

impact

Enterasys Is Poised for Success in 2007



Like many people, I enjoy taking some time off at the end of the year to recharge my batteries. While I did

enjoy a few days off in December, I couldn't stop thinking about all the exciting things planned for Enterasys in 2007. I'm pleased to tell you that Enterasys is ready for a full year of addressing your needs and working to be your favorite vendor.

One of the ways Enterasys—or any company—measures its progress is by financial results. I'm pleased to report that once again in the fourth quarter of 2006 we met our performance objectives, enabling us to deliver three consecutive quarters of profitable revenue growth. Comparing 2006 annual results to 2005, revenue grew on a year-over-year basis and we added nearly 500 new customers. A simple and sincere thanks to all of our customers and partners for your support. More about our Q4 results is in the article on page 5.

My top highlight of 2006 was the 30-city tour that enabled me to meet with so many loyal customers and partners. I appreciate the passion and thoughtful feedback we received, including suggestions on how Enterasys can better earn the right to your business every day. Interaction with customers and partners is definitely one of the most rewarding aspects of my job. Your compliments, questions, and challenges to improve are playing a very big role in all

aspects of our work.

The most consistent piece of feedback we heard in every city on the tour was the need to raise the awareness of Enterasys. We are doing two specific things to address that. First, you will see us invest in advertising. Second, we are investing in our ability to demonstrate the value of our Secure Networks[™] solutions.

“Once again in the fourth quarter of 2006 we posted strong financial results, meeting our performance objectives and continuing the trend of profitable revenue growth.”

We are changing our go-to-market process to provide our field teams and partners with new demo kits to show prospects our out-of-the-box capabilities to predict, prevent and automatically respond to security threats. We will encourage proof-of-concept deployments so you know the technology works in your environment to solve your business problems. It is too risky to believe PowerPoint slides—Enterasys will prove to you our ability to deliver the industry's most secure networks.

We recognize there is another vendor that is the “safe” choice for network investments, but Enterasys will show you how we are faster to implement, easier to maintain, and

more cost-effective when it comes to protecting the confidentiality, integrity and availability of your information.

While there is always more work to do, the fact is that the management team and employees know that the hard part of refocusing the company to be customer-centric rather than product-centric is well under way. It's a delicate balance to maintain product excellence while at the same time enhancing the human side of our relationships with customers and partners. But the feedback I continue to receive from you indicates that you recognize the tremendous strides we have made toward this goal.

In this issue of *Impact*, you will read about the Extended Leadership Team composed of employees from all departments and the new corporate culture that the group has developed in concert with all of our employees.

You'll also learn about a great Secure Networks deployment at Appalachian State University and a new professional services offering called Enterasys Service Units.

Best wishes to all of you for a successful 2007. I hope to meet many more of you throughout this year so we can keep this great dialogue going full speed ahead.

Sincerely,

Mike Fabiaschi

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Win \$1,000

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Enterasys Will Show Knack for NAC & NAP at RSA

Enterasys will demonstrate its latest Secure Networks™ capabilities at RSA Conference 2007, the foremost event in the information security industry. The conference and exhibition takes place at the Moscone Convention Center in San Francisco, Calif., from February 5-9. If you're going to the show, come visit us in booth 2043.



At the conference, we will showcase the newest version of our Enterasys Sentinel Network Access Control solution. This release enhances the functionality, interoperability and performance of Sentinel NAC and supports seamless integration with our NetSight® Policy Manager and Dragon® Network Defense solutions.

The new capabilities of Sentinel will enable enterprise customers to extend NAC beyond "health state" assessment to include context such as time of day, location, user role-based authorization and secure quarantine/remediation.

Key enhancements in Sentinel include:

- Operates in multi-vendor environments with support for RFC 3580-compliant switches

- from a number of vendors, and integrates with multiple vulnerability assessment servers
 - Seamlessly works with Enterasys' Dragon® Security Information Manager. Dragon SIM can now extract User—MAC—IP location bindings directly from the Sentinel NAC database
 - Sub-second lookup of end station location
 - Full integration with NetSight® policy management for Enterasys switches and routers
 - Full support for NetSight Automated Security Manager
 - Enhanced performance for both assessment and enforcement
- Also at RSA, Enterasys will showcase two new Sentinel NAC Trusted Access Gateway (TAG)

appliances that significantly enhance the number of concurrently supported users—the SNS-TAG-LPA with support for 2,000 users and the SNS-TAG-HPA, which supports 3,000 users.

