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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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THE WALL STREET TRANSCRIPT**

COMPANY INTERVIEW

BRYAN R. MARTIN

8x8, Inc.

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8x8, Inc. (EGHT)



BRYAN R. MARTIN is Chairman and Chief Executive Officer of 8x8, Inc. A seasoned 8x8 executive with more than 17 years of service to the company, Mr. Martin has served in a variety of corporate and engineering capacities including President, Chief Operating Officer, Chief Technical Officer and Senior Vice President, Engineering Operations. He has been a member of 8x8's Board of Directors since 2001 and has served as Chief

Executive Officer since 2002. Mr. Martin holds 35 United States patents in the fields of semiconductors, computer architecture, video processing algorithms, videophones and communications. In November 2006, Governor Arnold Schwarzenegger appointed Mr. Martin to the California Broadband Task Force for the Business, Transportation and Housing Agency where he currently serves as Chair of the task force's Emerging Technologies and New Applications Working Group. Mr. Martin was also named one of the "Top 100 Voices of IP Communications" by *Internet Telephony* magazine in October 2006. In addition to his technical knowledge and expertise, Mr. Martin is well versed in industry and business affairs and has spoken before numerous trade, financial and regulatory organizations including the FCC, California Public Utilities Commission, California State Senate Energy, Utilities & Communications Committee, IEEE, National Emergency Number Association, Association of Police Communication Officials, TechNet, Supercomm, VON, United States Telecom Association and NGN. He is a member of the IEEE and Tau Beta Pi and received a BS and MS in Electrical Engineering from Stanford University.

SECTOR - COMMUNICATIONS SERVICES (AMF600) TWST: We would like to begin with a brief historical sketch of the company and a picture of the things you are doing at the present time.

Mr. Martin: 8x8 was founded in 1987, but we have been a publicly traded company since 1997 and, throughout the 1990s, we were a provider of communication technologies to equipment vendors and service providers. We participated in the telecom and the Internet bubble, both

on the upside and the downside. When we came out of that, in the 2002 time frame, all of our service provider and equipment vendor customers were either going out of business or weren't buying new technologies. So, we decided to transform the company into a service provider using all of our own technologies and that's what we've been doing ever since.

Today, we deliver voice and video broadband communication solutions to businesses, mobile and residential customers. We sell those



Company Overview

8x8, Inc. (Nasdaq: EGHT) offers voice, video and mobile communications solutions for business and residential customers. Marketed under the Packet8 brand name, these solutions leverage existing broadband Internet connections and cellular networks to deliver advanced features and digital quality phone service at a fraction of the cost of legacy, copper wire alternatives.

Since its establishment in 1987, 8x8 has contributed to the advancement of voice and video communications on both technology and service provision levels and has been awarded 73 U.S. patents with additional patents pending.

