

ENTERASYS NETWORKS, INC.
BOARD OF DIRECTORS
GUIDELINES ON SIGNIFICANT CORPORATE GOVERNANCE ISSUES

SELECTION AND COMPOSITION OF BOARD OF DIRECTORS

Size of the Board

Our charter and by-laws provide that the board of directors consist of not less than three directors with the exact number determined from time to time by resolution of the directors. We believe a board should neither be too small to maintain the needed expertise and independence nor too large to be efficiently functional. Our general expectation is that our board will consist of approximately five to ten directors, although we periodically review the appropriate size and mix of the board in light of our stated objectives below.

Selection of New Directors

The board of directors should be responsible for selecting its own members for election by the stockholders. The board of directors, however, delegates the process for identifying and reviewing candidates for director positions to the Corporate Governance, Ethics and Nominating Committee with direct input from the Chairman and the Chief Executive Officer.

Board Membership Criteria

The Corporate Governance, Ethics and Nominating Committee of the board of directors is responsible for reviewing with the entire board from time to time the appropriate skills and characteristics required of board members in the context of the current make-up of the board of directors. It is the policy of our board of directors that directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. It is also the policy of our board of directors that the composition of the board of directors at all times adhere to the standards of independence promulgated by the New York Stock Exchange and the Securities and Exchange Commission and reflect a range of talents, ages, skills, character, diversity, and expertise, particularly in the areas of accounting and finance, management, domestic and international markets, leadership and corporate governance, and the telecommunications and related industries sufficient to provide sound and prudent guidance with respect to the operations and interests of Enterasys Networks.

We also require that our board members be able to dedicate the time and resources sufficient to ensure the diligent performance of his or her duties on our behalf, including attending board and applicable committee meetings.

Director Independence

The board of directors believes that as a matter of policy at least two-thirds of the members of our board of directors should be independent. The board of directors has adopted the requirements of the New York Stock Exchange and the rules of the Securities Exchange Commission as in effect from time to time regarding what constitutes an independent director.

In addition, an “independent” director is one who:

(1) does not receive, and has not in the past five years has not received, and has no immediate family member who receives or in the past five years has received, more than \$100,000 per year or the amount dictated by the Securities and Exchange Commission, whichever is less, in direct compensation from Enterasys Networks or any of its subsidiaries or affiliates, other than board and committee fees and pension or other forms of deferred compensation for prior services, provided such compensation is not dependent in any way on continued service. Compensation paid to an immediate family member who is not an executive officer of Enterasys Networks or any of its subsidiaries does not count against the \$100,000 amount;

(2) is not, and in the previous five years has not been, affiliated with or employed by a present or former auditor or compensation consulting firm of Enterasys Networks and had no immediate family member who in the previous five years has been employed in a professional capacity with such present or former auditor or compensation consulting firm;

(3) is not, and in the previous five years has not been, and has no immediate family member who is or in the previous five years has been, part of an interlocking directorate in which an executive officer of Enterasys Networks or any of its subsidiaries or affiliates serves on the compensation committee of another company which such board member serves as an executive officer;

(4) does not have, and has not had within the previous five years, and has no immediate family member that has or has had within the previous five years, a “Material Relationship” with Enterasys Networks. The following relationships, either individually or as a director, executive officer, employee (except in the case of an immediate family member) or general partner with, or significant equity holder (i.e., in excess of five percent) of, a company or a firm, shall be considered Material Relationships: (i) an entity that makes payments to or receives payments from Enterasys Networks or its subsidiaries that exceeds the greater of \$1 million dollars or 2% of Enterasys Networks’ or such other entity’s consolidated gross revenues; or (ii) a tax-exempt entity that receives contributions from Enterasys Networks or its subsidiaries during a calendar year in excess of the greater of \$1 million or 2% of the organization’s consolidated gross revenues. For the purposes of this paragraph (4), consolidated gross revenue is measured by the number reported in the last completed fiscal year;

(5) has not been employed by, and has no immediate family member that has been an executive officer of Enterasys Networks within the previous three years. Employment as an interim chairman or Chief Executive Officer does not disqualify a director following that employment.

An “immediate family member” means a spouse, parent, sibling, child, or mother, father, brother, sister, son, daughter, daughter-in-law, or son-in-law or any other person (except an employee) who shares such board member’s home. “Immediate family member” does not include any of the above people who are no longer immediate family members because of legal separation or divorce, death or incapacitation.

