

impact

Enterasys Continues Trend of Profitable Growth



I'm pleased to report that Enterasys posted [strong financial results](#) in the third quarter ended September

30, 2006. We met our performance objectives for the quarter as we achieved positive net income and posted back-to-back quarters of revenue growth for the first time since the Company was formed in 2001.

It's no secret that customers and partners want to do business with vendors that have a solid financial foundation. Establishing profitable revenue growth and adding new customers is a top priority for Enterasys' new private owners and management team.

These results demonstrate that our philosophy 'There is nothing more important than our customers' is resonating with both existing and new customers. And feedback from those groups and our partners reinforces that Enterasys is the perfect-sized networking company: large enough to be a long-term player in the market and small enough so you can have direct access to myself, the rest of the executive team and our talented developers.

Overall, Enterasys has now posted five consecutive quarters of pro-forma operating profitability (subject to any purchase accounting adjustments that may be applied related to the Company's acquisition by private investors in March 2006).

We had many highlights and milestones in the quarter and I want to share a few of the most important ones with you:

- Total port shipments rose 6 percent sequentially in Q3 and 10 percent compared to the year-ago quarter.
- Sales of [Dragon® Intrusion Defense](#) products increased dramatically quarter-over-quarter.
- Layer 2 switching, led by the [SecureStack A2](#) and [B2](#) edge switches, posted a seventh consecutive quarter of revenue and port shipment growth.

We achieved positive net income and posted back-to-back quarters of revenue growth for the first time since the Company was formed in 2001.

- [Matrix™ N-Series](#) modular Layer 3 switches posted increases in both revenue and port shipments for the third consecutive quarter.

Q3 was another very good quarter for adding new customers. We acquired more than 150 new customers worldwide bringing the total for the past two quarters to

more than 300 new customers.

New customers in the United States included EDS Managed Security Services, J Jill Group and The Motion Picture Association of America. In EMEA, key new customers included Barzilay Hospital in Israel, Brand-Rex in the UK and Indra Sistemas in Spain. Among the new customers we added in Latin America were Fondo de la Vivienda del ISSSTE in Mexico, Iveco Motores in Brazil and Tanglewood Investments in the Caribbean. And last but not least, the Company's new customers in the Asia-Pacific region included The Four Seasons Hotel in China, Ohu University in Japan and Oracle in Australia.

One final piece of news I want to share with you concerns our worldwide executive briefing tour. More than 1,000 customers, partners and prospects joined us to hear about the progress Enterasys continues to make, see a demonstration of Secure Networks™ in action and discuss their networking questions and ideas with us. I'll share highlights of the Asia-Pacific and Latin America events in next month's *Impact*.

Thanks to everyone who has been able to attend one of these exciting events and I hope to see many more of you when we do it again in 2007.

Sincerely,

Mike Fabiaschi

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Essential to All Aspects of the Centre's Operation

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Win \$1,000

Are you an "Expert" about one of our most popular service offerings?

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▶ Check Out the New Customer Forum

There is a new online technical forum where Enterasys customers and partners can exchange ideas, answer questions and share best practices. It's easy to join the forum. 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.

Ontario Science Centre Relies on Secure Networks for Visitors and Employees

When families and school groups visit the [Ontario Science Centre](#) in Toronto, they're interested in exploring the hands-on exhibits and learning about science and technology. But behind the scenes, an Enterasys Secure Network is ensuring the availability of many interactive exhibits, while providing a secure, reliable network for employees.

As the most visited cultural institution in Canada, with more than 1 million guests annually, the Ontario Science Centre required a powerful network to accommodate current needs and future growth. Specifically, the Centre wanted a secure networking environment to provide employees with access to the information they need to do their jobs, while also supporting its many network-based exhibits, which change frequently throughout the year. Enterasys delivered an end-to-end network that combines high-performance hardware featuring Enterasys'

unique policy-based security and management capabilities.

"The network is essential to all aspects of the Centre's operation—both for our interactive exhibits and for the business activities that support our work behind the scenes," said Peter Legat, associate director, information services of the Ontario Science Center. "We needed a network with the highest level of embedded security to protect us from a variety of threats and keep our data and visitor information safe from unauthorized access. The Enterasys solution enables us to implement policies across the entire network with one click to help stop threats from viruses and worms before they cause problems. We spent several months evaluating all of the leading networking vendors and it was obvious that only Enterasys could provide the complete solution we need to support our organization."



