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Cisco Analysis Report

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Receipients of this Analysis have a 30 minute phone consult included.

Contents

NOT FOR PUBLIC RELEASE

Cisco Overview

Vendor	Cisco Systems, Inc (Cisco)
Founded	1984
Incorporated	12/10/1984
Symbol	NASDAQ: CSCO
IPO	02/16/1990
Headquarters	San Jose, CA USA

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Market Share Shifts

Review of potential market share shifts for Cisco Systems, Inc (Cisco).

FCI's review reflects and is limited to the enterprise space for North America and the activities and trends experienced by FCI's clients (system integrators) and their client base.

For the remainder of 2010 and the first half of 2011 we do not see a significant market share shift for the majority of Cisco's **products and services.**

HIGHLIGHTS

Networking Systems

Cisco and its partners were hit hard in margins and in units sold in 2009 and the first half of 2010 for those products defined as commodity products. We experienced increased sales of HP ProCurve business mostly at the expense of Cisco. HP's strategy to substantially increase VAR/Reseller representation in 2009 coupled with delivering a high quality product at lower price points and offering zero maintenance fees drove HP ProCurve business up. However, for systems integrators and VAR's serving the enterprise space the primary hit was limited to those products sold into the enterprise space that are defined as a commodity product. Since May 2010, YTD we have experienced a flattening of any market share shifts in the large enterprise space. HP deserves accolades when we review their strategy to take market share by offering reseller incentives, lower price points for commodity router and switch products and free maintenance contracts on such products. However, based on present client demand, market share shifts in this area are slight. In addition, present enterprise clients are very hesitant in replacing high end Cisco products with the competition at this time. In addition, HP's go to market strategy for mid level router and switch offerings will not work for the 3COM line. We have struggled with HP's 3COM road map and strategy. From the SI perspective, folding 3COM into HP's ProCurve has been an organizational as well as a technical hurdle still requiring significant resources. Their greatest success story to date is extricating Cisco from HP's own six data centers. Vendor ratings and client ratings (see hexrating charts) remain average to poor.

For the large enterprise, carrier, and service provider sector core and edge router revenue has been up for Juniper and Cisco. Based on client forecasting, we have not seen and do not foresee any market share shifts for the remainder of 2010 or the first half of 2011 despite aggressive sales and marketing efforts from the competition including the success of Juniper's TX Matrix Plus core routing system. Our experience may be unique due to our areas of concentration. However, due to the challenging prospect of extricating an existing networking vendor from a large client, it is common for a client to stay with a slightly inferior existing product to avoid the daunting task of switching vendors. This speaks directly to Junipers impressive performance statistics for their TX line as well as the EX line sold into the data center.

Future demand based on current RFI, RFP, RFQ activity combined with general interest from enterprise clients as they prepare for 2011 IT budgets indicated potential growth in the following areas:

- Iaas - Infrastructure as a Service.
- Cloud Computing (Private and Public)
- Unified Communications

IaaS, Private and Public Cloud Initiative

Cisco recently announced an alliance with EMC and VMware called Orange Business Services to help enterprises adopt private clouds. The collaboration, called Flexible 4 Business focuses to empower enterprises to build private clouds faster. A private cloud is hosted in the data center belonging to the enterprise in question, as opposed to a cloud built by a third party. The services running on top of the private cloud can still be managed by Orange. The clouds will be based on so-called Vblock Infrastructure Packages, which combine networking, storage, computing and virtualization components, and were developed by Cisco, EMC and VMware as part of the Virtual Computing Environment (VCE) coalition. In addition, Orange will also offer backup, security services and unified communications as part of the Flexible 4 Business push. Enterprises will be able to pay using a mixture of up-front fees and pay-per-use. This global offering will also give customers the option to have cloud services hosted in Orange's data centers or the data centers of a third party, according to Orange. It is my opinion that the aforementioned is the continued growing demand for Infrastructure as a Service (IaaS). Those vendors able to deliver products and services of IaaS will threaten vendors not deeply engaged in such alliances and partnerships. Recently the VCE coalition announced that Singapore carrier SingTel would use its products to offer hosted computing services to enterprise customers before the end of this year. In August 2010 , Hewlett-Packard announced CloudStart, a package that includes hardware, software and consulting services, and aims to speed up the construction of private clouds as well. Based on present client interests in IaaS, Cisco is well positioned to compete successfully as the network infrastructure vendor for companies offering IaaS. HP, IBM and Oracle will fight and jockey for position. The second half of 2011 and the start of 2012 should push forward the winners and push out the weaker vendors delivering IaaS solutions.

Specific to Cisco, the aforementioned will bode well for Cisco's Unified Computing Platform, the Nexus series, and the ASR and CRS-3 routers.

In the enterprise space, sales of high end products continue to increase (see Q4 forecast) while sales of routers in the midrange and low-end declined and now remain stable. High-end router sales increased and continue to increase for:

- ASR 1000/9000 Series Aggregation Services Routers
- CRS-1 Carrier Routing System
- 7600 Series Routers

CCIE

The flat and slight drop in Cisco Certified Internetwork Experts (CCIEs) is one area of concern. - A Cisco Certified Internetwork Expert is the highest level of professional certification that Cisco currently provides and is considered the hardest certification in the industry. Internationally there is flat to slight negative growth in CCIE's This could be due to cost during tighter spending of Cisco partners and individuals. CCIE's convince and sell Cisco's enterprise products and solutions.

Large Partner Base

Cisco's ability to execute with a large partner base continues to strongly influence sales. Partners have made significant investments to qualify for selling Cisco solutions. Coupled with Cisco's carrot and stick philosophy for managing their partners it succeeds in outselling the competition. Even during Cisco's component supply nightmare this summer, the majority of partners successfully convinced clients to ride out the product shortage. Juniper, HP, Brocade, Avaya have not differentiated themselves significantly enough to threaten long term growth for Cisco. Partners (SI's and VAR's) will resell for all of the aforementioned vendors. However, Cisco's influence over the partners continues to be a significant advantage.

Enterprise Network Infrastructure Initiatives	Researching (RFI/RFP/RFQ)	Testing	In Production	Refreshing	No Initiatives	No Reply
Cloud Computing (Private/Public/Iaas)	39%	14%	11%	4%	28%	4%
Telepresence	35%	7%	7%	1%	41%	9%
Storage Virtualization	35%	11%	32%	12%	8%	2%
Enterprise data/file management	33%	11%	25%	8%	19%	4%
Client (PC/Laptop) Virtualization	29%	12%	18%	4%	32%	5%
Security Technologies (e.g., identity management, DLP, encryption, Intrusion Detection, Etc)	28%	8%	37%	10%	17%	0%
Unified Communications	27%	8%	24%	4%	29%	8%
Network HW Infrastructure Upgrades*	25%	6%	44%	16%	19%	0%
Server Virtualization	21%	10%	42%	12%	14%	1%
Video Conferencing	19%	9%	6%	1%	57%	8%
Network HW Infrastructure "In Production" means the client has executed on their upgrade initiatives within 2010. "No Initiatives means the client has no plans of upgrading within 2010.			Executed within 2010	In the process of executing.		