If you stop by our booth, you can register to win a certificate for a cool new Apple iPhone before you can even buy it in stores. You also can see Enterasys in action at RSA in the Microsoft pavillion. We will be demonstrating how Secure Networks interoperates with Microsoft's Network Access Protection solutions. An Enterasys Matrix™ N-Series switch running live in the Microsoft booth will showcase NAP integration and our commitment to the NAP specifications. ■

Making It Easier to Leverage Professional Services

February 1 marks the debut of Enterasys Service Units (ESU) in North America, a new way for customers to invest in professional services. By buying packages of ESUs, customers can access Enterasys professional services as they need them throughout the year. This avoids having to work out all of the details of a project up front while enabling you to leverage available funding to support the project.

ESUs come in packs of 5, 10 and 20, with one ESU being equivalent to 8 hours of professional services time. Customers can use ESUs like a bank account or debit card to buy professional services that unlock the full potential of Enterasys hardware and software solutions.

"Enterasys is committed to being our customers' favorite

technology provider, so we designed Enterasys Service Units to make it easier for our customers and partners to leverage Enterasys professional services to maximize the return on their technology investments," said Dan Ludwick, vice president of worldwide services.



"ESUs dramatically simplify the estimation and quoting process for professional services, thus speeding

time to deployment considerably," said Ludwick. "This is a great example of how we are striving to make it as easy as possible for our customers to do business with us. We believe the flexibility of ESUs can accelerate time to value as customers solve their business problems with Enterasys technology."

ESU Features

- Simple to purchase and use
- Flexible access to multiple service offers
- Monthly account statements, including usage and balance
- Good for one year from date of purchase
- Interchangeable with Enterasys Training Units (ETU), which will be available in March 2007

ESU Benefits

- Accommodate internal budget

requirements

- Efficiently augment internal IT staff at times of need
- Peace of mind knowing that Enterasys professional service experts are available for:
 - Large deployments
 - Future planning sessions
 - New technology implementation
 - Covering IT staff vacation time

ESUs will be available in the EMEA region within the next few months and in the rest of the world later this year. For pricing and availability, contact your Enterasys account executive or inside account manager. ■



Tech Tip

Traffic Filtering To Protect Network Integrity

Want to take the first steps to a more secure network? If you have deployed Enterasys Matrix™ (N-Series or E-Series) or Enterasys SecureStack (C2/C3 or B2/B3) switches, then you have the capability to prevent malicious and/or accidental network disruption by applying a simple Secure Networks Acceptable Use Policy.

You can easily configure user connectivity ports at the access layer to prevent them from serving inappropriate protocols, including DHCP, DNS and NTP. You also can stop them from sourcing networking protocols such as RIP, OSPF and DVMRP, or monitoring protocols such as ICMP and SNMP. It's a simple way to reduce risk if a user plugs in an inexpensive router from the local electronics store or someone fires up a share-ware network management tool without your knowledge.

Matrix N-Series switches also provide administrative notification of violations through SYSLOG or SNMP traps and the ability to create low, packet-per-second rate limits to control acceptable, but potentially disruptive, client-side control plane traffic such as ARP, DHCP and DNS.

Appalachian State University Relies on Enterasys to Deliver Secure Network Access to Thousands of Students

One of the most stressful times for a university's IT department is the start of a new academic year when thousands of resident students descend on campus simultaneously, all needing network access. Appalachian State University in North Carolina successfully manages this deluge thanks to the advanced automation capabilities of the university's Secure Networks™ infrastructure. Before Appalachian State deployed the Enterasys solution, students could wait several weeks while the IT staff manually resolved connectivity problems.

The network serves more than 14,000 students, 2,000 faculty/staff, 2,500 public-access computers in libraries and labs and 1,000 other network-connected devices. Thanks to its policy-based Enterasys infrastructure with automated configuration management, Appalachian State needs only an eight-person IT team to support the network. For its customized network registration application—based on Enterasys technology—*Network World* named Appalachian State a 2006 [Enterprise All-Star](#).