The Ontario Science Centre network features Matrix™ N-Series switching at the core with SecureStack C-Series switches at the network edge. Enterasys NetSight® Policy Manager delivers multi-user authentication, centralized network access control and dynamic policy enforcement across the network's 1,400-plus devices, applications and users.

"Visitors come to the Centre to learn and have fun. Many exhibits depend on the network, and we want to ensure we don't disappoint people because the network is down," said Legat. ■

Terry Schmid Named Chief Financial Officer

This month Enterasys appointed [Terry Schmid](#) as the company's new chief financial officer. He oversees the worldwide finance organization and works closely with CEO Mike Fabiaschi, the Enterasys management team and our private investors to continue the company's trend of profitable growth.

Schmid has nearly 20 years of financial leadership experience at public and private companies. He joins Enterasys with an extensive background in the networking industry. He also has managed

successful initial and secondary public offerings and private equity investments at several companies.

Most recently, he was the CFO at Airflow Networks, a wireless network equipment provider, and before that at Turnstone Systems, a developer of telecommunications equipment for local exchange carriers.

Schmid also was CFO at ONI Systems, a provider of next-generation optical networking equipment for metropolitan area service providers, and at The 3DO Company, a developer and

publisher of videogames and entertainment software.

Earlier in his career, he held several financial posts with Electronic Arts, a leading video game publisher. He also was a consultant with Sun Microsystems and Andersen Consulting.

Schmid holds a bachelor's degree in economics from the University of San Francisco and an MBA from the Fuqua School of Business at Duke University. ■

SecureStack Switch Line Grows with New C3 and B3 Families



Tech Tip

Configuring Dragon® Reporting Capabilities

Dragon 7.2.2 enables you to automate configuration of event flows between multiple Dragon nodes. If you organize your Dragon nodes in a tree structure, the [Dragon Enterprise Management Server](#) (EMS) infers the flow of events and automatically configures necessary IP addresses and interfaces. If any of your nodes reside behind a network address translation (NAT) device, the EMS client will let you override specific IP addresses, as required.

If your nodes are not laid out in a tree structure, you can easily set this up by dragging and dropping nodes in the EMS client GUI. The tree structure partitions event data to maintain organizational reporting boundaries. Specific reports can be created for individual groupings of host or network sensors.

Enterasys' line of SecureStack secure edge switches will expand in December with availability of the new SecureStack C3 and B3. Both new products deliver high-density, high-availability stackable 10/100/1000 switching.

In a world where all stackable switches appear to be the same, the SecureStack families are notable exceptions. Built by the industry leader in embedded security, the SecureStack line offers a compelling variety of specialized security functionality in a high-performance, fault-tolerant package. Why buy a "regular" stackable switch, when you can have a SecureStack? And as if security weren't enough, every SecureStack comes with the assurance of a limited lifetime warranty.

What makes SecureStack switches unique?

- Cross-platform support for 802.1x authentication.
- MAC authentication support on the B- and C-series.
- Web-based authentication on the C-series.
- GUI-based support for Secure Networks™ policy on the B- and C-series.
- Assign ports to predefined templates for User, Printer, Uplink, Server, Phone, Camera, etc.
- Enforce traffic control policy at any and all edge ports.

SecureStack C3 – When You Need Routing

The C3 delivers line-rate switching and routing and an industry-leading 384 Gigabit ports in a single stack. Policy support is standard on the C3 and an optional advanced routing license provides access to additional

features, such as OSPF. The C3 also offers optional support for IPv6 to meet the needs of government, educational and international customers.



The C3 supports up to 768 policy rules per switch or stack. Reliability and availability features such as Closed Loop Stacking and redundant core connections, power options and stack management help enterprises avoid expensive downtime.

Customers also can take advantage of the cost savings of converged voice and data networks using the advanced Quality of Service features of the C3. Traffic classification features combined with network-wide policies and eight priority queues provide highly granular traffic classification, prioritization and control of delay-sensitive traffic such as voice over IP (VoIP).

Adding a Power over Ethernet (PoE) switch to the stack provides support for wireless access points or VoIP phones. Customers who have deployed SecureStack C2 switches can easily introduce C3s to the network edge. The C3 stacks right out of the box with C2 switches, automatically assuming the capabilities of the installed C2s.