Data collected from FCI's SI clients 4/17/2010 to 8/15/2010 from 471 SI Clients

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FCI's SI Enterprise Vendor Performance

	Actual	Actual3	Expectation	Expectation2
Tech Sector	**Q1 over Q4**	**Q2 over Q1**	**Q3 over Q2**	**YTD Growth Q3**
Enterprise Server	2.89%	7.09%	-1.93%	8.05%
Enterprise Storage	5.62%	6.32%	2.06%	14.60%
Enterprise Networking	10.23%	6.96%	-0.76%	17.01%
NAAOM*	11.66%	11.04%	3.56%	28.41%
Security	5.20%	5.05%	-1.57%	8.77%
Enterprise Management	-1.05%	-3.57%	-0.41%	-4.97%
Virtualization	3.22%	4.36%	2.44%	10.34%
TOTAL Tech Sectors	**5.19%**	**6.78%**	**-0.72%**	**11.51%**
	Actual	Actual	Expectation	Expectation
*Network Application Acceleration, Optimization and Management				

		2010 Qrt over Qrt Sequential Gross Revenue										
		Q1		Q2		Q3 Percentage of Q3 Forecast Obtained 9/1/10					Q4	
		Forecasted	Actual	Forecasted	Actual	Forecasted	July	August	QTD % of Forecast	Actual	Forecasted	Actual
F5	FFIV	5.10%	8.70%	9.35%	12.37%	3.91%	32.54%	36.94%	69.49%		8.41%	
Riverbed	RVBD	6.01%	6.46%	9.07%	8.77%	4.02%	31.48%	38.19%	69.67%		7.08%	
Juniper	JNPR	2.15%	1.91%	4.10%	3.27%	-2.35%	30.21%	36.60%	66.81%		6.38%	
Cisco	CSCO	5.34%	9.51%	6.16%	8.04%	0.31%	35.25%	29.05%	64.30%		6.24%	
BlueCoat	BCSI	4.66%	5.39%	7.70%	9.89%	0.70%	37.13%	27.37%	64.49%		6.19%	
Brocade	BRCD	4.37%	4.61%	6.15%	8.70%	3.14%	38.25%	31.26%	69.51%		6.18%	
ProCurve (HP)	HPQ	6.17%	6.58%	7.66%	8.97%	2.01%	37.29%	30.10%	67.39%		6.10%	
AVAYA	Private	2.01%	7.33%	6.35%	-3.65%	2.10%	31.25%	28.13%	59.38%		5.60%	
3COM (HP)	HPQ	-3.42%	1.32%	4.37%	2.27%	-1.02%	25.45%	37.46%	62.91%		4.98%	
Sonicwall	PE Thoma	6.33%	7.32%	8.61%	7.37%	1.05%	27.85%	37.37%	65.22%		4.94%	
HP	HPQ	5.25%	7.21%	6.94%	7.29%	1.03%	36.87%	29.99%	70.47%		4.41%	
Netgear	Netgear	0.54%	2.03%	7.18%	1.22%	-4.66%	32.15%	29.00%	61.14%		3.14%	
Foundry(Brocade)	BRCD	4.71%	3.07%	4.09%	-2.15%	2.31%	32.15%	30.59%	62.74%		3.09%	
Symantec	SYMC	2.91%	3.21%	5.59%	4.23%	-2.93%	34.52%	31.36%	65.88%		3.07%	
Citrix	CTXS	4.10%	6.40%	4.08%	-2.16%	0.06%	30.15%	32.95%	63.10%		2.99%	
Extreme	EXTR	-6.37%	-1.33%	2.08%	-5.36%	1.61%	29.15%	31.27%	60.42%		1.09%	

The data represents FCI's SI client data and may not directly correlate to a vendors performance. The data is specific to the large enterprise space in North America. The two largest contributing verticals to our data comes from the financial vertical (36% of total) and the health/medical/biopharm sector (25% of total). Greater detail and interpretation are available via GLG phone or in-person consults. Total volume = $8.4B in HW/SW Revenue. Does not include PS and consulting services delivered directly to clients by the SI's. Q4 2010 Forecast is preliminary and will be finalized by October 4th, 2010 The recipients of this paper are entitled to a free update.

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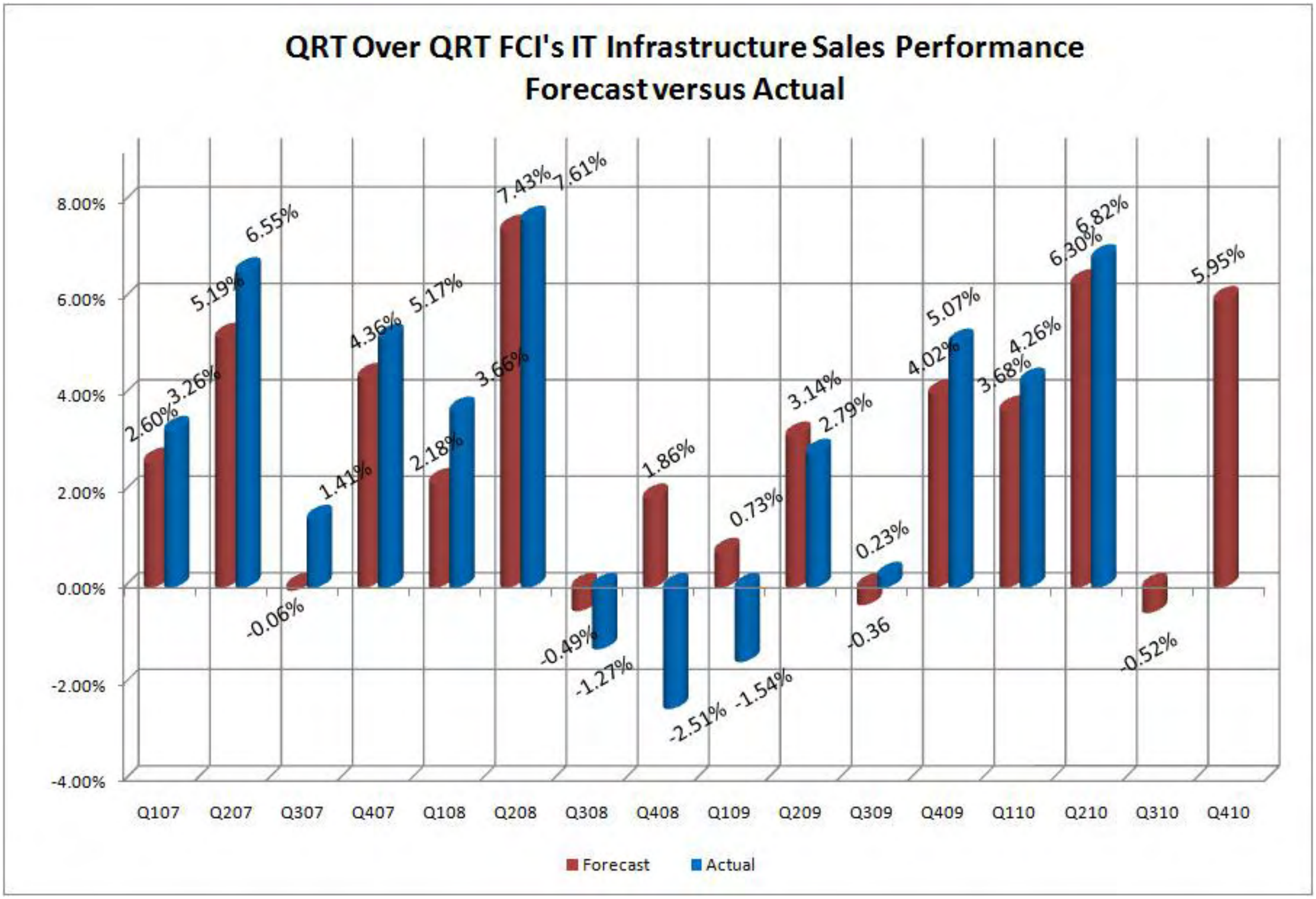


SWOT Analysis

STRENGTHS

- Strong market position
- Strategic alliances
- Robust balance sheet
- SI and VAR resources and reach
- Technical resources and reach (CCIE's)

WEAKNESSES

- Lack of significant presence in the consumer market
- Weakness in some verticals
- Weakness in product offerings

OPPORTUNITIES

- Diversification of Product Offering
- IaaS - Infrastructure as a Service
- Cloud Computing (Private and Public)
- Enterprise Video Collaboration
- ReEnergized SMB Focus

THREATS

- Aggressive Competition
- Suppliers - unreliable. unpredictable

STRENGTHS

Market Position

Cisco has built an impressive market position in the following technology market sectors:

Switches - (Ethernet Switching 75% and Fixed Ethernet Switching 60%)

Routers - The router business in general has been flat. However, Cisco outperformed the market in the Benefit Provider router market, growing 41.3 percent year over year. Cisco accounts for 52.9 percent of the market, up from 45.6 percent in 1Q09.

