

Recent Price (11/24/08):	\$ 0.80	Cash per Share:	\$ 1.28
52-Week Price Range:	\$ 0.60 - \$3.15	Price/Book Value:	0.37x
Market Capitalization:	\$ 16.94M	Price/Cash:	0.62x
Shares Outstanding:	21.18M	Analyst Coverage:	B. Riley & Co.
Balance Sheet:	\$ 31.4Min cash (9/30/08); no debt	Fiscal Year End:	June 30

COMPANY PROFILE

CallWave is a global provider of mobile and web-based unified communication applications, which allow today's mobile professional to communicate, collaborate and conference from anywhere in the world via computer over any Web connection or with any leading 3G smartphone or Wi-Fi enable device. In September 2008, CallWave launched FUZE and WebMessenger to address the rapidly growing, multi-billion dollar collaboration and conferencing segment of the unified communications market.

FUZE leverages CallWave's telephony foundation and is the first mobile collaboration and conferencing application that extends Microsoft OCS to all mobile platforms and allows synchronized sharing of rich media content including documents, high definition audio and video, and high resolution images. Efficient cloud computing and virtualization techniques allow CallWave to scale its service offering for large enterprises without the need for large capital outlays.

CallWave's WebMessenger solutions securely deliver federated corporate instant messaging applications to mobile devices. FUZE integrates the technology of WebMessenger to create a robust, secure and industry-leading mobile solution for both SME and enterprise clients. Platform interoperability with a mobile extension represents a major development hurdle in collaboration and conferencing solutions, and one CallWave has been able to overcome with the WebMessenger technology. WebMessenger is sold as both an independent product line via www.Webmessenger.com as well as in the Apple App store, and it is embedded in FUZE.

In 2008 CallWave completed restructuring activities to reduce annual operating expenses and align the company's resources with its strategic focus on the high-return, unified communications growth opportunity. With unique products, solid financial resources, and technical and management expertise in place, CallWave has ample resources to support its growth initiatives and achieve a leadership position in the growing collaboration and conferencing market. CallWave expects to begin generating revenue from WebMessenger and FUZE in the second quarter of fiscal 2009. At a price of \$0.80 per share, CallWave stock represents a compelling value at a 0.62x price-to-cash and 0.37x price-to-book value.

CallWave was founded in 1998. The company's headquarters are located in San Francisco with world-class software teams in Silicon Valley, California, and Sofia, Bulgaria.

INVESTMENT HIGHLIGHTS

Large and growing global market opportunity: Based on historical data and growth trends, the collaboration and conferencing market is expected to reach \$4.8 billion globally and \$3.4 billion in the U.S. in 2009, with global growth to \$5.8 billion in 2012.* This market encompasses applications in Internet telephony, web and video conferencing and fax. According to a recent Frost and Sullivan report, the global web conferencing market alone reached approximately \$1.0 billion in 2007 and is forecasted to reach \$2.5 billion in 2011.

Differentiated product lines with first mover advantages: CallWave's FUZE and WebMessenger product lines address major development hurdles. CallWave offers the *only* products in the collaboration and conferencing market that provide platform agnostic, OCS extension to all mobile devices, and allow sharing of hi-def documents, video and images and hi-def audio that is perfectly in sync. With this significant first mover advantage, CallWave is well positioned to become a leader in the collaboration and conferencing market. Based on the success of currently marketed products in the space that have comparatively limited functionality, FUZE and WebMessenger could offer sizeable revenue opportunities.

Strong IP: CallWave has built a large patent portfolio that includes 11 issued patents and 54 patents pending. This IP provides CallWave's development partners potential protection against infringement suits, significantly decreasing the risk associated with partner investments.

Healthy balance sheet: As of September 30, 2008, the company's cash, cash equivalents, marketable securities, and auction rate securities totaled \$31.4 million. Total assets were \$49.8 million, working capital was \$27.5 million and total shareholders' equity was \$46.3 million. CallWave has ample financial resources to support its business plan.

