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Rapid Link, Inc. (RPID-OTC:BB)

Providing International Telecommunications Services to Niche Markets Through Its Voice-over-IP Network.

Recent Price: \$0.11

Market Data

Market Capitalization (mln)	\$3.08 mln
Enterprise Value (mln)	\$5.42 mln
Fully Diluted Shares (mln)	28.02 mln
Float (mln)	15.77 mln
Ave. Volume (90 day, approx.)	45,900
Institutional Ownership	N/A
Insider Ownership	34.2 %
Exchange	OTC-BB

Company Overview

Rapid Link, Inc. is a Voice-over-IP (“VoIP”) provider with its own international VoIP network. The VoIP market is expected to grow over 1500% in the next 5 years. Rapid Link currently earns 60-90% margins on calls made by its customers. Rapid Link offers value-priced telecom solutions to home consumers and businesses both domestically and internationally, and is already a recognized name within the U.S. military market.

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Summary and Investment Opportunity

- **Addressing A Rapidly Growing Market**

Rapid Link participates in the Voice-over-IP (“VoIP”) market which, in North America, is estimated to grow more than 15X between 2004 and 2009, to over 24 million subscribers by 2008. Globally, the VoIP market is expected to be expected to attract over 95 million subscribers by the end of 2009.

- **A Niche Focus – Military, Students and Business Travelers**

Rapid Link is focused on serving military personnel, a market of 5.1 million enlisted and over 25 million veterans. The Company also markets specialized products to over 15.5 million students and more than 20 million business travelers. Additionally, Rapid Link offers low-cost solutions for small to medium-sized businesses. The Company employs a “bookend” marketing strategy to connect related groups to each other internationally.

- **International Exposure – With Service in 15 Countries**

Rapid Link currently operates in over 15 countries worldwide, and is one of only a few companies licensed to sell VoIP in South Africa. The Company’s goal is to eventually expand to over 30 countries worldwide on 5 continents.

- **An Aggressive Organic and Acquisition Growth Strategy**

Rapid Link intends on building 6 ‘supernodes’ to expand its international network to 6 continents. Its sales force targets small to medium-sized businesses through direct sales agents. The Company also plans to grow through opportunistic and strategic acquisitions.



Company Overview

Rapid Link, Incorporated (“RPID” or “the Company” or “Rapid Link”) operated under the name Dial-Thru International Corporation (“DTI”) until November 2005, when it changed its name to better reflect its focus on the Voice-over-IP (“VoIP”) industry. Dial-Thru International was founded in 1997 by John Jenkins, its current Chairman and CEO. It merged with Ardis Telecom & Technologies (“Ardis”) in 1999, forming Dial-Thru International Corporation. DTI acquired the assets of Rapid Link Communications, a VoIP network operator, in 2001.

International Market

RPID relies on an international “bookend strategy,” which aggressively pursues international partnerships and targets the corresponding segment residing in the U.S. This strategy leads to increasing margins for the Company by having more customers on its network, thus decreasing its cost per call. It also gives the Company a reduced customer acquisition cost.

RPID began its move into the international market in 2001. In early 2001, the Company commenced operations of its Argentina subsidiary in an effort to capture a share of the country’s \$15 billion telecommunications market. That same year, the Company entered into the Asia-Pacific telecommunications market in Indonesia through a joint venture with PT Ambhara Perdana, becoming one of a few companies that had gained entry into Indonesia’s regulated \$7 billion market. In addition, the Company opened a subsidiary in Venezuela’s \$2.5 billion telecom market. In late 2001, the Company further accelerated their expansion into the international VoIP market by acquiring Rapid Link Communications. Finally that year, the Company signed an agreement with Telkom South Africa to provide telecom services to South Africa and other African countries. The Company is one of the few licensed companies that can sell VoIP services on that continent. In 2005, RPID obtained one of the first Value Added Network licenses in South Africa.

Target Markets – Students, Business Travelers and Military Personnel

Rapid Link targets the student market by providing low-cost services within the College Network. The Company’s VoIP service plans are designed for college students living on a budget. Rapid Link markets its services to U.S. students studying both domestically and abroad through partnerships they have forged in the overseas markets.

The Company also offers international calling cards and an 800-number service, making low-cost calling possible for business travelers. Its VoIP products also work wherever there is a broadband internet connection, which many hotels offer, making it easy for traveling professionals to take their phone number wherever they travel.