Enterprise Telephony and Unified Communications -

Alliances to execute on private/public clouds and IaaS initiatives.

Cisco's market position provides a competitive advantage and allows it to enter related markets.

Strategic alliances

The company has strategic alliances with various leading companies. It pursues strategic alliances with other companies to collaborate in areas that produce industry advancement and facilitate its entry into new markets. The company's strategic alliance objectives and goals include technology exchange, product development, joint sales and marketing activities. Cisco has strategic alliances with Accenture, AT&T, BearingPoint, Capgemini; Dell, EMC, Fujitsu, Intel, IBM, Microsoft, Nokia, Nokia Siemens Networks, Oracle, Siemens, Sprint Nextel, Tata Consultancy Services and Wipro, among others. In addition, Cisco continues to expand its alliances with existing partners. The strategic alliances have enabled it to introduce new solutions and strengthen geographic reach. Strategic alliances will enhance the competitiveness of the company as well as accelerate its expansion plans. The recent data center network replacement initiative within six of HP's own data center is not seen as a significant blow to Cisco's strategic alliance strengths.

Third Party Representation

Cisco's systems integrator and value added resellers enables Cisco to have exponential representation in the market when compared to the majority of their competitors. In addition, the technical representation Cisco enjoys through internal and external CCIE's remains on of Cisco's greatest strengths.

Healthy Financials

According to independent analysts, Cisco's balance sheet indicates substantial cash, investments and balanced debt equity. At the end of FY2009, it reported cash and cash equivalents of $5,718 million, compared to $5,191 million in 2008 and $3,728 million in 2007. Its investments, which are primarily short term in nature, stood at $29,283 million at the end of FY2009, compared to $21,044 million in 2008 and $18,538 million in 2007. As a result, the company's cash and cash equivalents, and investments together totaled $35,001 million at the end of FY2009, signifying strong liquidity which can support its future strategic activities of significant magnitude. Further, its long-term debt to equity ratio stood at 0.27 at the end of FY2009. Robust balance sheet has also allowed the company to invest in inorganic growth initiatives, investment and buy back of own shares. The company's robust balance sheet enhances its investors' confidence as well as allows it to invest in the future growth avenues.

WEAKNESSES

Consumer Market

Lack of significant presence in the consumer market The company has a relatively weak presence in the consumer market in which it has been expanding in recent times. Cisco has been historically strong in the enterprise and carrier solutions market. However, the company has been expanding into the consumer electronics market in recent times. Cisco through collaboration with technology partners, retailers, service providers and content publishers is striving to create compelling consumer solutions for a variety of network related services in the home segment. For instance, in FY2009, the company introduced Linksys brand home routers and access points supporting the 802.11n Wi-Fi standard; and Media Hub devices, which allow people to store, manage and share digital content throughout their homes. While, the company has a relatively weak presence in the consumer market, its competitors, such as HP, have stronger brand image and established distribution channels. The company's weak presence in the consumer market requires intensive brand building activity in near term.

SMB Market

In a September 2010 interview with CRN, Andrew Sage, vice president of worldwide small business sales, admitted that partners serving the SMB find Cisco difficult to work with. Recently Cisco unleashed new products, services and support options aimed at the needs of SMB customers. New switches, phones, video cameras and management software are on the way, but SMB partners will also be able to work with Cisco more efficiently. However, Cisco is challenged by the SMB perception of being expensive, product integration complexity, and strong competition in the SMB space.

Weakness in specific business segments

Cisco continues to be challenged in all product categories where the product cannot be significantly differentiated from competitors' products. Due to tightened procurement practices of 2009 which have continued into 2010, Cisco has been challenged by vendors offering lower unit pricing and low or no maintenance support. Specifically, Hewlett Packard's ProCurve initiatives have been successful at nibbling away at Cisco's dominance. Coupled with a perceived and real component supply chain issue out of the east this summer, Cisco has experience significant weakness in specific business segments. According to their own disclosures and outside reviews, in FY2009, the company's switches, routers and other product segments, which together accounted for about 55% of the total revenues, reported revenues below the FY2007 values. The switches segment's revenues declined from $12,432 million in 2007 to $12,025 million in FY2009, while routers segment's revenue declined from $7,064.0 million in 2007 to $6,271 million in 2009. The other products segment's revenues declined from $2,040 million in 2007 to $1,617 million in FY2009. As a result, the segments' contribution to the company's total revenues also declined. The switches segment's contribution to the total revenues declined from 35.6%in 2007 to 33.3% in 2009, while router segment's contribution declined from 20.2% in 2007 to 17.4% in 2009, and other products segment's contribution declined from 5.8% in 2007 to 4.5% in 2009. The weakness in the routers and other products segments was mainly due to the slowdown in capital expenditure in the global service provider market. The service provider market is characterized by large and sporadic purchases, especially relating to the company's router sales and sales of certain of its advanced technologies, in addition to longer sales cycles. Sales activity in this sector depends upon the stage of completion of expanding network infrastructures, the availability of funding, and the extent to which service providers are affected by regulatory, economic and business conditions. Due to the global economic downturn, the capital expenditure of service providers has slowed down. Although, the switches, routers and other product segments showed slight increase in revenues in the second quarter of FY2010, they continue to remain below their historic levels. In addition, the company's European operations continued to report declining revenues in the second quarter of FY2010. Moreover, as the European markets have not showed clear signs of recovery, the company will continue to face a difficult operating environment in Europe. Weakness in specific business segments may affect the company's operations in coming years.

Opportunities

Expanding portfolio of offerings

Cisco has been expanding its portfolio of offering in recent years. The company expanded its presence outside the network solutions into areas such as storage, wireless, security, servers and other advanced technologies and emerging technologies, such as Cisco TelePresence systems, physical security and digital media products. The company is employing a combination of organic and inorganic initiatives to expand its offerings. Some of the company's expansions in recent years include the entry into the server market, in March 2009, by launching its Unified Computing System (UCS), an offering that combines Cisco's networking, computing and virtualization capabilities for data centers market. Introduction of UCS marked the company's entry into server hardware market. The company's recent acquisitions in this direction include Pure Digital Technologies, a developer of consumer video solutions and creator of the Flip Video brand cameras, and Tidal Software, a provider of intelligent application management and automation solutions, in May 2009. Further, Cisco is planning to enter several new markets and consolidate its presence in the fast emerging markets like India and China in coming years. The company's expanding portfolio of offerings will allow it to explore cross selling opportunities as well as strengthens its portfolio. Positive outlook for cloud computing The demand for cloud computing is forecast to record strong growth in the coming years. The cloud computing is a business model used to describe services that are offered over the internet or software-as-a-service (SaaS). As the demand for cloud computing services is growing, demand for the related hardware, such as network equipment, storage and servers; and support services is also increasing. For instance, the cloud computing server market is forecast to grow at a compounded annual rate (CAGR) of over 10% during 2009-14.The demand is being driven by capital and operating cost advantage offered by the cloud solutions, through pay-as-you-go subscription model.

