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GRANDSTREAM NETWORKS, INC. ANNOUNCES ACQUISITION OF STEP DIGITAL LLC

BROOKLINE, MA – October 10, 2006 – Grandstream Networks, Inc. today announced the acquisition of Step Digital, LLC, a Massachusetts based video algorithm software company.

Step Digital specializes in developing real time video algorithms (including H.264, MPEG4, and some proprietary video algorithms) for advanced multimedia applications. The company employs software engineers in Massachusetts and China. Since 2002, Step Digital has been developing high performance video/audio algorithms for video conferencing, multimedia streaming, video surveillance, PVR, and portable media player applications on embedded DSP platforms and PC systems.

"We are very delighted to have Step Digital become part of the winning team at Grandstream. Step Digital's expertise in advanced video algorithm and embedded multimedia software will accelerate our product development and continued penetration in the IP video market," said David Li, chief executive officer of Grandstream Networks. "By combining Grandstream's innovation and technology platform with Step Digital's development team, we have the opportunity to bring more innovation, superior value and greater affordability to the IP video communications market much faster."

"We are very pleased about this acquisition by Grandstream and joining the Grandstream team. We are excited about designing and delivering next generation, innovative and affordable multi-media products under the Grandstream brand," said Sean Yu, President of Step Digital LLC. "Our combined teams will be a powerful force in developing and offering high-quality, cutting-edge products for both the business and consumer IP multimedia market."

Upon closing of the transaction, Grandstream will acquire all the intellectual properties of Step Digital. Step Digital engineers will join Grandstream Networks immediately.

About GRANDSTREAM NETWORKS

Grandstream Networks, Inc. is an award-winning designer and manufacturer of next generation IP voice & video products for broadband networks. Grandstream's products deliver superb sound and picture quality, rich telephony features, full compliance with industry standards, and broad interoperability with most service providers and 3rd party SIP based VoIP products. Grandstream is consistently recognized in the VoIP industry for their innovation, affordability and superior value in their products. Grandstream Networks is a private company headquartered in Brookline, MA with offices in Los Angeles, Dallas and China. For more information, please visit www.grandstream.com.