SecureStack B3 – Advanced Layer 2 Switching

Like the C3 and the other Enterasys SecureStack switches,

the B3 represents an affordable way to build a high-performance switched network with policy-based security.

The B3 family delivers advanced Layer 2+ switching in a single stack with up to 384 10/100/1000 ports and up to 32 Gigabit uplink ports. It provides scalable and flexible configurations, with 24- and 48-port models available with PoE. The B3 is fully interoperable and stackable with existing B2 switches, in keeping with Enterasys' commitment to protecting customers' investments in our technology.

The B3 delivers line-rate switching as well as optional Secure Networks capabilities so customers can easily deploy role-based policies on their network. It supports up to 768 policy rules on a single stack.



Like the C3, the B3 is ready to support converged networks and VoIP. It supports Closed Loop Stacking so if a switch or cable fails, the remainder of the stack retains connectivity. Its power options ensure that in the event of a power failure, the switch seamlessly connects to the external redundant power system.

The new SecureStack C3 and B3 families will begin shipping from Enterasys and our distribution partners in December 2006. Both come with a free limited lifetime warranty that continues for five years after the products' end of life. ■



And the Winner Is...

Congratulations to **Steve Blizman**, the lucky winner of the October *Impact* contest.

Steve is a security analyst with United Health, Northeast in Connecticut. His entry was chosen from among the correct responses to the question: "Name the four additional applications Enterasys is considering in the future for the Matrix Security Module."

The answer:

- Voice gateway
- Process monitoring applications
- Vulnerability scanning software
- File caching applications

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

Have You Asked an Expert Lately?

Back in the pre-World Wide Web dark ages, many large public libraries employed reference librarians who would field questions over the phone about all types of subjects, from the important to the trivial. Google may have alleviated the need for many of those services. But here at Enterasys, the personal touch is alive and well.

Our Global Technical Assistance Center has a team of subject-matter experts ready to tackle your toughest questions about our Secure Networks™ products and solutions. We call it, appropriately enough, "Ask an Expert."

Whether you are planning, implementing, managing, supporting or optimizing your network, there are bound to be times when you need a little bit of help. With Enterasys, you have access to expert knowledge right at your fingertips. Service contract customers and registered partners can send an e-mail to any one of our subject-matter experts. We promise a timely, effective response.

This team of support engineers—with decades of combined networking expertise—is an important component of our Secure Networks Remote Services portfolio.

According to Vala Afshar, vice president of global technical services, the "Ask an Expert" service provides clear benefits to qualified users.

"Customers with general

questions about Enterasys products and solutions can call the technical help lines we provide worldwide at any time, but when they need in-depth assistance on a specific offering, 'Ask an Expert' is invaluable," he says. "Our experts have tremendous experience in their subject areas, which enables customers and partners to develop a rapport with them over time that creates a long-lasting relationship."

Afshar says other benefits of 'Ask an Expert' include the ability to respond to inquiries in multiple languages and the fact that as an e-mail-based service it can overcome time zone differences.

"We believe Enterasys is unique in our industry in terms of the quality, accessibility and expertise of our support team," says Dan Ludwick, vice president of worldwide services. "Of course we have online resources such as frequently asked questions and the like, but our customers and partners deserve the very highest level of support we can provide. No question is too big or too small for our team. This is a great example of how Enterasys is working to become our customers' and partners' favorite vendor. There is nothing more important than our customers and we will earn the right to your business every day."

The "Ask an Expert" team is ready to tackle your questions on the

following solutions, technologies and products:

Enterasys Secure Networks Solutions:

- Policy-based Command and Control
- Automated Response and Remediation
- Threat Detection and Prevention
- Secure Guest Access
- Classroom Control
- Standards-based Interoperability
- Network Access Control

Technologies:

- Switching
- Routing
- WAN
- Wireless
- Security
- Network Management

Enterasys Integrated Hardware and Software Platforms:

- Matrix™ Series Switches and Routers
- SecureStack Edge Switches
- Dragon®
- Enterasys Sentinel
- X-Pedition
- RoamAbout®
- NetSight®

Each category is assigned to an individual expert who is backed by our deep team of engineering and R&D talent.