Cisco is one of the leading providers of solutions for cloud computing. Cisco has expanded its portfolio in this tech sector in recent times. In March 2009, it launched Unified Computing System, an offering that unites computing, networking, storage access and virtualization resources in a single system; and expanded its security services into cloud computing market in April 2009. In addition, the company acquired Tidal Software, in May 2009, to strengthen its data center automation solutions business. The company's increasing presence in a growing market, will provide steady revenue growth in coming years. Most recently, Orange Business Services has formed an alliance with Cisco, EMC and VMware to help enterprises adopt private clouds. The collaboration is called Flexible 4 Business. Flexible 4 Business's focus is to empower enterprises to build private clouds faster. A private cloud is hosted in the data center belonging to the enterprise in question, as opposed to a cloud built by a third party. The services running on top of the private cloud can still be managed by Orange. The clouds will be based on so-called Vblock Infrastructure Packages, which combine networking, storage, computing and virtualization components, and were developed by Cisco, EMC and VMware as part of the Virtual Computing Environment (VCE) coalition. The continued growing interest and ultimate demand for private and public cloud solutions as well as Infrastructure as a Service (IaaS) could position Cisco as a primary beneficiary for it ties together numerous present Cisco products. However, Cisco of course is not alone. Recently the VCE coalition announced that Singapore carrier SingTel would use its products to offer hosted computing services to enterprise customers before the end of 2010. In August 2010 , Hewlett-Packard announced CloudStart, a package that includes hardware, software and consulting services, and aims to speed up the construction of private clouds as well.

Growing demand for video collaboration.

The demand for enterprise video collaboration solutions such as videoconferencing and Telepresence has been increasing in the recent years. The demand for videoconferencing and Telepresence solutions is being driven by various advantages they offer, such as reduction in travel costs and time, and carbon footprint. Despite the worldwide economic slowdown, the worldwide video collaboration solutions market achieved double-digit growth in 2008 and 2009. Further, the market is forecast to continue its growth in near future. The videoconferencing and Telepresence revenues are forecast to record compounded annual growth rate (CAGR) of over 35% during 2009–14.

Cisco is one of the leading players in the video collaboration solutions market. The company's unified communications products offer media-rich collaboration experience by integrating voice, video, data and mobile applications on fixed and mobile networks. Further, Cisco TelePresence solutions provide an innovative portfolio and integrated architecture for live, face-to-face communication. Cisco's strong presence in the growing market provides it significant opportunities to increase its revenues and profits in coming years.

THREATS

Competition

The company faces intense competition in the networking and communications equipment markets, as well as in the unified computing solutions market. Cisco competes with numerous vendors in each product category. The company's major competitors include Alcatel-Lucent, Avaya, HP, Huawei Technologies, IBM, Juniper Networks, LM Ericsson and Motorola, among others. In addition, the company's entry into server hardware through its virtualized server offering in 2009 has intensified its competition with leading IT hardware players such IBM, Dell and HP, which together command over 75% of the server market. Additionally, HP's $2.7 billion acquisition of 3Com strengthened its networking products offerings, further increasing the competition for Cisco. Intense competition may adversely affect the company's market shares and margins in coming years.

Dependence on suppliers

Cisco is significantly dependent on its suppliers and contract manufacturers for certain components. Due to its outsourced manufacturing strategy, Cisco has low control on the delivery schedules and has earlier suffered component shortages due to manufacturing process issues. Any persistent shortages in supplies due to capacity issues or manufacturing process issues will increase the price of these products. In such a situation, the company may not be able to source required components in adequate quantities. This will affect the business operations and margins of the company.

Communications market consolidation

The consolidation in communications markets has been a trend for several years. The consolidation among both the company's competitors and customers is expected to continue as companies attempt to strengthen or retain their market positions. For example, some of the company's competitors for enterprise data center business have made acquisitions and entered into strategic alliances, to provide end-to-end technology solutions for the enterprise data center. Further, companies that are strategic alliance partners in some areas of Cisco’s business have been acquiring companies or entering into alliances with the company’s competitors, reducing their business with the company. Consolidation will result in a stronger player which can be the sole-source vendors for customers. Further, customer consolidation in the service providers market will create large players with significant bargaining power. Consolidation in the communications market will continue to affect the company’s operating performance and market share in coming years.

FCI's August 2010 Vendor HEXRATING by SI's and Clients in the following categories:

- Market Leader
- SI Service Opp
- SI HW Opp
- SI / Reseller Tech Support
- Client Product Sat.
- Client Tech. Support Sat.

See FCI's August 2010 Vendor HEXRATING

The remainder of this document consists of company descriptions, data and industry reviews obtained from public information.

Company Description

Cisco designs, manufactures, sells, and integrates Internet Protocol (IP)-based networking and other technologies abutted against and entwined within the communications and information technology (IT) industry. In addition, Cisco provides maintenance and services associated with these products and their use directly and through global partnerships.

Cisco provides technology solutions for transporting data, voice, and video within Local Area Networks (LANs), Metropolitan Area Networks (MANs), Wide Area Networks (WAN's). Cisco's products are purchased by:

- Enterprise Businesses
- Public Institutions
- Telecommunications Companies
- Commercial Businesses
- and Personal Consumers.

Cisco lists five segments: United States and Canada, European Markets, Emerging Markets, Asia Pacific, and Japan. The Emerging Markets consists of Eastern Europe, Latin America, the Middle East and Africa, and Russia and the Commonwealth of Independent States.

Cisco's Product and Service Offerings

Networking Systems: • Cisco IOS and NX-OS Software • Interfaces and Modules • Network Management • Optical Networking • Physical security and building systems • Routers • Security • Switches	Network Management Services: • Wireless services • Wireless LAN services • Wireless mobility services for service providers • Security services • Physical security services • Network management services • Server networking and virtualization services • Carrier Ethernet services
Collaboration, Voice and Video: • Collaboration • Service exchange • TelePresence • Universal gateways • Video, cable and content delivery • Voice and unified communications • WebEx	Voice and Unified Communications Services: • Broadband cable services • Interoperability systems services • TelePresence services • Unified application environment services • Unified customer contact center services • Video, cable and content delivery services • Voice and unified communications services • WebEx services
Data Center: • Application networking services • Blade switches • Data center switches • Storage networking • Unified Computing	Data Center Services: • Application management services • Data center switching services • Services for application networking services • Storage networking services • Unified computing services • Flexible 4 Business (IaaS, Private/Public Cloud)
Home: • Flip Video • Home Networking (Valet and Linksys)	

Cisco's Product Category Descriptions

Routing

The Company offers a range of routers, from core network infrastructure for service providers and enterprises to access routers for branch offices and for telecommuters and consumers at home. Key products within its routing category are the Cisco 1800, 2800, and 3800 Series Integrated Services Routers, as well as the Cisco ASR 1000, 5000 and 9000 Series Aggregation Service Routers; Cisco 7200, 7600 and 12000 Series Routers and the Cisco CRS Carrier Routing System. During the fiscal year ended July 31, 2010 (fiscal 2010), Cisco introduced the Cisco CRS-3 Carrier Routing System (CRS-3). Developed for service provider core networks, the CRS-3 is designed to transport the growing video and application traffic on the Internet.