8x8, Inc. Management

Bryan R. Martin

Chairman & CEO

Dan Weirich

President & Chief Financial Officer

Marc Petit-Huguenin

Chief Technology Officer

Huw Rees

Vice President Business & Channel Development

Garth Judge

Vice President of Research & Development

Ramprakash Narayanaswamy

Vice President of Engineering

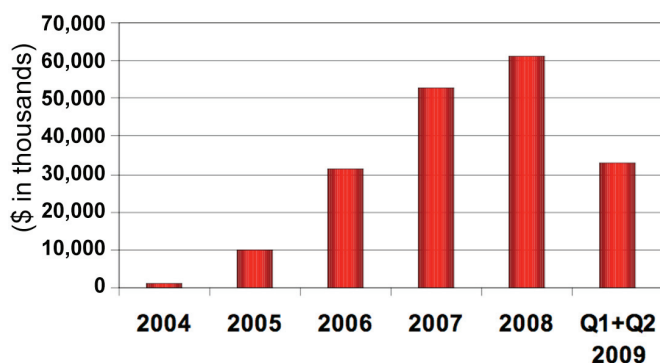
Mehdi Salour

Vice President of Service Delivery & Support

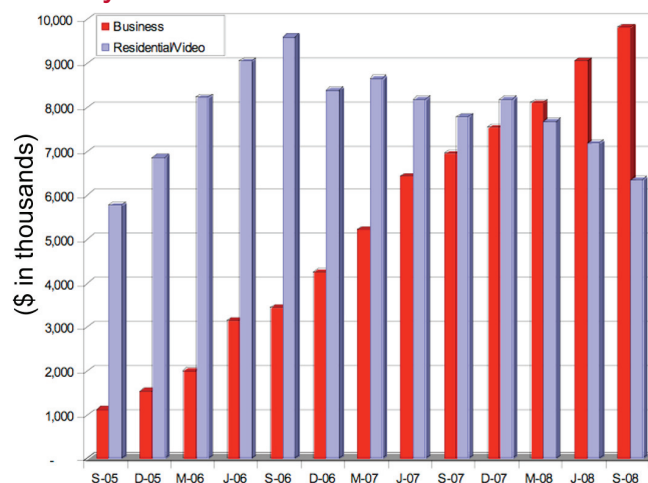
Market Facts (As of Dec. 3, 2008)

NASDAQ Ticker:	EGHT
Closing Price at 12/1/08:	\$0.42
52-Week Price Range:	\$0.42 - \$1.30
Shares Outstanding:	62 Million
Average Volume (3m):	162,306
Market Capitalization:	\$26 Million
Fiscal Year End:	March 31
FY 2008 Revenue:	\$62 Million

8x8 Revenue Trend



Quarterly Revenue Breakdown



Financial Highlights

- Generated net income for the past four consecutive quarters
- Increased cash and investment balance for six consecutive quarters
- Have not accessed the capital markets to raise debt or equity since December 2005
- As of 9/30/08, cash balance is \$15.8M and the company has no debt

Investor Fact Sheet

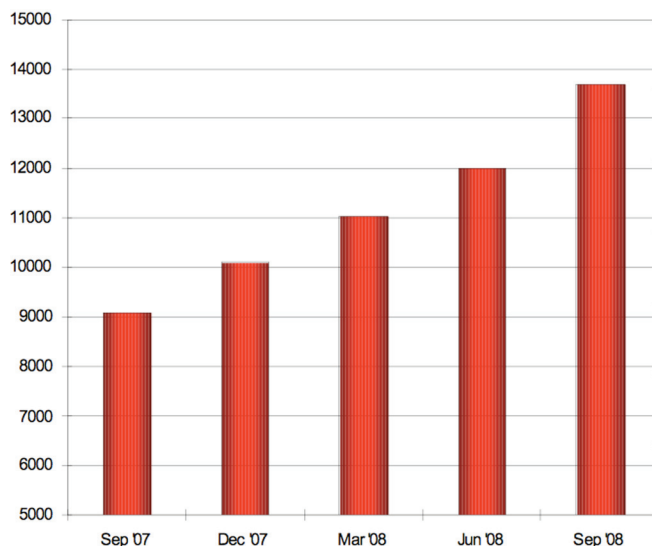
Packet8 Business Services

Businesses of any size, configuration or geographic location can benefit from the cost, performance and operational advantages of VoIP technology by selecting the Packet8 solution that best fits their needs, whether it's the Virtual Office Hosted iPBX phone system, Packet8 Complete Contact Center, Virtual Trunking IP dial tone solution or Packet8 Hosted Key System service. All Packet8 communications solutions carry little or no upfront investment, no maintenance or upgrade fees and no change in user behavior. For additional company information, visit 8x8's web site at www.8x8.com. For information about Packet8 products and services, visit www.packet8.net.