Rapid Link also has 11 years experience in providing telecom services to military personnel. One of the ways the Company markets its VoIP offering is through its unique names for its service plans. RPID offers One Star, Two Star, and Three Star service plans. The most popular plan is the Two Star plan which provides unlimited inbound and outbound calling throughout the U.S. and Canada for \$19.95 per month. All service plans include a telephone number and wide range of enhanced features with no additional costs. Historically, the company has focused on soldiers located overseas, but now, with its new VoIP service offerings, the Company is marketing to soldiers both overseas and in the U.S. The biggest appeal to soldiers, both in the U.S. and overseas, is the Company’s ability to offer an affordable way to keep in touch with family and friends in the U.S.

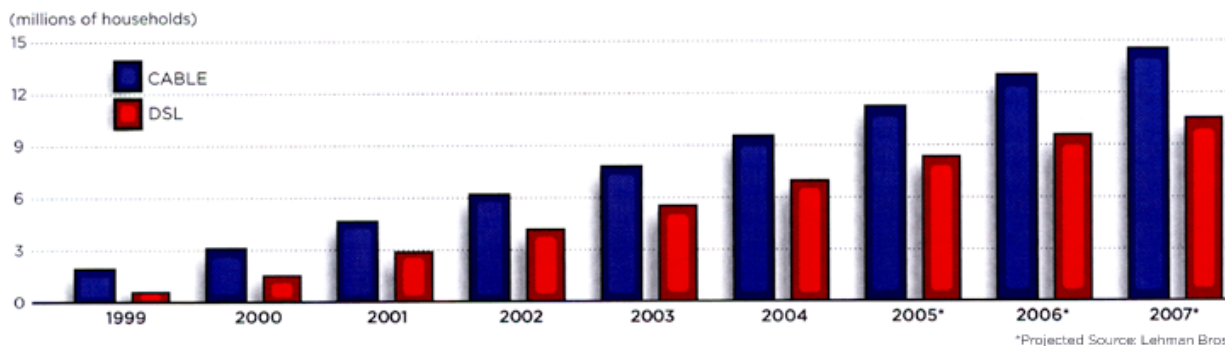
Rapid Link also offers real-time billing to its customers to keep them informed of charges they have accrued on their account. A major benefit to the niche focus of these close-knit communities is a lower customer acquisition cost when compared to its competitors. The Company is also marketing itself through vertical web portals, magazines and local Military base events. The Company receives a good deal of referrals reminiscent of the “Friends and Family Plan” success of MCI versus Vonage, both of which blanket the mass media with expensive advertising. Finally, RPID sales people are commissioned, which highly incentivizes them to sell Rapid Link’s products.

Rapid Link has been taking advantage of the growing popularity of VoIP over the past year by entering into joint venture agreements, introducing new products, and pursuing new acquisitions. In late 2005, Rapid Link acquired Integrated Communications, Inc., a New Jersey provider of retail and wholesale VoIP products and services. This acquisition serves to further the Company’s domestic market share. The Company also plans to roll out more packages geared toward small to medium-sized businesses and international customers in the near future, as well as pursue additional acquisitions. As a result of the Company’s growth, RPID was ranked 385th on the 2004 Deloitte Technology Fast 500, a list put out annually of the fastest growing technology companies in North America.

Growth & Market Opportunities

Voice-over-IP Growth

The North American VoIP market is projected to grow 15x over the next five years, to more than 24 million subscribers. Over this same period of time, worldwide VoIP subscribership is expected to reach over 95 million. Currently, VoIP accounts for less than one percent of wireline revenues; however, it is expected to grow to 10% by 2008. This growth is in direct correlation with the growth of broadband (U.S. growth shown below), and offers the Company a huge potential market for its products.



Source: Broadband Today, A Staff Report to William E. Kennard, Chairman Federal Communication Commission, On Industry Monitoring Sessions Convened by Cable Services Bureau

Facilities-Based

Because the Company owns and operates its own infrastructure facilities, it can keep operating costs to a minimum and exercise control over the quality of the service. The combination of using its own network and being able to use the Internet for data transmission keeps operating costs to a minimum. This also contributes to the high margins the Company generates when connecting calls: 60% for a customer to non-customer call and 90% for a customer-to-customer call. RPID is also able to offer low prices for international rates: calls from South Africa to the U.S. are \$0.20/min versus about \$1/min on a standard wireline phone.