Switching

The Company's switching products offer many forms of connectivity to end users, workstations, IP phones, access points, and servers, and also function as aggregators on local-area networks (LANs), metropolitan-area networks (MANs), and wide-area networks (WANs). Its switching systems employ several widely used technologies, including Ethernet, Power over Ethernet, Fibre Channel over Ethernet, Packet over Synchronous Optical Network, and Multiprotocol Label Switching. Many of its switches are designed to support an integrated set of advanced services, allowing organizations to be more efficient by using one switch for multiple networking functions rather than multiple switches to accomplish the same functions.

Cisco offers a family of Ethernet switching solutions from fixed-configuration switches for small and medium-sized businesses to modular switches for enterprises and service providers. Its fixed-configuration switches are designed to provide a foundation for converged data, voice, and video services. Key products within its switching category are the Cisco Catalyst 2960, 3560, 3750, 4500, 4900, and 6500 Series; the Nexus 1000V, 4000, 5000 and 7000 Series switches; and Cisco Nexus 2000 Series Fabric Extenders.

Network Application, Acceleration, Optimization, and Management (NAAOM)

Cisco Application Networking Services consist of a portfolio of application networking solutions that enable secure, high performance, reliable delivery of applications within data centers and across WANs to remote and branch office users. Its solutions are designed to help facilitate the deployment and delivery of business applications across an entire organization by using technology to accelerate, maximize availability of, and secure both application traffic and computing resources. A key product within its application networking services category is Cisco Wide Area Application Services (WAAS), a WAN optimization solution. During fiscal 2010, Cisco introduced WAN Optimization Services for SaaS-based applications and WAN Optimization solutions for the Integrated Service Router G2's Services Ready Engine.

Consumer Networking Products

Cisco's home networking strategy aligns with Cisco's vision to enable consumers to live a connected life that is more personal, more social, and more visual. Its products connect different devices in the household, allowing people to share Internet access, printers, storage, video, music, movies, and games throughout the home. Products include routers, adapters, gateways, switches, modems, home network management software, and other products that are designed to provide both tech-savvy and mass-market consumers with rich in-home experiences. These products are sold through select retailers, value-added resellers, online retailers, and service providers worldwide. During fiscal 2010, Cisco re-launched its home networking product lines in the United States and Canada.

Security

Cisco security solutions deliver network and content security systems that are designed to enable highly secure collaboration. Its products in this category span firewall, intrusion prevention, remote access, virtual private networks (VPN), unified client, Web, and e-mail security. In addition, Cisco security systems include network and application policy solutions for identity services used in data centers and collaboration services as a series of network access control and entitlement solutions. A key product line within its security product category is the Cisco ASA 5500 Series Adaptive Security Appliances line. In fiscal 2010, Cisco introduced the Cisco AnyConnect VPN Client, which enables users to access networks with their mobile device of choice, including laptops and smartphone-based mobile devices while allowing organizations to manage the security risks of borderless networks.

Unified Communications

Cisco Unified Communications products integrate voice, video, data, and mobile applications on fixed and mobile networks, delivering a media-rich collaboration experience to the workspace. Products include IP phones, client software, servers, and network appliances supporting call control, contact centers, messaging, conferencing, voice mobility, and collaboration including presence and preference information. These products are available as software and Web-based collaborative offerings, as standalone devices, and as integrated components in Cisco routers and switches. During fiscal 2010, Cisco introduced unified communications solutions, which provide more deployment options for its customers, with support for virtualization of unified communications applications on the Cisco Unified Computing System (UCS) and it also announced the launch of Cisco Hosted Collaboration Solution for partners who are looking to offer Cisco Unified Communications and Collaboration in an as a Service consumption model.

The Cisco Unified Wireless Network is designed to unify high-performance 802.11n wireless access across LANs and MANs. Management and mobile device troubleshooting are features of the platform designed to reduce operational cost. This platform delivers, through an open application programming interface (API), business-relevant mobility data, voice, video, and context-aware applications to partners and end-user customers.

Other Products

Cisco's other products category primarily consists of optical networking products, cable access, Cisco's Flip Video family which includes the Flip Ultra and Flip Mino camcorder lines, and service provider voice-over-IP (VoIP) services. Additional items in its other products category include emerging technologies, such as Cisco TelePresence systems, the Cisco Unified Computing System, physical security and video surveillance, digital media systems, and building systems. TelePresence products within the other products category include the Tandberg line of video conferencing products. Cisco also launched new Flip camcorders in the United States and Canada.

<u>Competition:</u>

- Alcatel-Lucent
- Aruba Networks, Inc.
- Avaya Inc.
- Brocade Communications Systems, Inc.(plus Foundry)
- Check Point Software Technologies Ltd.
- Citrix Systems, Inc.
- Ericsson
- Extreme Networks, Inc.
- F5 Networks, Inc.
- Force10 Networks Inc
- Fortinet Inc
- **Hewlett-Packard Company (plus 3COM)**
- **Huawei**
- IBM
- **Juniper Networks, Inc.**
- Meru Networks, Inc.
- NETGEAR, Inc.
- Riverbed Technology, Inc.
- ShoreTel
- Symmantec

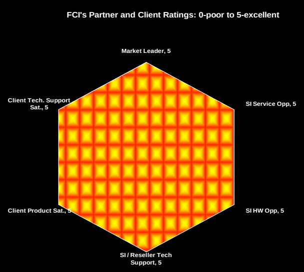
FCI and Michael Horsch Fizz

ABOUT FCI

Michael Horsch Fizz launched FCI in 2003. FCI is a network of industry professionals and corporations who, as advisors, empower technology systems integrators and resellers to obtain profitable operational excellence and accelerate business innovation. FCI's network of industry experts help clients analyze and define their technology sector's strategic and tactical successes and failures. Coupled with gathered market and competitive intelligence we work with our clients to define, implement and measure their success plan. **As FCI's Principal Advisor, Michael specializes in monitoring and predicting industry trends coupled with quantitative and qualitative reviews of technology vendors. Michael is able to provide cumulative quarter by quarter Enterprise IT spending trends and outlooks specific to over thirty Systems Integrators serving the large enterprise market representing an estimated $8.4B in HW/SW sales.** Tech Sectors include unified computing, infrastructure virtualization, security software and appliances, WAN optimization, de-duplication, VoIP and unified communications, and other related technologies. Previously, he was the Director of Consulting and Professional Services at CRI. Michael also serves as a GLG Council Partner and Leader.