Competitive Advantages for Businesses

- Packet8 hosted communications services require minimal initial investment; no need to purchase expensive on-site equipment
- Packet8 products and services can be provisioned and self-installed within minutes
- Packet8 services require no maintenance or management; businesses save time and money
- Packet8 local and long distance unlimited calling plans and international rates offer additional savings of 50-90% or more on monthly basis
- All Packet8 services are “broadband agnostic” – operate over any public or private high speed Internet connection
- Services can be moved and used in multiple geographic locations; not tied to on-premise equipment or dedicated network

Number of Business Customers



Recent News

- 12/11/08** - Advancements in Small Business Phone Technology Help Companies Cope With Holiday Stress
- 12/03/08** - 8x8, Inc. Joins Small Business Bailout Efforts
- 11/20/08** - The Internet Society Welcomes 8x8, Inc. as a new Silver Member
- 11/07/08** - 8x8, Inc. Announces Executive Promotion
- 09/19/08** - 8x8, Inc. Receives 'Best of Show' Award at ITEXPO West 2008 for Packet8 Microsoft Response Point Solution
- 09/17/08** - 8x8, Inc. Partners With Microsoft to Offer Packet8 VoIP Phone Service With Response Point Business Phone System

Key Investment Takeaways

- 8x8 can save substantial telecommunications costs for any business
 - Especially important in this recessionary economic environment
- 8x8 is an established player with more than 13,700 businesses using our services
- Company posted record revenue and full-year net income for fiscal 2008 (year ended March 31, 2008)
- Additional future revenue growth expected to directly benefit the bottom line

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services under the Packet8 brand and our focus for the last couple of years has really been on the business side of that equation. As of the end of September 2008, we had more than 13,700 businesses that use Packet8 as their main telecommunications service. We also own and develop all of the core technologies that we use to provide those services and, thus far, have been awarded 73 US patents. This is one of the very unique attributes of the company, as it allows us to control our own destiny on the technology side.

"We've put in place the infrastructure and all the building blocks that we need at the current time to host a much larger customer base. What's exciting to me is we feel that a lot of our growth going forward will be dropping to the bottom line because we really don't have to increase our fixed costs a whole lot in order to grow the business substantially."

TWST: How difficult was it to transform the company?

Mr. Martin: It was a process that took several years. I'd say it was a very interesting process to live through, but has finally resulted in a profitable and, we believe, scalable business model.

TWST: How do you differentiate your services from those of your competitors?

Mr. Martin: It really starts and ends with the technology, because we don't depend on a Cisco or a Motorola or a standard technology platform out there in order to deliver our services. We really can control all of the attributes of our service. It gives us both a cost advantage, because we don't have a middleman or a supplier that we have to pay or share our margins to, and it also enables us to provide very unique features that

our competition either cannot or is just unable to supply on those standard platforms. So, a good example of this is with our video communications services. We've been the only player in this space since 2002 that has offered both consumer and small business video solutions at affordable prices, and we carry that video right alongside the voice that's part of our regular business phone system services.

TWST: Would you describe Packet8?

Mr. Martin: Packet8 is what's called a hosted service or, at least within the industry, that's the term that is used. What that means to the end customer is that the only piece of equipment you have to buy from us is an IP telephone, which is a phone that has a data connection on the back instead of a phone line jack. So, the phone connects to a small business' data network or local area network, the same way that a regular computer would. It can actually take power off of that network too, so if you have a powered network, you don't even need to plug our phone into the wall. Once you have that phone and a subscription to our service, we deliver your phone service from software that's running in a data center that we manage. So, there is no PBX, or Private Branch Exchange, no phone closet and no other equipment or big box that you have to buy and administer and depreciate over time as a business owner.

The IP phones we sell are priced between \$100 and \$350. Our services typically range from \$25 to \$50 per extension, or per phone, per month and you can subscribe to as many or as few services as you want. You can dynamically size the service that you buy from me; you don't have to go buy a giant PBX thinking that next year you will have twice as many employees. As you add employees, you simply call us up and say, "I'd like to order another subscription for a new employee."

Some of our services, like our mobile services, don't even require special hardware from us. So, in some instances, it's just client software that you might download to run on your mobile phone or a PC. Finally, you can use our services from anywhere in the world where you have a high speed Internet connection. Your hosted business phones can be on the desk next to you, a building across town or across the nation, or on the other side of the world. And, calls between your phones, wherever they are, never cost anything extra.

TWST: What are the key elements of your game plan for the next few years?

