

Vertical Communications, Inc.

Vertical Communications is a leader in IP business phone systems. The Company is focused on the small-to-medium business (SMB) marketplace while also servicing a number of high-profile national product and service retailers. Vertical's solutions redefine the role that telephony plays in business by delivering voice communications systems with easy-to-use integrated applications that dramatically increase customer productivity and efficiency while reducing costs.



Vertical and Vodavi together create a top-five North American telephony powerhouse.

OVERVIEW

With a current installed base of over 200,000 customers and approximately \$100 million in annual revenue,¹ Vertical is one of the largest telephony vendors in North America. Vertical's InstantOffice®, TeleVantage®, Comdial® and Vodavi® brand products have won numerous awards and have been consistently cited for delivering measurable value to customers.

Vertical has evolved from the combination of four leading technology and phone system vendors and the creation of one of the industry's leading IP telephony research and development teams. Vertical's journey began in 2004 with the entrance of Vertical's current management team and group of investors. The team combined the Artisoft and Vertical Networks businesses and completed a related financing transaction in September 2004. With new investors and a large infusion of capital, the management team set out to build a world-class IP telephony company and distribution channel.

A year later, Vertical acquired Comdial Corporation and thereby introduced a new family of products to a much expanded Vertical channel. In December 2006, Vertical took the next significant step in its growth by acquiring Vodavi Technologies, Inc. and forming a strategic relationship with LG-Nortel Co., Ltd. (LGN), including LGN's ownership of 11 percent of Vertical's shares outstanding. The combination of these efforts has led to Vertical's ranking as a top-five telephony vendor serving the SMB market in North America.²

Today, Vertical develops and sells a comprehensive range of next-generation IP telephony solutions through over 1,800 distributors and resellers worldwide, representing one of the largest telephony distribution channels in the marketplace. With over 300 employees guided by an experienced management team, the company has the strong support of a group of prominent investors with a proven track record of success.

Vertical and Vodavi: Key Statistics

	Vertical	Vodavi
Cash on Hand ³	\$4,726,000	\$6,788,000
Shareholders' Equity ³	\$17,924,000	\$14,180,000
Annual Revenue ⁴	\$55,535,000	\$43,675,000
Number of Employees ⁵	217	110
Number of Worldwide Dealers	~ 1,200	~ 800

¹ Pro Forma

² Based on line shipments, as reported by Gartner for calendar year 2005.

³ Amounts per June 30, 2006 Form 10K (Vertical) and Form 10Q (Vodavi).

⁴ Amounts per June 30, 2006 Form 10K (Vertical) and December 31, 2005 Form 10K (Vodavi).

⁵ Amounts per latest Form 10Ks for Vertical and Vodavi.

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Vertical has joined forces with Vodavi because they have excellent products, a loyal, established channel with a large installed base and a team of talented employees who add enormous value to the company.

THE VERTICAL VISION

Vertical's vision is to help organizations transform their businesses by unlocking the hidden potential of phone systems and voice applications. Vertical is well on its way to fulfilling its objective to create a telephony powerhouse with the right combination of technology innovation, distribution network and customer support to meet the needs of SMB customers while supporting a targeted group of national accounts in key vertical markets. Acquiring Vodavi is the latest step in a series of initiatives that are helping us realize this vision faster on behalf of our end customers, who range from SMBs to large, distributed enterprises (LDEs). The combination of Vertical and Vodavi creates an even stronger, world-class telephony organization, with the product range, market reach and channel footprint to deliver high-value, world-class IP-PBX products.

With the Vodavi acquisition, Vertical gained an important strategic partner in LGN, Vodavi's largest shareholder. LGN is a worldwide leader in the telecommunications industry with hundreds of engineers and world-class manufacturing capabilities. The Company is working closely with LGN to develop new products.