New leadership and distinguished board: Jeff Cavins, President and CEO, joined CallWave in September 2007, from Loudeye Corporation (subsequently acquired by Nokia) where he was president and CEO. At Loudeye, he expanded the company globally, developed strategic partnerships and substantially increased shareholder value. CallWave also boasts a distinguished board of directors with significant experience leading companies that have driven industry transformations in a variety of large industries.



MARKET DYNAMICS AND MACRO FORCES DRIVING UNIFIED COMMUNICATIONS

Unified communications comprises the integration of telephony, instant messaging, online presence, web conferencing systems, and the ability to communicate and collaborate from anywhere in the world using any device or platform. Unified communications represents the next wave in enterprise communication. The convergence of global bandwidth, Internet technology and telephony and computing software solutions creates a broad and timely opportunity for this market.

Industry experts predict that unified communications will be a \$40 to \$50 billion market opportunity overall, and will transform the business landscape the same way email changed business in the 1990s.

By enabling knowledge workers, business professionals and mobile executives to communicate effectively, access information remotely, and collaborate in real-time from any location CallWave believes productivity will be improved, corporate expenses reduced and companies' green initiatives will be better served.



Macro forces driving growth in the online collaboration and conferencing market include:

Globalization: Globalization requires employees of competitive companies to collaborate around the world with partners and customers as effectively as they would with someone in the same building.

Economic conditions: Rapid deterioration of the global economy necessitates corporate expense reduction. Recent actions have included many large corporations instituting corporate travel restrictions and bans as well as encouraging telecommuting.

Environmentalism: Environmentalism is a fundamental mission of corporations; the public demands it from corporate citizens. This becomes more critical as the younger generation - with among the most staunch environmentalists - enters the workforce.

Young "knowledge workers": Young mobile-centric professionals are entering the workforce at an increasing pace. These knowledge workers are experts at synchronous, real-time communication such as IM, and prefer this to static, slower email.

Mobile web growth: An increasingly mobile workforce demands the expansion of productive but non-traditional work environments. Forrester Research estimates that by 2012, 73% of the work force will be considered mobile.

Legislative initiatives: State legislative initiatives are being introduced to reduce congested freeways and dependency on energy. U.S. President-elect Barack Obama's "green infrastructure" focus includes plans to institute mass transit and universal broadband Internet access to encourage telecommuting. The State of California may also mandate government, state and municipal knowledge workers to stay home one day per week, which could save 1.6B pounds of carbon released annually in the atmosphere.

GROWTH STRATEGY

- ♦ Capitalize on opportunities in global high-growth UC market by building solutions in the conferencing and collaboration sector
- ♦ Leverage first mover advantage with unique FUZE conferencing and collaboration platform
- ♦ Extend FUZE to mobile devices - Smartphones and Business users
- ♦ Establish global footprint through FUZE rollout
- ♦ Scale technology using cloud computing and virtualization
- ♦ Make acquisitions and strategic investments that accelerate, drive and/or defend leadership position

DISTRIBUTION STRATEGY

CallWave's plan is built around three channels:

- ♦ **Enterprise Sales**
 - ♦ Sell direct to corporations utilizing dedicated inside sales force; augmented with telesales
 - ♦ Utilize resellers to distribute FUZE as a value added service to gain greater leverage
- ♦ **Direct-to-Consumer**
 - ♦ Engage in direct web marketing
 - ♦ FUZE is a non-managed solution that is end-user-based and can be marketed directly to the end user
- ♦ **Distribution Partnerships**
 - ♦ Gain access to large pools of potential new subscribers/cross selling opportunities

RECENT ACCOMPLISHMENTS

- ✓ Launched FUZE and WebMessenger for BlackBerry, Nokia mobile devices, iPhone and Windows Mobile-based phones
- ✓ Instituted software teams in Bulgaria and Silicon Valley to enable 24 hour development capabilities
- ✓ Acquired key technologies with WebMessenger and Intelligent Gadgets to fortify competitive position
- ✓ Aligned resources and skill sets with execution needs to increase operational efficiencies and productivity
- ✓ Established strategic focus on unified communications and recast CallWave as a multi-funnel Internet communications software innovator with a telephony layer; seized opportunity to attain leadership position in enterprise collaboration and conferencing

CALLWAVE PRODUCTS: THE NEW WAY TO WORK TOGETHER

Target customers for CallWave's FUZE and WebMessenger product lines are enterprises, SMEs and mobile professionals. The company offers various pricing packages and sells its product lines on both a subscription basis and on a traditional software licensing and maintenance service basis to generate recurring and predictable revenue streams.