"The next time you have a tough networking problem, remember there's an Enterasys expert ready to help you out," says Ludwick. ■

Win \$1000

Name the members of Enterasys' "Ask an Expert" team who are responsible for fielding questions about the following subjects: Secure Data Center, Security, and Secure Guest Access. (Hint: Use the link above and you'll be an expert yourself!)

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 December edition of *Impact*. Good luck! Enterasys employees and their families are not eligible to enter.

Gartner Reports on Campus LAN Marketplace

In its latest Magic Quadrant report for the Campus LAN marketplace published in October, Gartner evaluated past performance and future prospects for Enterasys and other major vendors.

Regarding Enterasys becoming a privately owned company, Gartner said, "We see little downside risk to this change, especially for the LAN portfolio." The report continued: "Early indications are that the revenue stream is stabilizing and Enterasys is starting to win some new customer business." This analysis is consistent with our sequential revenue growth in the second and third quarters of this year as well as the acquisition of more than 300 new customers during that period.

Gartner was positive about our product portfolio. "Enterasys was the initial innovator in embedded network security. Enterasys coined the 'secure networks' approach and delivered key aspects of embedded network security before the rest of the market. The current product line is a solid one, with a variety of options for most parts of the network so there is no product risk running a current Enterasys infrastructure."

For each vendor, Gartner recommends when customers should and should not consider doing business with them. "Current Enterasys customers and those looking for a strategy to embed key network security functions" should consider Enterasys when making network technology purchasing decisions. Customers should not consider Enterasys, according to Gartner, "When security is not the key driver for new network investments." Based on our discussions with customers, partners and prospects, we haven't found any organization for which security is not a "key driver." In its January 2006

CIO Survey, Gartner listed "Security" as the second most important technology priority and a top-10 business priority.

Gartner was particularly blunt about considering more than one vendor before purchasing. "Major LAN purchases should not take place without a full competitive review." The report continued: "A significant percentage of the market should be looking for more cost-effective, easier-to-manage solutions to their infrastructure."

"Enterasys was the initial innovator in embedded network security. Enterasys coined the 'secure networks' approach and delivered key aspects of embedded network security before the rest of the market."

Gartner said, "For all organizations making major upgrades to the LAN infrastructure, automatically sole-sourcing a Cisco solution is not an appropriate approach." In fact, new Gartner research on the "Vendor Influence Curve" published in September 2006 at Symposium ITXpo and in November 2006 at the Enterprise Networking Summit shows how enterprises are "wasting \$35 Billion per year by following the pack and sole-sourcing to a single networking vendor – Cisco." Gartner states that, "20-35% capital savings can result from competing the business between multiple vendors." Sounds like a 30-minute meeting with Enterasys can save an organization 30 percent on their Cisco purchases; and they can learn

how to better secure their existing Cisco network with Enterasys' advanced security software. Be sure to spread the word with your networking industry peers.

Gartner also provides advice on how to use the Magic Quadrant in note M-19-8839:

"Although the Magic Quadrant gives a picture of the vendor's ability to execute, as well as its vision, it should not be the only criteria for making a selection." Gartner clients often use the Magic Quadrant "to formulate their shortlists and only look at vendors in the Leaders quadrant." Few enterprises, says Gartner, will be successful finding the best vendor for them with this method. "Enterprises should determine their functional and support requirements and use them to drive a selection. These requirements will be specific to the individual enterprise and will be key for vendor evaluation and eventual selection. For example, a vendor in the Niche Players quadrant could be ideally suited to an enterprise's needs. Similarly, the vendors in the Leaders quadrant may have executed well and outpaced the market in vision, but that does not necessarily mean that they have the functionality or meet the enterprise's specific requirements."

Gartner concludes: "The Magic Quadrant is not designed as a substitute for client inquiry — Gartner inquiry is the best way for enterprises to resolve specific questions."

To learn more about the many ways Enterasys Secure Networks™ ensure the integrity and performance of IT services and the business users that rely on them, contact your Enterasys inside sales representative, account executive or your preferred systems integrator or value-added reseller. ■

▶ Coming Next Month

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

- Turkey's largest automaker ensures business continuity with Secure Networks™
- 2006 Executive Briefing tour wrap-up
- Another \$1,000 contest winner
- Holiday greetings and best wishes