- Information and opinion are specific to North American core infrastructure technologies for the large enterprise.
- All data and information are confidential and intended to be reviewed only by the specified GLG client.
- No reproduction or recording of this presentation.
- Qrt over Qrt Sequential Vendor Performance Data is specific to FCI's SI's and may not reflect trends of the sector and/or specific vendors.
- Vendor Ratings are the opinions of systems integrators serving the large enterprise and their clients.
- Source of data, vendor ratings and reviews are obtained from FCI's resources and are independent from any vendor evaluations or other sources outside of FCI's SI's and their clients.
- Client Participants for Vendor Ratings: 537 med and large clients.
- SI Participants for Vendor Ratings : 94 SI's / Resellers / VAR's
- 31SI's for Qrt over Qrt Data

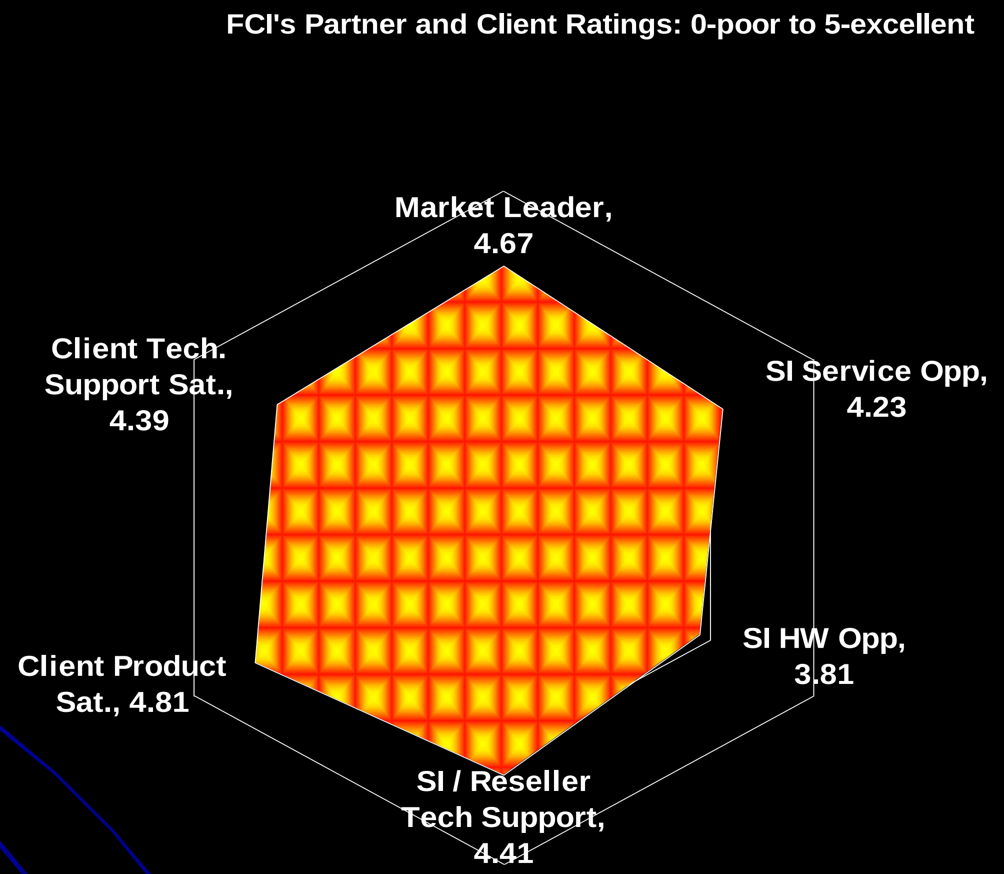
VENDOR RATING



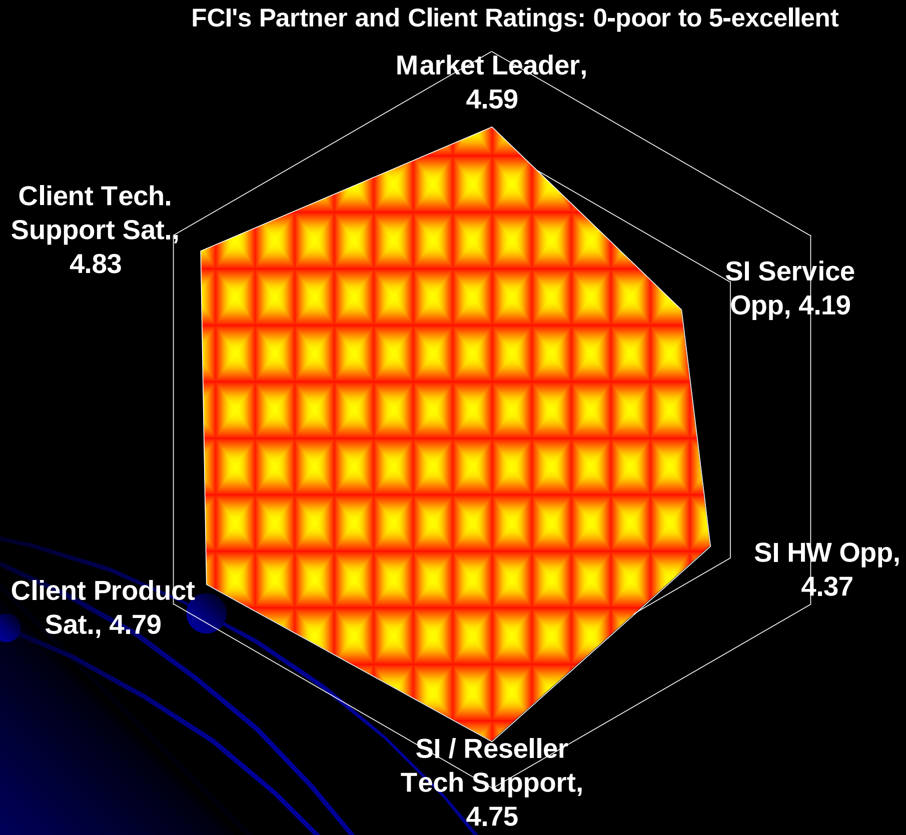
FCI’s August 2010 HEXRATING of Cisco by SI's and Clients in the following categories:

Market Leader	Combined Partner and Client Opinion/Perception of Vendor's Market Position
SI Service Opp	Partner Rating of Partner's Net Profit Potential for Consulting and Professional Services
SI HW Opp	Partner Rating of Partner's Net Profit Potential for Selling Vendor's Products
SI / Reseller Tech Support	Partner Rating of Vendor's Tech Support
Client Product Sat.	Client Rating of Vendor's Product
Client Tech. Support Sat.	Client Rating of Vendor's Tech Support