Mr. Martin: We've really been focusing on this small business side of our business and, as a result, have become profitable, posting our first full-year of profitability for our fiscal year ended March 2008. We've now had six consecutive quarters of positive cash flow and all of these positive financial trends have been attributed to this focus on that small business space. Our strategy going forward is to continue to expand the number and types of services we offer to these small business customers. For example, in the last year, we've added a complete contact center solution to our services tailored for small businesses that take a lot of inbound calls. We've also added what we call a trunking service, which enables businesses that have an existing phone system that they want to keep to hook us up as the dial tone service in place of a traditional long distance phone service provider with all of the advantages I described earlier about Packet8.

We've also added a very unique solution to our hosted services called a Hosted Key System service, which enables the phone that you buy from us to function as a shared line appearance, or multi-line phone, within a business environment. This enables a business to distribute its phones

geographically, but still have that same room or same building kind of phone interface on it where you can get on the phone intercom and tell a business associate to "pick up line 3," even if they are located across the world. So, we are building up those business services and distancing ourselves from what little competition is out there right now in this space.

TWST: Will those services continue to evolve in sophistication?

Mr. Martin: I think under the hood, yes. Certainly the software we're developing, for instance, this Hosted Key System Service, is extremely complex, which is one of the reasons I don't think anyone has offered it. But, from the perspective of the end-user, I actually think our services are becoming easier and easier to use. We are really focused on the notion that we want a customer to be able to get a phone from us, plug it in anywhere in the world and not have to do anything else in order to start using that device. I think that, as our software advances and becomes more complex with call control abilities we have and the functions and features that we are enabling our customers to use, we are very cognizant that the user experience and interface should get simpler and simpler and that's exactly the trend that's been going on for many years with the services we offer.

TWST: Are you able to give much attention to R&D?

Mr. Martin: R&D is about 8% of our revenue, so we certainly invest in it. We continue to file patents as we develop these new technologies and, for us, R&D actually happens on two different levels. We have a group that focuses on our switching platform, which is the core platform that handles all of the calls and the associated signaling as well as the embedded firmware, or the software

that runs in the IP phone itself. Then we have another engineering group that looks more like an Internet type of service company that focuses on the user interface, the billing systems, the customer service environment, etc. We are very vertically integrated in that sense and make sure that we can control both the core software, which enables the efficiency of our network, as well as all aspects of the user experience I was talking about.

"We control our own technology and our own destiny and we are in an environment where we think our services are valued enough by our customer base where prices are probably going to go up in the future instead of down. We have very few competitors."

TWST: How closely do you track with the general economy?

Mr. Martin: We've been very counter-cyclical in the past couple of quarters. As I mentioned, in general, we've been raising prices, posting positive cash flow and net income and growing our business and certainly have not seen a decrease in our new sales. One of the things we monitor very closely in this environment is the number of businesses that cancel our service because they are going out of business themselves. We have not yet seen those numbers trend above their historical rate; it's always been about a third of our total churn. So, knock on wood, we are doing fine out there right now.

TWST: Have you had much feedback from some of your small business customers?

Mr. Martin: We talk to our small business customers very frequently and often conduct surveys with them. With our larger corporate customers, we have dedicated account executives and so

forth that interface with them. You asked earlier about the challenge of transitioning from a technology company to a service company. One of the things I love about being a service provider is that I am able to interact with our end customers on a daily basis. I learn a lot about how we can do things better for them through these discussions. One of the things I've really noticed over the years is how much our customers value the service that they get from us. They understand how much money they are saving and how they are getting unique features and functions they can't get somewhere else and so they are very satisfied with the service, which is a good thing for us. It's also what enables us to increase the price of our services over time.

TWST: What about possible challenges or problems?

Mr. Martin: The only numerical attribute of our company that I am not happy with right now is our share price. So, certainly from the perspective of our shareholders, I think they've had a very rough year as have all of the companies in the telecommunications space. Valuation is a challenge, but we're in the enviable position of having a strong balance sheet. We do not have any debt, so we have nothing to restructure or refinance, which is very fortunate in this environment. At the end of September, we had nearly \$16 million in cash, and it's just a challenging environment for our shareholders right now because they see the progress that the company has made and I think they can see that our numbers and our profits are better than they have ever been and yet our share price and market cap are at some of the lowest levels ever. So, that's kind of an unfortunate side effect of the environment we're in, but our business is doing fine.