PROVEN PRODUCTS

The unique strengths of the organization and its partnerships enable Vertical to offer a complete range of high-value, industry-leading business communications solutions. Implicit in the total offering is a well-defined migration path that allows customers to cost-effectively adapt and expand their communications infrastructure as they grow. Today, Vertical solutions include the InstantOffice, TeleVantage, Comdial and Vodavi product families.

VERTICAL INSTANTOFFICE consolidates voice, data, networking and voice applications into a single, integrated communications solution that can be managed centrally with surgical accuracy. Designed for large distributed enterprises and larger SMBs, its ability to access and integrate stored enterprise data in real time allows businesses to maximize the value of the forgotten sales channel — the voice of the customer.

VERTICAL TELEVANTAGE empowers professionals in SMB organizations to work much more productively. Its award-winning ViewPoint graphical user interface displays all call control features on the computer desktop for easy drag-and-drop and mouse-click call handling. For contact center applications, TeleVantage includes advanced call handling features that maximize the value of every call.

VERTICAL COMDIAL products are high-value, ultra-reliable business communications systems engineered for SMBs. The DX-120 system is designed for smaller organizations and provides sophisticated telecommunications features in an affordable, easy-to-use and scalable solution. The FX II and MP5000 systems address the needs of medium-sized organizations that require highly scalable, enterprise-grade voice and video communications.

VERTICAL VODAVI products offer small to large size organizations affordable solutions for increasingly mobile communications requirements. Vertical Vodavi products offer affordable solutions to SMB organizations facing increasingly mobile communications requirements. The StarPlus STS™ product family is a market leader in digital telephony solutions for small businesses. Xcelerator IP™, available in early 2007, answers the demand for a complete IP network solution for smaller organizations. The XTS-IP™ converged telephony system supports both traditional digital and VoIP communications. Telenium IP™ allows medium to large enterprises to reliably integrate voice and data on a 100% IP network with the convenience of Web-based system administration and maintenance. The Nomad family of wireless IP and Wi-Fi® handsets and softphones raises mobility to a new level.

VERTICAL WAVE, available in early 2007, changes the game for next-generation business communications. Wave is a highly modular IP business communications solution that establishes a new standard of business value for both productivity and affordability.

OUR BUSINESS PARTNERS

A critical growth driver has been our strategic relationships with the dealers worldwide who sell, install and support our solutions. Vertical supports and trains these channel partners through a number of programs and services. These include Vertical University and a dedicated support team staffed by highly experienced telephony experts.

With the Vodavi acquisition, Vertical gained an important strategic partner in LGN, a world leader in advanced telecommunications equipment. Vertical also delivers value and assurance through strong collaborative relationships with large systems integrator business and consulting partners such as AT&T, Fujitsu and IBM, who sell, install, support and maintain Vertical products as part of their best-in-class systems and service.

For more information, please call 1-800-914-9985, or visit our Website at www.vertical.com.



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"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995. Statements regarding the future growth and potential opportunity of the IP-PBX, telephony market and future market demand for our products and services, our prospectus for future expansion of our international presence, our ability to provide our customers with products, services and customer support they consider beneficial and cost-effective, our revenue growth as a result of responding to the market opportunity presented, our ability to expand our position as an industry leader, as well as other statements that are not historical facts are "forward-looking statements." These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements. These include, but are not limited to, uncertainties surrounding whether the IP-PBX telephony market will grow as projected and present opportunities in the future; whether market opportunity will present itself in the United States and Europe and whether we will be able to capitalize upon such opportunity; whether we will be able to successfully execute our business strategies; whether our customers will perceive our products, services and customer support as valuable and beneficial; volatility in our stock price as a result of the matters discussed above; the volatility of gross margins, to reduce operating expenses, and to manage cash flows (and the timing and degree of any such improvements in gross margins, reductions in operating expenses and management of cash flows); failure to integrate in an efficient and timely manner acquired companies; failure to retain and attract key employees; or difficulties and other factors detailed in the Company's filings with the Securities and Exchange Commission, including the most recent filing of Form 10-Q.

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