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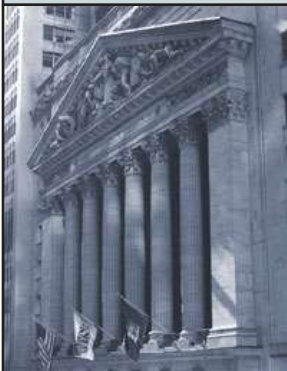
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Teleglobe to Acquire ITXC

Teleglobe, Canada's official international calls carrier for the past 50 years, is to acquire ITXC, the largest VoIP service provider in wholesale international voice. ITXC shareholders will own 28% of the combined Teleglobe entity after acquisition. Cerberus Capital Management, L.P., Teleglobe's current controlling shareholder, will continue to own majority of Teleglobe with approximately 64% of the shares.

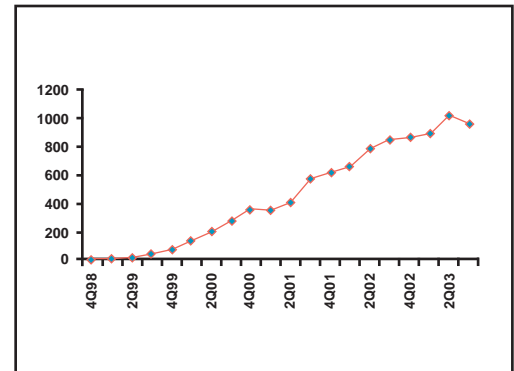
The Boards of Directors of both companies have approved the acquisition. SEC approval is expected in February 2004. Final ITXC shareholder vote will be held in mid March 2004. The deal is expected to close by the end of March. Teleglobe expects to start trading as a public company by mid 2004.

Teleglobe emerged from bankruptcy in May 2003 when its core voice and data assets were bought out of bankruptcy protection for a modest \$171 million. The new Teleglobe has had positive net cash flows and is a private company with Cerberus Capital Management having around 73% share in it.

When ITXC officially commenced operations in April 1998, it carried less than 3 thousand minutes during the month. During the second quarter 2003 it carried almost 1 billion minutes over its network. Despite a phenomenal growth in traffic (Exhibit 1), ITXC has struggled. ITXC average revenue per minute has significantly decreased over the past three quarters from 9.2 cents per minute to 8.4 in the previous, declining further to 7.9 cents in the quarter ending September 2003. Gross margins were also down in

the last quarter to 5.2% from 5.7% in the previous quarter. ITXC's nearest competitor iBasis has always enjoyed a slightly higher

Exhibit 1
ITXC Quarterly Traffic (in millions of minutes)



gross margin, which is most probably due to the fact that iBasis has focused on more profitable routes, whereas ITXC's main strategy has been to fill up its network with as much traffic as possible - to achieve scale. Despite being the 10th largest carrier of international wholesale traffic, ITXC has not been able to achieve sufficient economies of scale to reach profitability. This is partially due to the fact that ITXC does not own its network infrastructure and pays a high cost for bandwidth. In comparison Teleglobe has circuit IRUs (Indefeasible Rights of Use) and owner participation in several cable systems, which dramatically reduces the OPEX and as a result improves gross margins. In fact, Teleglobe enjoys 25% gross margins on voice and 20% across all services. In contrast ITXC's margins could decrease further if the VoIP regulation making VoIP carriers to pay termination fee - initiated by the State of California is extended elsewhere in the United States.