TWST: Do you feel that the company might be misunderstood in some ways by the investment community?

Mr. Martin: I think that Voice over IP as an investment topic or thesis generally still has a very black eye and I think we get lumped in with some of the business models out there that have not been nearly as successful as ours. So, that's definitely one area where there is a misperception. Voice over IP can be a profitable business, as we are illustrating, and serving business customers is a very different value proposition than serving only residential customers. I think another misperception is, if you look at the past three quarters, that our revenues appeared to have been relatively flat, but you really have to look at the make up of those revenues. This is shown in a graph from our investor presentation that separates the business revenues for the last 12 quarters from our residential or consumer revenues from the legacy business we started when we got into this in 2002.



And so, if you break the revenues down that way, you can see great growth on the business side and just the natural effects of churn on the residential side since we stopped investing in that business at the end of 2006. We are in one of those crossover scenarios where the top-line revenues look flat, but business revenues were actually growing about 41% year over year and that's been a fixed number for the last couple of quarters.

TWST: You said that some other business models have been unsuccessful. Where did they go wrong?

Mr. Martin: First, if you come into this business with someone else's technology platform, your features are going to be the same as your competitors. Second, you'll never make money on a customer if you've spent too much to acquire them, so not paying attention to customer acquisition costs will make you unsuccessful in the long term. We've solved both of those shortcomings with our approach to the business. We've paid very close attention to our acquisition costs and have customers that payback their acquisition costs in about eight months, on average.

TWST: What is your long-term objective or visions for the company? What would you like it to look like in three to five years?

Mr. Martin: Hopefully a much larger and more profitable version of what we are today. We think we've put in place the infrastructure and all the building blocks that we need at the current time to host a much larger customer base. What's exciting to me is we feel that a lot of our growth going forward will be dropping to the bottom line because we really don't have to increase our fixed costs a whole lot in order to grow the business substantially. We like the small business customers that we currently sell to and are actually starting to move up market a bit and focus a little more on slightly larger customers as well.

TWST: What might be some year-by-year milestones that investors could look for?

Mr. Martin: The main thing to focus on is, as I said, our business services revenue, because that's what we are focused on growing internally. We do provide, quarterly, the number of companies that subscribe to our services so that's a very good way to measure how successful we are. We are fo-

cused, as are a lot of companies in this environment, on dropping more and more money to the bottom line. We've had four consecutive quarters of net income on a GAAP basis. We trade at a trailing 12-month p/e ratio of about 8 right now. And so, in this environment where high single-digit p/e valuations are back in vogue, we are very focused on growing the "e" so that the "p" will grow as well.

TWST: What is your feeling about acquisitions and being acquired?

Mr. Martin: We are certainly not interested in being acquired at these prices, but have spent a lot of time looking at acquisition opportunities given everyone else's relative valuation. We've seen a lot of distressed businesses in the telecommunications space. Upside down balance sheets have been very common and so we are pretty picky on the types of financial attributes we are interested in. I certainly wouldn't rule out that we could use some of our cash in the future, hopefully our equity as well, but again at these prices it's more likely to be cash to make some acquisitions to grow the business faster.

TWST: Would you tell us about your own background and expertise and the same for one or two of your colleagues?

Mr. Martin: I joined 8x8 in 1990 as a chip designer. Previously, I worked as a chip designer at Chips & Technology and before that I was out of Stanford University. I became Chief Technical Officer of the company in 1995 and moved over to the operations side in the 1999 time frame. In 2001, I was promoted to President of the company and since February 2002 I've been Chairman and CEO. I am a technologist; my background is engineering and understanding how this technology can be applied to move the communication space forward is something I believe we at 8x8 have been very successful at.