Niche Market – Providing Services to Military Personnel, Students and Business Travelers

Rapid Link is already an established name within the military market, having been the first carrier of its kind to offer VoIP services in Iraq to the U.S. military. Currently, the Company markets to 5.1 million active and 25.3 million retired military personnel through many conduits, including military.com, a highly-trafficked military website. The Company also markets its services to over 15 million students and 20 million business travelers in the U.S. market, offering a cost-effective method of keeping in touch with family and friends when traveling. RPID is also rolling out new product lines to build on its current customer base and expand into broader markets. Finally, RPID has professional athletic partnerships with Bernhard Langer, a PGA golf professional; Jason Woolley, a professional hockey player; and is working to establish partnerships with numerous NFL players.

Summary

Overall, Rapid Link appears to have excellent growth opportunities as compared to standard telecommunications carriers due to its low customer acquisition cost, operations cost and high margins. In addition, the Company appears to have the ability to increase military customers due to its proven reputation with this group. Much of Rapid Link's success depends on its ability to up-sell its products to the friends and family of existing customers, which will in turn keep costs low due to the global network it already has in place. Management believes that its bottom line will continue to grow as it acquires new customers in their related groups. If Rapid Link is able to capture just 1% of the projected \$15.1 billion U.S. VoIP market by 2008, it would result in gross revenues of approximately \$151 million, or over 11x the company's current annual revenues, and a 4-year annualized growth rate of 183%.

Industry Overview

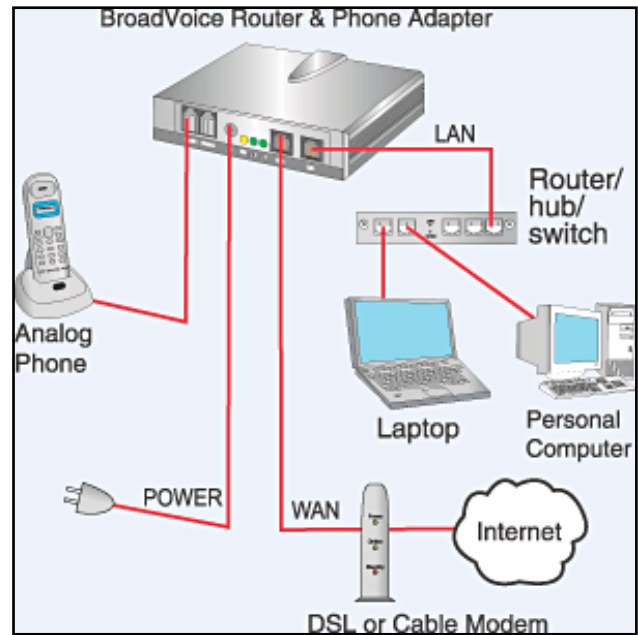
Voice over IP ("VoIP")

Simply put, VoIP offers consumers the ability to place telephone calls over the internet. Once subscribed to the service, anyone can plug a phone into their high speed internet connection and make calls to anyone in the world. Calls can be placed to other VoIP subscribers, cell phones or standard wireline phones. With the growth of internet technology, the

quality of VoIP calls now generally exceeds that of cell phones and rivals the quality of wireline phones. VoIP also offers all of the same services as wireline: caller ID, call waiting, voicemail, follow-me, speed dial, etc.

VoIP is an increasingly popular method for telephone services. VoIP converts analog phone signals into digital data that can be transmitted over standard broadband connections. In general, VoIP carries a substantial cost savings over traditional telephone services. VoIP differs from traditional phone services in that data flows over a multi-purpose packet-switched network (an IP network) as opposed to a dedicated circuit-switched voice transmission network. Three common ways of using VoIP exist:

- **ATA (analog telephone adapter)** – this method allows the user to connect a standard telephone to the computer or internet connection for use on the VoIP network. A special adapter connects to the computer and has a standard telephone outlet that an analog phone can connect to, as shown in the figure to the right.
- **IP Phones** – this method uses a phone that looks identical to a standard analog phone, but connects directly to an IP network as opposed to a standard telephone connection.
- **Computer-to-Computer** – this method uses software and a microphone connected to the computer to complete calls. There is usually no cost for use of this software aside from standard ISP costs.



Source: <http://en.wikipedia.org/wiki/Image:Voip-typical.gif>

VoIP offers some distinct advantages over traditional telephone networks. Incoming calls can be automatically routed to a VoIP phone regardless of where the user is connected to the network. This is especially attractive to frequent travelers who are away from home for extended periods of time and want their number to remain the same. Additionally, the packet-switching technology that VoIP employs uses much less space on the network as compared to circuit-switching technology.

Drawbacks to VoIP Services

VoIP is prone to latency problems, meaning that if any of the packets sent are delayed or dropped, the full package of data will not be transmitted, resulting in reduced call clarity. Also, standard telephone lines are not prone to power failures as most broadband internet access and VoIP adapters are. The nature of IP can create difficulty in locating network users placing emergency calls as well.