CISCO Vendor Ratings



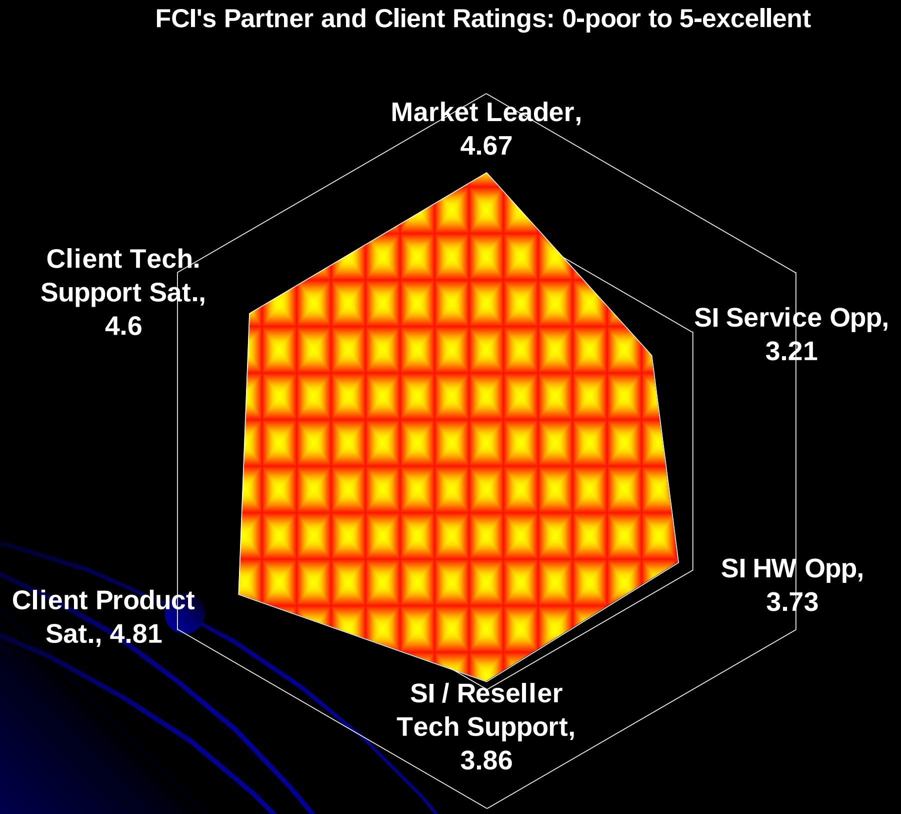
Juniper Vendor Ratings



Primary Market Segments

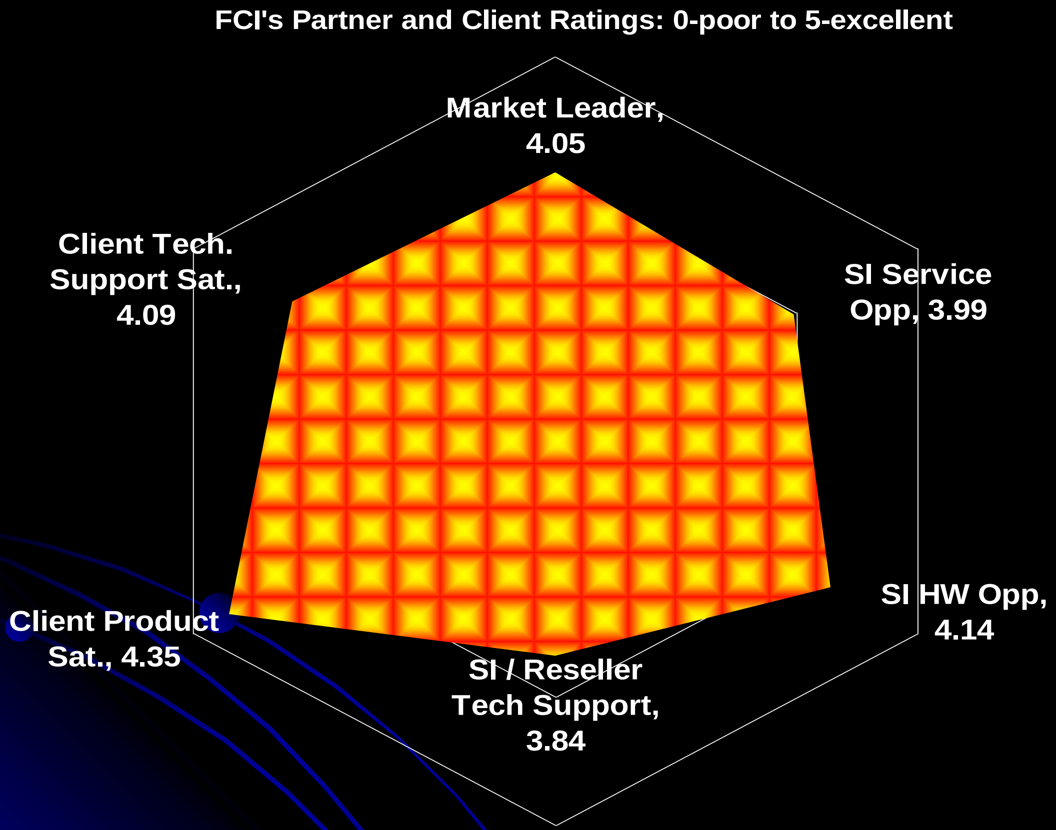
- Application Acceleration
- Identity and Policy Control
- Network Management
- Network Operating System
- Routing
- Security
- Switching

AVAYA Vendor Ratings



Primary Market Segments
- Unified Communications
- IP Telephony
- Contact / Customer Center