Each of the above five criteria must be met to qualify a director as independent. The board of directors shall have the exclusive right and power to interpret and apply the provisions of this standard including, without limitation, the adoption of written definitions of terms used in and guidelines for the application of this standard. Compliance with the definition of independence is reviewed annually by the Corporate Governance, Ethics and Nominating Committee.

In addition to the above independence requirements, the members of the Audit Committee must also satisfy an additional independence requirement. Specifically, those directors may not receive, directly or indirectly, any fees from us other than compensation as a member of the board of directors and any board committee as described below under “Board Compensation Policy” and may not be otherwise affiliated with Enterasys Networks as that term is defined in the SEC’s Exchange Act Rule 10A-3(e)(1)(i). Also, members of our Audit Committee shall not serve on the audit committees of more than three audit committees of public companies, including ours.

Non Independent Directors

The board of directors is willing to have members of senior management, in addition to our Chief Executive Officer, and other individuals who may not qualify as independent, as directors. In addition, the board of directors believes that it may be beneficial to the discharge of their duties as directors for managers that do not serve on the board of directors to nonetheless attend board meetings on a regular basis. It is understood, however, that all significant matters of corporate governance will be decided by the non-management directors in consultation with the Chairman of the board.

Selection of Chairman

The Chief Executive Officer currently serves as Chairman of the board. The board of directors recognizes that there may be circumstances in the future that would lead it to separate these offices, although it does not believe there is any reason to do so at this time. The board of directors believes that this issue is primarily a matter of the succession planning process and that it is in the best interest of Enterasys Networks for the board to make this determination when it elects a new Chief Executive Officer or at such other times that it believes is best for Enterasys Networks. If the offices of Chief Executive Officer and Chairman of the board are held by a single individual, then Enterasys Networks will designate an independent director as the “lead director” to chair executive sessions of the board of directors.

Directors Who Change Their Present Job Responsibility

It is the sense of the directors that directors who retire or otherwise change from the principal occupation or background occupation they held when they were originally invited to join our board of directors should volunteer to resign from the board. The board of directors does not believe that directors who retire or otherwise change from the principal occupation or background association they held when they were originally invited to join our board of directors should necessarily leave the board. There should, however, be an opportunity for the board of

directors, through the Corporate Governance, Ethics and Nominating Committee, to review the continued appropriateness of that director's membership under the circumstances.

Acceptance of Additional Directorships; Resignation and Retirement of Management Directors

The board of directors also believes that each outside director should advise the Corporate Governance, Ethics and Nominating Committee in advance of accepting an invitation to serve as a member on another for-profit board of directors. No director shall serve as a director of more than three other public companies.

It is assumed that when a director who is also a member of management resigns or retires from his or her management position that he or she should also offer his or her resignation from the board of directors. Whether that individual continues to serve on the board of directors is a matter for discussion at that time by the board of directors, through the Corporate Governance, Ethics and Nominating Committee.

Director Term Limits

The board of directors does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the board, they hold the disadvantage of losing the contribution of directors who over time have developed increasing insight into Enterasys Networks and its operations and therefore provide an increasing contribution to the board of directors as a whole.

The Corporate Governance, Ethics and Nominating Committee, in consultation with the Chief Executive Officer and the Chairman of the board, will review each director's re-nomination to the board of directors every three years. This review will include an evaluation of many factors, among them the director's other time commitments, including service as a director of other companies, and the director's preparation for and participation in meetings of the Enterasys Networks board and committees. This review will also allow each director the opportunity to confirm his/her desire to continue as a member of the board of directors.

COMPENSATION AND PERFORMANCE

Board Compensation Policy

The Incentive Compensation Committee shall have the responsibility for recommending to the entire board of directors the compensation and benefits for non-employee directors. It is appropriate for the Incentive Compensation Committee to report from time to time to the entire board of directors on the status of director compensation in relation to other similarly-sized public companies in the United States and other similarly-sized public companies operating in comparable industries. It is the sense of the board that compensation for non-employee directors should consist of cash and stock-based awards, weighted toward stock-based awards. An executive officer of the company serving as a member of the board of directors shall not receive additional compensation for service as director.

Proposed changes in director compensation, if any, should come at the suggestion of the Incentive Compensation Committee, but with full discussion and concurrence by the entire board of directors. Our current policies regarding compensation of non-management directors may be found in our most recent proxy statement.