Enterprise-Class Online Collaboration

FUZE is a revolutionary online meeting service that effectively bridges the divide between the office and mobile professionals. With FUZE, clients and teams can collaborate instantly, from anywhere in the world. FUZE is the only collaboration service available today that offers HD video and audio that is perfectly in sync, accessed via any web browser, 3G smartphone or WiFi-enabled device.



Features & Benefits

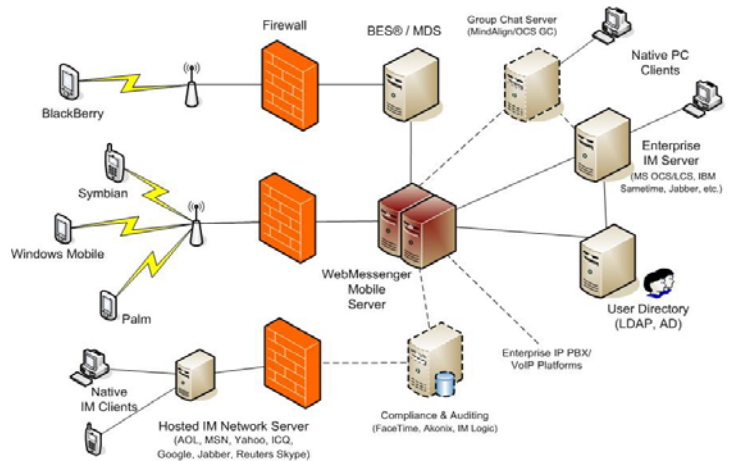
- ◆ Anywhere, anytime access to clients and teams
- ◆ Real-time, synchronized HD video and other rich media content
- ◆ Online presence, IM and Host controls
- ◆ Scheduled meetings launched from Microsoft Outlook
- ◆ No downloads or installs required, works with all browsers

Enterprise-Class Mobile Instant Messaging

The WebMessenger product suite is a comprehensive mobile IM solution for enterprise, small business and professionals on-the-go. Its unique technology drives the FUZE online presence engine and the FUZE desktop-to-mobile extension. WebMessenger's mobility, connectivity, interoperability and safety is unmatched in the industry.

Features & Benefits

- ◆ Available for iPhone, BlackBerry, Windows Mobile and Symbian
- ◆ Compatible with MS Office Communications Server, IBM Lotus Sametime and Cisco's Jabber
- ◆ Enables AOL, MSN, Yahoo!, ICQ, Google Talk, Jabber and Skype gateways
- ◆ Operates on Windows/SQL, Linux/PostgreSQL, Solaris/Oracle, AIX/DB2
- ◆ Authentication, encryption and signatures from the device



Other Products: CallWave's other products include an Internet Fax service, Visual Voicemail and Mobile Call Screening/Call Transfer. CallWave also has a historical direct-to-consumer dial-up business with an Internet voicemail application.

BOARD OF DIRECTORS

Peter V. Sperling, Chairman and CallWave Co-founder

Peter Sperling is a founder, Sr. VP, executive committee member and board member of the Apollo Group, Inc., the parent company of the University of Phoenix. Sperling is the chairman and a founder of Communication Services, Inc., a Phoenix-based full-service communication engineering and construction firm for the U.S. Coast Guard, FBI, Department of Homeland Security and the U.S. commercial wireless industry. Sperling is also chairman of Ecliptic Enterprises and a principal of Daedalus Real Estate Advisors.