Leadership

John Jenkins – Chairman & CEO

Mr. Jenkins has served as Chairman and CEO of the Company since October 2001, and has been a Director and President of Rapid Link. He founded Dial-Thru International in May 1997, which merged with Ardis Telecom & Technologies in November 1999, taking the name Dial-Thru International Corporation. Mr. Jenkins served as President and CEO of both companies. He has also served as President of DTI Com, Incorporated, one of Dial-Thru International Corporation's subsidiaries. Prior to forming Dial-Thru International, Mr. Jenkins formed ICN/Commsource, which bought and sold oceanic fiber optics cable. In 1996, he served as President and CFO of Golden Line Technology, a major international carrier in France which was later sold to Primus Telecommunications. Mr. Jenkins holds a degree in both business & economics and physics from the University of California-Los Angeles.

David Hess – President & Chief Operating Officer

Mr. Hess was elected to the Board of Directors in May 2002. He brings 20 years of telecommunications experience to the Company. Most recently, Mr. Hess was the CEO and Managing Partner of RKP Steering Group, a company he founded in August 2003. He served as CEO and President of Telia International Carrier, Inc. from November 2001 to December 2002. Prior to this, he served as CEO and Director of Rapid Link, Inc. from August 2000 to September 2001 and again as CEO and Director of LDI/NetNet between 1998 to 2000. While at TotalTel he progressed from Vice President to the President, from 1995 through 1998. Mr. Hess holds a degree in communications with a minor in marketing from Bowling Green State University.

Allen J. Sciarillo – Chief Financial Officer

Mr. Sciarillo was named CFO in July 2001, having previously served as CFO of InterPacket Networks until its acquisition by American Tower Corporation in December 2000. Prior to this, Mr. Sciarillo served as CFO of RSL Com USA, a subsidiary of RSL Com Ltd., an international telecommunications carrier. He has also served as VP and Controller of Hospitality Worldwide Services and as an accountant for Deloitte & Touche, and is a Certified Public Accountant. Mr. Sciarillo has a degree in accounting.

Larry Vierra – Director

Mr. Vierra has served as a director since January 2000, and brings over 30 years in telecommunications experience to the Company. Previously, he was an Officer and Executive VP of RSL Com USA, and has held senior executive positions in international sales, marketing, and business development with ITC, GTE, and Sprint. He has served on the boards of many Latin American telecommunications companies and played a pivotal role in the installation of a major fiber optic cable system between the Dominican Republic and the United States. Additionally, Mr. Vierra has held teaching positions at the University of Las Vegas and holds both a Bachelor and Master degree in business and marketing.

Gene Cohen – VP of Operations and Engineering

Gene Cohen is a pioneer in convergence, having spent 18 years in data and voice communications services. He has played a leadership role in several telecommunications companies since graduating from Massachusetts Institute of Technology in 1987, including Brooktrout Technology, Inc., Graphnet Inc., IPX Inc., and Xcellity Inc. As the Director of Research & Development and Technical Sales at Graphnet Inc, Gene created an enhanced facsimile messaging switching service that became the leading solution for the banking and brokerage community for rapid fax message delivery. The solution was so successful that it was licensed to carriers and PTT's (regulated telecommunications bodies) in 15 countries. As Chief Technical Officer of IPX Inc., Gene launched a VoIP clearinghouse services network on 3 continents supporting 150 carriers in just 2 years.

Todd Alderton – VP of Sales

Mr. Alderton holds a B.S. degree in accounting from Manhattan College. He began in the telecommunications field in 1992 as a Commercial Sales Representative for LDDS WorldCom, and was promoted to Senior Sales Director and entered into management training in 1994. He held various sales and management roles in both the enterprise Fortune 500 segment and wholesale unit at WorldCom until 1996. From 1996 until 1998, Mr. Alderton was Director of Carrier Sales at Total Tel Communications, and was promoted to Vice President of Carrier Sales in 1999, leading this unit from \$65 million in annual revenues to \$85 million in revenues with full profit and loss responsibility. In 2002, he co-founded Integrated Communications.