Management Compensation Policy

The Incentive Compensation Committee is responsible for reviewing compensation and benefits for senior executive officers and for developing and implementing compensation and benefits for the Chief Executive Officer. In accordance with the rules and requirements of the SEC and the New York Stock Exchange, all material aspects of management compensation will be disclosed to stockholders yearly in the annual proxy statement, including the compensation awarded to the Chief Executive Officer and the four other most highly paid executive officers, termination of employment payments to the Chief Executive Officer, including death, disability, normal retirement, discharge for cause, discharge for other than cause, and voluntary resignation.

Evaluation of Board Performance

The Corporate Governance, Ethics and Nominating Committee is responsible to assist the board in evaluating the overall performance of the board of directors and the performance of each of its committees at least annually. If the Corporate Governance, Ethics and Nominating Committee so desires, it may be assisted by an outside consultant in making these assessments. The evaluation should be made following the end of each fiscal year and should be discussed with the full board at the same time, if applicable, as board membership criteria is discussed.

The evaluation will take into account, among other things, (i) composition and independence of the board, (ii) access to and review of information from management, (iii) responsiveness of the board to stockholder concerns, (iv) delineation of board and management powers, (v) interaction between and among directors, (vi) education and development of directors, and (vii) maintenance and implementation of these corporate governance guidelines.

The evaluation should be of the contribution of the board of directors as a whole and should specifically review areas in which the board of directors believes a better contribution could be made. The purpose of the evaluation is to increase the effectiveness of the board of directors, not to target individual directors.

Orientation and Continuing Education

The board of directors believes that orientation and continuing education is an important aspect of board service. Directors periodically receive background material on Enterasys Networks, its products and its industry, meetings with and presentations by senior management, tours of facilities and information on their fiduciary responsibilities and liabilities. Directors are encouraged to follow Enterasys Networks and to seek out information about Enterasys Networks from sources outside of the company.

Interaction with Institutional Investors, Press, Customers, Etc.

The board of directors believes that management speaks for Enterasys Networks. Our individual non-management board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with Enterasys Networks, but it is expected that these members would do this with the knowledge of management and, in most instances, at the request of management.

MEETINGS OF THE BOARD OF DIRECTORS

Scheduling and Selection of Agenda Items for Board Meetings

The Chairman of the board, in consultation with other members of the board of directors, will determine the frequency and length of board meetings. It is the sense of the board of directors that regular meetings at appropriate intervals are in general desirable for the performance of their responsibilities. In addition to regularly scheduled meetings, additional unscheduled meetings may be called upon appropriate notice at any time to address any special needs.

The Chairman of the board will establish the agenda for each board meeting and distribute it in advance to board members. Each director is free to suggest the inclusion of items on an agenda, to raise at any board meeting subjects that are not on the agenda for that meeting or to request the presence of or a report by any member of management. If the Chief Executive Officer is also Chairman of the board, the Lead Director shall serve as a contact for directors wishing to discuss issues or add agenda items that are not appropriately or best forwarded to the Chief Executive Officer. During at least one board meeting each year, the board of directors will be presented the long-term strategic plan and the principal issues that Enterasys Networks expects to face in the future.

Board Material and Presentations

Information and data that is important to the understanding of the business and matters to be considered at the board meeting should, to the extent practicable, be distributed in advance to board members. As a general rule, materials on specific subjects should be sent to the board members sufficiently in advance so directors will be prepared to discuss questions that they may have about the material.

The board of directors encourages management to schedule managers to present at board meetings who (i) can provide additional insight into the specific matters being discussed because of personal involvement in these areas or (ii) have future potential that management believes should be given exposure to the board of directors.

Participation in Board Meetings

We expect our board members to rigorously prepare for, attend and participate in all board and applicable committee meetings. Each board member is expected to ensure that other existing and planned future commitments do not materially interfere with their service as a

director. Former board members who have left office will have no power to take action on behalf of Enterasys Networks.

Access to Management and Advisors

Each director is encouraged to keep himself informed of the affairs of Enterasys Networks between board meetings through direct contact with members of senior management and outside advisors, and each director will have complete access to any such member of senior management and outside advisor. It is expected that any such contact will be coordinated through the Chairman of the board and Chief Executive Officer and that each director will use judgment to assure that such access is not distracting to normal business operations.