I have a very experienced and long tenured staff here as well. Our President and CFO, Dan Weirich, has been here since 2004. He came out of the telecommunications space and has worked at a number of both Internet and telecommunications providers. He understands the services industry and the associated business models extremely well. I think a lot of the company's financial performance can be attributed to his contributions since he was named CFO. On the sales and business development side, we have a gentleman named Huw Rees who joined the company back in 1998 and came to us from Mitel, the large PBX provider. So he's another telecommunications veteran that's been in the space a number of years. He has a lot of experiencing selling business PBX types of solutions, which adapts to our current business model very well.

Then on the R&D side, we have a gentleman by the name of Garth Judge who, as VP of software R&D, works at developing the core switching platform we talked about. So, we have a lot of talent and stability on the management team. We've all been through economic down cycles before and are very confident that we will come through this one just fine.

TWST: How many people do you have working in your call centers?

Mr. Martin: We run a couple of call centers here in Santa Clara and then we also outsource to a call center in Santa Maria, California. If I combine those two, it's approximately 250 people.

TWST: What do you do to maintain quality in your call centers?

Mr. Martin: It's not an easy problem to crack and we've tried a number of things in our growing years to try to figure it out, but I think we've really got it down now. This is particularly critical when you are selling or supporting a small

business owner or the President of a company or the head of an IT department because your customer service quality has to be that much better than if you were talking to a residential type of customer. All of our calls are answered within the state of California by trained professionals who know our services and our technologies. We focus on first call resolution and we don't believe we can really outsource that level of support to someone we do not work intimately with — we certainly can't offshore it. We've seen a lot of competitors find that out the hard way and so we've never gone that direction. But even though our Santa Maria call center is an outsourced operation, I can tell you that we are in constant touch with them. They are about a three-hour drive from our front door and we've got people there almost constantly. So, they are outsourced in the sense that their employees are on someone else's payroll, but I certainly feel like and think we treat them as if they are part of our company and I think the results show in the customer satisfaction metrics we see from our customers.

TWST: Are you taking any steps to improve the company's capital structure?

Mr. Martin: Not at this time. We had a registered shelf that just expired on December 1st. We believe we've got plenty of cash to get through this environment we've been in. In the last 12 months we've added about \$3 million to our cash. So, we feel that we are fine in that area and I didn't see the need to put a new shelf up right now. We are very fortunate to have the balance sheet that we have at this time.

TWST: Are you taking any steps to correct the misperceptions that are out there regarding the kind of business you are in?

Mr. Martin: Yes, I think we are working long and hard on that. I think that the analysts that

follow us have certainly made the transition. They understand our business model. I think our major shareholders understand where we are and what we are trying to do. We are just trying to find ways to get the Street at large to pay attention to the fact that if you just lump all the VoIP companies together and say "I'm not interested in investing in that technology," we are not in that group of companies that should be included in that statement. Certainly, as we become more profitable, and I hope in the new year, people have to start putting some money back to work, they can't stand on the sidelines with EGHT anymore. We hope to be out there banging a big drum with our numbers making them pay attention to our story.

TWST: What would be the two or three best reasons for the long-term investor to look closely at 8x8?

Mr. Martin: The valuation right now is certainly a fantastic opportunity. We have on our balance sheet at the end September, \$0.25 per share in cash and I've done a very conservative discounted cash flow model on our current customer base and we see at least another \$0.40 of value there. So, at least \$0.65 per share for our existing business and cash and this ignores the growth of our business, our patents, our technologies, and the other assets we have here. As everyone has seen, we are in a tremendously different period of market valuations. We've had insiders buying the stock recently and the company is also looking at steps it may take in the future to buy a chunk of the company back. So I think it's a huge opportunity.

I think if you look at the company's history and the fact that we've gotten through some market bust cycles before and come out better and stronger on the other side, I think there is a lot of opportunity here. We control our own technology

and our own destiny and we are in an environment where we think our services are valued enough by our customer base where prices are probably going to go up in the future instead of down. We have very few competitors. We mainly compete with the legacy incumbent telephone companies and some of the competitive carriers that are out there, but there are very few companies that are really focused the way we are on selling to this small business market.

TWST: Thank you. (MC)

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