Risks and Competition

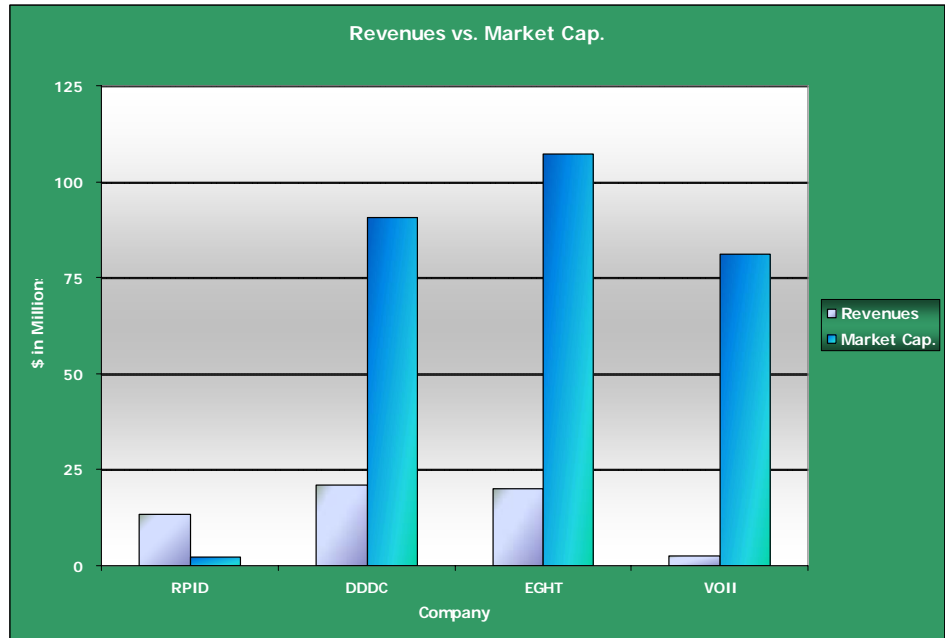
The market for VoIP is very competitive, and pricing is extremely sensitive to market conditions. The VoIP market is mainly controlled by three companies: Vonage, Deltathree, and Net2Phone. All three companies offer competitively priced products and will offer stiff competition for Rapid Link. All three companies are well-capitalized (Vonage is privately held) and have greater financial resources than Rapid Link.

Rapid Link, as of July 31, 2005, was operating with a working capital deficit of over \$6.5 million. If the Company is not able to obtain additional financing or increase cash flows, it will not be able to meet its short-term obligations and could be at risk of ceasing to operate. The Company will likely be looking for new equity financing in the near-term. However, the Company may not be able to obtain financing on acceptable terms, which could cause significant dilution to existing shareholders. Additionally, it is difficult to project how the Company will operate, as this is a relatively new and rapidly changing market place so historical data may not be a guide for future performance.

Summary and Investment Conclusion

In comparison with its peers, Rapid Link appears to be undervalued. As shown in the graph on the right, RPID's market cap-to-sales ratio is 0.17 as compared to Deltathree's (DDDC, Nasdaq, \$3.02) 4.30, 8x8's (EGHT, Nasdaq, \$1.99) 5.39, and VoIP Inc.'s (VOII, OTC-BB, \$1.36) 30.96, and the telecom industry average of 1.8 (*source: Morningstar, data as of 12-21-05). To further compare, Skype was acquired by eBay in October 2005 for \$2.6 billion, despite only having expected revenues for the year of \$60 million.

If the Company is able to maintain and grow its market share in competition with larger, well-capitalized competitors, it will likely be a quickly growing company in a rapidly expanding industry. Despite current losses, its high margins and the fixed cost nature of the business potentially make this an attractive investment opportunity.



Source: Morningstar, data as of 12-21-05

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David Parr, CFA, Senior Research Analyst

Banks/Special Situations

David previously worked as analyst and founding partner covering the small cap bank and mortgage REIT sectors for FIG Partners. Based in Atlanta, FIG Partners is a national boutique research brokerage firm covering the financial sector. David covered small cap banks and thrifts in partnership with Chris Marinac, an Institutional Investor All Star and together they covered 50+ different small and micro-cap companies as well as mutual conversion candidates and informally tracked another 100+. His previous experience includes analyst for the small-cap value portfolio at Buckhead Capital Management (which ranked in top decile for returns during his tenure); Director of Research for The Volume Investor (now Neovest Trading – a division of JP Morgan) which combined fundamental and technical analysis; and buy-side analyst for Prudential Insurance Company of America’s real estate funds. A graduate of the University of North Carolina at Chapel Hill, David is a Chartered Financial Analyst (CFA) and holds Series 3, 4, 7, 24, 27, 55, 63, 86 and 87 licenses. He is member of the Atlanta Society of Financial Analysts, the CFA Institute and is a former CFA exam grader.

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