Meetings of the Non-Management Directors

It is the policy of the board of directors to have a separate meeting for the non-management directors quarterly immediately following regularly scheduled board meetings to review matters concerning the relationship of the board of directors with the management directors and other members of senior management and such other matters as it deems appropriate. If the meeting of non-management directors also includes directors that are not independent, then at least once a year there will also be an executive session including only independent directors. The quality of Enterasys Networks' financial reporting and disclosure practices, the integrity and performance of its top executives, and its relationship with its outside auditor shall be discussed during such executive session. The fact of such discussions shall be reflected in the minutes of the meeting. The non-management directors shall not take any formal actions at these meetings, although they may subsequently recommend matters for full consideration by the board of directors. The Lead Director shall preside at all meetings of non-management directors. In order to allow stockholders and other interested parties an opportunity to make their concerns with respect to important corporate governance matters, management, performance and other matters known to these non-management directors, the board of directors will establish a procedure for these parties to communicate directly with the non-management directors. Such procedures will include a website through which shareholders can communicate with independent directors.

COMMITTEES OF THE BOARD OF DIRECTORS

Number of Committees

Our board of directors will establish committees from time to time to facilitate and assist in the execution of its responsibilities. These committees shall generally address issues that, because of their complexity and technical nature, level of detail and time requirements or because of proper corporate governance principles cannot be adequately addressed at larger board meetings.

We currently have three committees, the Incentive Compensation Committee, Audit Committee, and Corporate Governance, Ethics and Nominating Committee. There will, from time to time, be occasions on which the board of directors may want to form a new committee or disband a current committee depending upon the circumstances. Enterasys Networks complies

with all requirements of the New York Stock Exchange relating to the constitution of key committees, including requirements relating to the independence of committee members. Accordingly, only independent directors serve on the Incentive Compensation, Audit and Governing and Nominating Committees.

Each committee shall have a written charter of responsibilities and authorities that shall be periodically reviewed by the board of directors. We have made the charter for each of our Incentive Compensation, Audit and Nominating Committees publicly available on our web site for review by our stockholders.

Assignment and Term of Service of Committee Members

The board of directors is responsible for the appointment of committee members and committee chairmen, taking into account the desires of individual members and the suggestions of the Chairman and the Corporate Governance, Ethics and Nominating Committee. It is expected that each committee chairman will have had previous service on the applicable committee. In making such appointments, the board of directors shall consider the rotation of committee membership and chairmanship at appropriate intervals, although the board does not believe that rotation should be mandated as a policy.

Frequency and Length of Committee Meetings and Committee Agenda

The committee chairman, in consultation with the other committee members, will determine the frequency and length of committee meetings and, in consultation with the Chairman of the board and appropriate members of senior management, develop the agenda for committee meetings. The agendas and meeting minutes of the committees will be shared with the full board of directors. Any director that is not a member of a particular committee may attend any committee meetings with the concurrence of the committee chairman.

LEADERSHIP DEVELOPMENT

Formal Evaluation of Chief Executive Officer

The non-management directors should make this evaluation annually, and the evaluation should be communicated to the Chief Executive Officer by the Lead Director. The evaluation should be based on a variety of criteria, including achievement of business objectives, accomplishment of performance goals, development of senior management and such other criteria as the board deems appropriate. The evaluation will be used by the Incentive Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

Succession Planning and Management Development

The board reviews with the Chief Executive Officer succession planning and management development on an annual basis. This succession planning includes the development of policies and principles for selection of the Chief Executive Officer, including succession in the event of an emergency.

STOCKHOLDER MEETINGS

Stockholder Meetings

When establishing the place and time of stockholder meetings, Enterasys Networks' considers the expense and convenience of attendees, including stockholders. Enterasys Networks is committed to providing stockholders with appropriate notice of stockholder meetings, including with respect to any changes in meeting date, time, place or requested actions in a manner and within time frames that will ensure stockholders have a reasonable opportunity to exercise their franchise.

To the extent practicable, all directors should attend stockholder meetings and be available, when requested by the chair, to answer stockholder questions. Polls at stockholder meetings will remain open until the agenda item has been discussed and stockholders have had an opportunity to ask and receive answers to questions. Enterasys Networks may supplement traditional in-person stockholder meetings with remote communication methods.

CODE OF CONDUCT

Enterasys Networks will maintain a Code of Conduct applicable to its officers and employees and will amend the Code of Conduct from time to time as necessary. Enterasys Networks will note in its Form 10-K filed with the Securities and Exchange Commission that the Code of Conduct is available on its website.