"When students arrive for move-in weekend with their desktop and laptop PCs, hand-held devices and more, we can securely identify, authenticate and grant access to everyone while protecting the integrity and performance of the university IT infrastructure," said David Hayler, network systems analyst for Appalachian State. "We're extremely pleased with how Enterasys technology enables us to do our jobs better and spend less time doing them.

"Managing the network at a large university requires a delicate balance of control and freedom," said Hayler. "We must have complete control of the network, but it must be transparent to the end users. Our students and faculty believe in freedom of information and freedom of education, and Enterasys solutions enable us to protect our environment, while providing the open access to information our users demand."



Enterasys Secure Networks automatically prevents common issues such as rogue wireless access points, DDoS attacks, DHCP, DNS and gateway spoofing from impacting the network. "To our knowledge, we're the only university that can allow anyone to access any wired or wireless connection on our campus—even if we have no prior knowledge of who they are—and automatically assign them to a policy-based role that enables them to do what they are authorized to do, while preventing any accidental or intentional threat to our IT assets," Hayler said.

"The Enterasys Matrix switches perform multi-user MAC

authentication on every port for each user every 15 minutes, so we know at any given time how many users are on the network and where they are. We completely avoid the loophole of static IP address assignment problems found in other vendors' DHCP-based approaches to network access control. If problems arise, we can easily identify and locate users and fix the issue or re-assign their policy privileges to prevent them from causing harm. I would highly recommend Enterasys as it is the only vendor we found that could deliver these capabilities and we sleep better at night based on the success of our implementation."

Appalachian State's network includes equipment from other vendors and the IT team relies on Enterasys' NetSight® Console, Policy Manager and Inventory Manager to provide centralized management and security of its multi-vendor, multi-technology infrastructure.

"We chose Enterasys because the company offers top-notch support, R&D leadership and technical features that no other vendor is able to provide," Hayler said. "Enterasys isn't satisfied with the status quo; they continue to innovate and deliver unique features that are vital to us."

Appalachian State plans to take its network registration application to the next level by integrating automated vulnerability assessment and client remediation capabilities. Secure Networks will ensure this new initiative delivers the same level of control and performance the university expects from Enterasys. ■



► Upcoming Enterasys Events

Enterasys will be exhibiting at or hosting the following events. We hope to see you at one or more of them.

RSACONFERENCE2007

Moscone Convention Center
San Francisco, California
February 5 – 9
Booth #2043

Enterasys Partner Conference 2007

The Fairmont Copley Plaza
Boston, Massachusetts
April 23 – 26
Invitations will be mailed in February

INTEROP LAS VEGAS

Mandalay Bay Convention Center
Las Vegas, Nevada
May 20 – 25
Booth #1060

Enterasys Continues Profitable Revenue Growth in Q4 2006

Enterasys' financial results once again met Company expectations for the fiscal fourth quarter ended December 30, 2006. We added more than 150 new customers, posted positive net income and achieved our third consecutive quarter of revenue growth. For the full year, revenue increased in 2006 compared to 2005.

partners. The unique capabilities of our Secure Networks™ hardware, software and services to secure any network, coupled with our customer-centric culture, are driving profitable revenue growth and an expanding roster of new customers worldwide."

Highlights for the fourth quarter of 2006 include:



Gross margins increased over the prior quarter, remaining strong at more than 50 percent. Enterasys has now posted six consecutive quarters of pro-forma operating profitability. These results do not reflect any purchase accounting adjustments that may be applied related to the Company's acquisition in March 2006 by a group of private investors led by The Gores Group, LLC, and Tennenbaum Capital Partners, LLC.