Osmo A. Hautanen, Director

Osmo Hautanen is currently the CEO of Magnolia Broadband, Inc., a fabless semiconductor-design company for the cellular communications industry. Previously, he served as the CEO of Fenix, LLC, and Formus Communications. Hautanen holds a BS in control engineering from the Technical College of Varkaus (Finland), and an MBA in international business from Georgia State University.

Jeffrey O. Henley, Director

Jeffrey O. Henley is currently Chairman of Oracle Corporation, where he was formerly CFO and an Executive VP for more than 13 years. Previously, Henley was Executive VP and CFO at Pacific Holding Company, and at Saga Corporation. He also served as Director of Finance at Memorex Corporation, and as controller of international operations at Fairchild Camera and Instrument Corporation. Henley is Chairman of the Mid-Pacific Region Trustees for Boys & Girls Clubs of America and earned a BA in economics from UCSB and an MBA in finance from UCLA.

Jerry Murdock, Director

Jerry Murdock is a Managing Director and the co-founder of Insight Venture Partners. Since Insight's inception in 1995, he has played a leading role in defining the company's investment strategy and has been primarily responsible for the development of many of the firm's portfolio investments. Murdock currently serves on the Board of Directors of Beatport, DivX, Dorado Software, DriveCam, and Quest Software. He serves as a trustee of The Aspen Institute and of the Santa Fe Institute.

Raj Raithatha, Director

Raj Raithatha previously served as CEO of Versatel International NV, a provider of fixed and mobile telephony products, where he was promoted from CFO. Previously, Raithatha served as the European CFO for ACC Corporation, a provider of long distance switched and private line telecommunications services. Raithatha holds a degree in economics and mathematics from the University of Cardiff, Wales, and is a Qualified Chartered Accountant.

Manny Rivelo, Director

Manny Rivelo is Sr. VP of Cisco Development Organization Operation. He is also a member of the Cisco Development Council, the CDO senior leadership team that is collectively driving Cisco's engineering and development and executing against joint goals and priorities. Rivelo joined Cisco in 1992 as a systems engineer and moved into positions of increasing responsibility within Cisco's Worldwide Sales Team. In 2000 he was named Cisco's head of Worldwide Technical Operations in addition to leading the Worldwide Systems Engineering organization. In 2001 he assumed additional responsibility for Worldwide Field Process and Technical Operations. Prior to joining Cisco, Rivelo worked in various engineering roles with JP Morgan, Morgan Stanley and Bell Labs.

MANAGEMENT TEAM

Jeff Cavins, President, CEO and Director

Jeff Cavins is a technology veteran with 19+ years of senior management-level experience in emerging growth technology, software, Internet and digital media companies. Cavins served as President and CEO of Loudeye Corporation, a global leader in digital media distribution technology, which was subsequently acquired by Nokia. Previously, he was a Sr. VP for Exodus Communications, a leading managed hosting and interactive web-services company, where he was responsible for nearly one billion dollars in revenue, 1,100 employees and strategic partnerships with such industry leaders as Nokia, Google, Yahoo!, and MSN. Previously, Cavins served as President and CEO of CSI Digital and spent nearly a decade in the Broadcast Division of Sony Corporation.

Mark Stubbs, CFO

Mark Stubbs brings to CallWave a wealth of finance and operations expertise with experience in overall financial management, global operations, strategic business development initiatives and compliance requirements. He has served as the CFO for SoundID, a privately-held consumer and medical products technology company, and held positions at Somera Communication, Inc., a leading global provider of telecommunications network asset management solutions, and Kinko's Inc., a leading provider of business document solutions and services.

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Forward Looking Statements

This document may contain certain statements of a forward-looking nature. Such statements are made pursuant to the "forward-looking statements" and "safe harbor" provisions within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange of 1934, as amended. The statements contained herein that are not historical facts are considered forward-looking statements under federal securities laws. Such forward-looking statements are based on the beliefs of our management as well as assumptions made by and information currently available to them. The company has no obligation to update such forward-looking statements. Actual results may vary significantly from these forward-looking statements.

* Gartner Inc. and IDC