, Pandora Networks has been developing solutions to improve business communications. Started as a development company for solving tough IP communications problems such as voice and video over firewall, we delivered powerful hosted interaction solutions for such companies as Roche Pharmaceuticals. Over time we added a wide range of technology expertise to our repertoire including voice, video, presence, messaging, and collaboration.

Address: 1195 Park Avenue Suite 201
Emeryville, CA. 94608

Phone: 800-805-0558

URL's: www.pandoranetworks.com
www.worksmartcentral.com

Senior Management Team

Walter Snell
Sridhar Muppidi
Jay Brooks
Jon Beck

President, CEO and Founder
CTO and Founder
VP of Sales – North America
VP of Sales – International