"Enterasys had another strong quarter to wrap-up 2006, continuing the momentum we established when the new management team joined the company," said Mike Fabiaschi, president and CEO of Enterasys Networks. "These results clearly reflect the success of our efforts to forge and strengthen our relationships with customers and

- More than 150 new customers, bringing the total for the past three quarters to nearly 500.
- New customers in North America included:
 - Securities America, Inc.
 - ViroPharma, Inc.
 - The Vancouver Public Library
 - Monongahela Valley Hospital
 - Dillard University
- New customers in the EMEA region included:
 - KPMG in Spain
 - Consejera de Sanidad y Consumo in Spain
 - Communaute Urbaine de Lille in France
 - Hillel Yaffe Hospital in Israel
- New customers in Latin America included:
 - Assembleia Legislativa da Bahia in Brazil
 - Banco do Estado de Sergipe

- in Brazil
 - Instituto Mineiro de Gestao das Aguas in Brazil
 - Dedini S/A Industrias de Base in Brazil
 - Hostarica in Costa Rica
- New customers in Asia-Pacific included:
 - Republic of Korea Marine Corps
 - The Japan Research Institute
 - Republic of Korea Joint Chiefs of Staff
 - Osaka Shobo School in Japan
- [Matrix X secure core router](#) revenue grew more than 50 percent and 10 Gbps Ethernet port shipments nearly tripled over Q3 2006.
- Total port shipments rose approximately 7 percent sequentially in Q4 2006 and 25 percent compared to Q4 2005.
- Layer 2 switching, led by the [SecureStack A2](#), [B2](#) and [B3](#) edge switches, posted another sequential quarter of revenue growth and 50 percent growth over 2005. Port shipments rose more than 40 percent over Q4 2005.
- [Matrix N-Series](#) modular Layer 3 switches grew in both port shipments and revenue over Q3 and for the full year over 2005.
- The [SecureStack C2](#) and [C3](#) fixed Layer 3 switches posted sequential revenue growth and more than 50 percent growth in port shipments over Q3 2006.
- License shipments of Enterasys [Dragon](#)®, [NetSight](#)® and [Sentinel](#) software solutions for security, visibility and control grew sequentially over Q3 2006 as well as over FY2005. ■



Coming Next Month

The February issue of *Impact* will include these items and more:

- An independent white paper that compares Dragon Security Command Console to Cisco Security MARS
- Tech Tip on how Enterasys products will address new Daylight Savings Time requirements
- Another Secure Networks deployment success story

Impact is published monthly for Enterasys Networks customers and partners.

We welcome your questions, comments and suggestions

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ESSE Certification Program to Expand

Beginning April 1, 2007 the Enterasys Security Systems Engineer certification program will expand to include Dragon® Network Defense and Enterasys Sentinel. This will add advanced security information and event correlation analysis as well as network access control (NAC) technologies to the

existing Security certification.

In addition, the ESSE examination will now include questions from Enterasys' four security-class offerings: Dragon Intrusion Detection, Policy-Enabled Networking, Enterasys Sentinel and Dragon Network Defense. Successful completion of the ESSE

exam will require attendance in each of these classes.

Any ESSE certification exams completed prior to April will include only questions from the Dragon Intrusion Detection and Policy-Enabled Networking classes. All certifications are valid for two years. ■

Visit the Online Customer Forum

Have you checked out the online technical forum where Enterasys customers and partners can exchange ideas, answer questions and share best

practices? It's easy to join. Just send an e-mail to listserv@unc.edu with "subscribe enterasys YOUR NAME" in the BODY of the e-mail. You will then receive a follow-up

e-mail with further instructions on how to use advanced features including digest summaries and RSS feeds.



Win \$1,000

In a multi-vendor environment, what RFC does Enterasys' NAC solution use to quarantine users in a VLAN?

Hint: You can see it in action at the RSA Conference. Submit your answer to impact@enterasys.com.

Enter Contest in the subject line. One winner of the \$1,000 prize will be chosen at random from all correct entries and announced in the February edition of *Impact*. Good luck! Enterasys employees and their families are not eligible to enter.

And the Winner Is

Congratulations **Marco D'Amato**, the lucky winner of the December *Impact* contest.

Marco is the commodity manager for Invensys Process Systems in Foxboro, Mass. His entry was chosen from among the correct responses to the question:

How many SecureStack C2 switches can be supported in a single stack with a single IP address for complete stack management?

The answer: Up to 8 SecureStack C2 Switches can be supported in a single stack with a single IP address for complete stack management.

Thanks to everyone who played the game, and better luck next time.