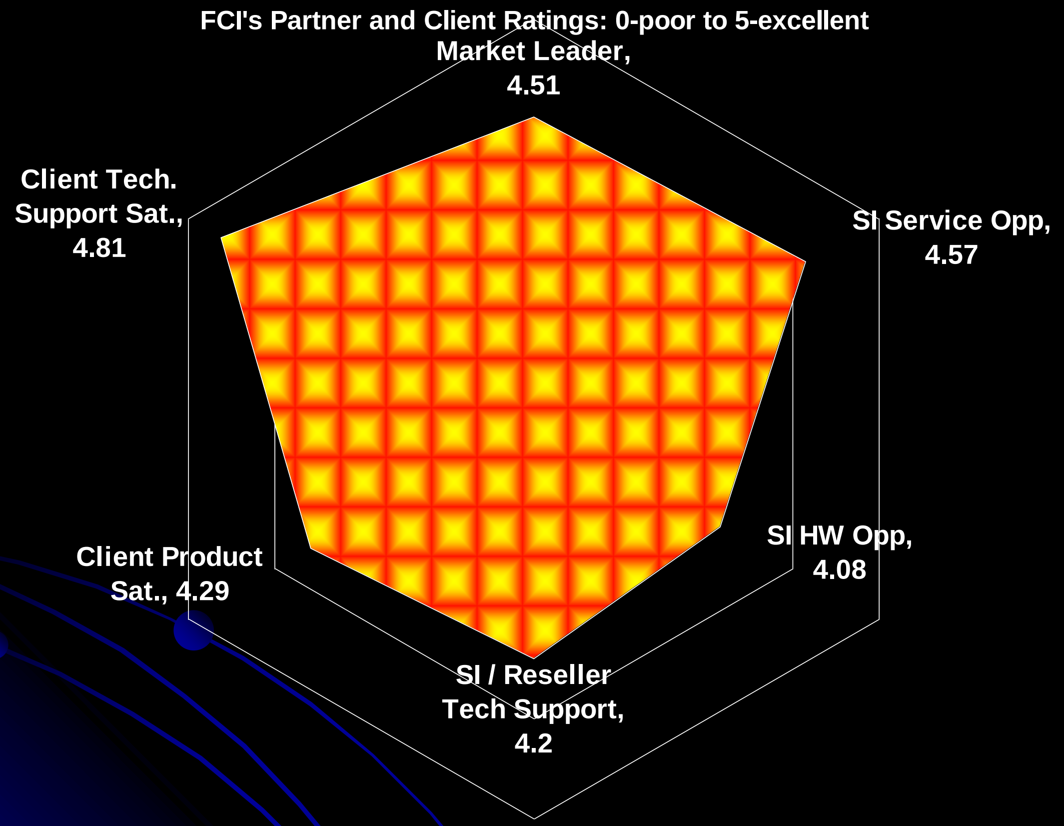
FOUNDRY (BROCADE) Vendor Ratings



Primary Market Segments

- Routing
- Switching
- Network Management
- Application Switching

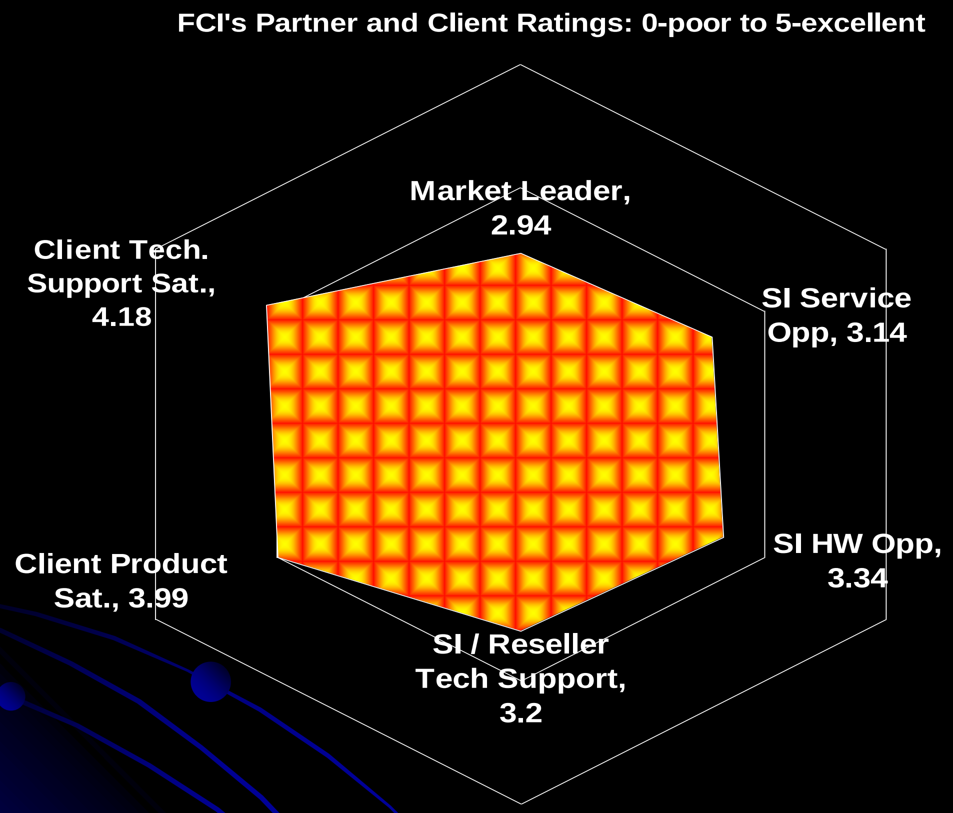
Brocade Vendor Ratings



Core Market Segments

Business Continuity
Connectivity
Ethernet Solutions
Consolidation
Management
Migration
Security
Virtualization

Netgear Vendor Ratings

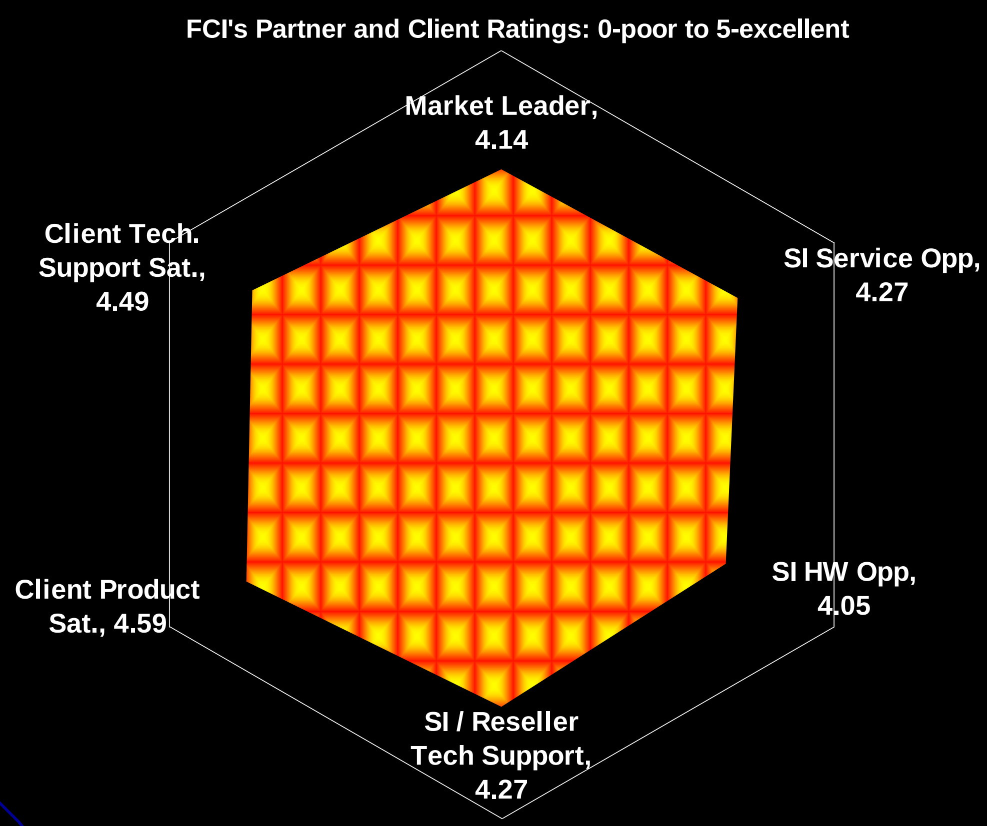


Primary Market Segments

- Routers
- Switches
- Gateways
- Firewalls
- Storage (NAS)

HP Vendor Rating

(Includes Rating of All HP Enterprise Solutions)

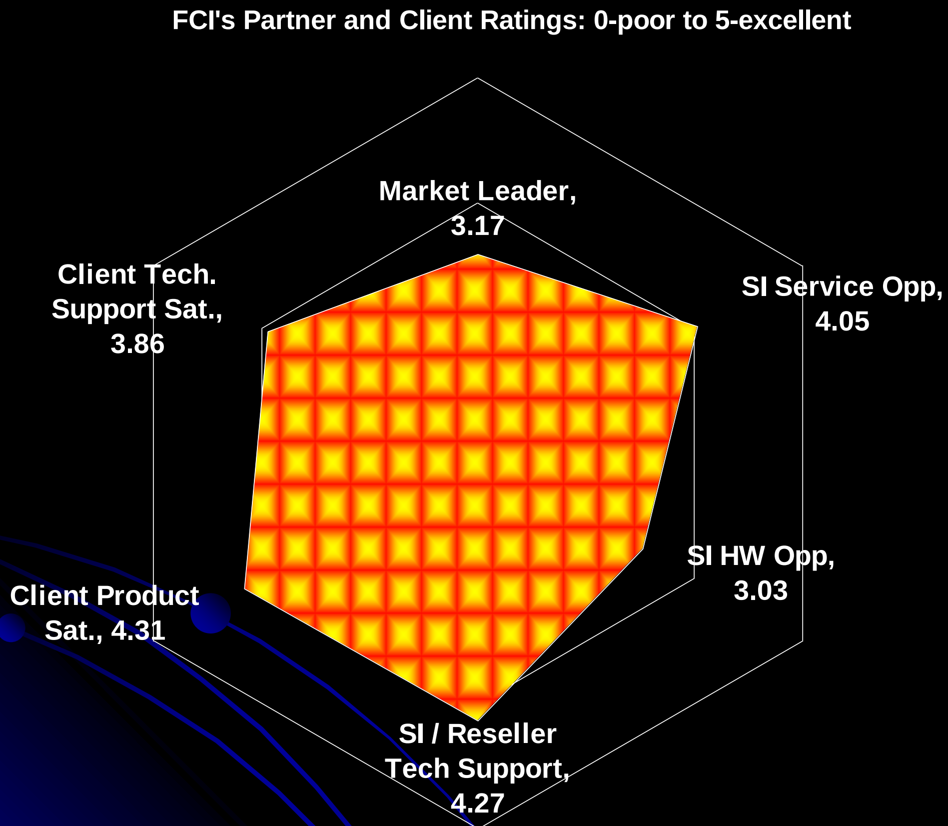


HP Vendor Ratings

Core Market Segments

Advanced Workstations	Network Administration/Management
Blade Servers	Networking (Wireless)
Business & Productivity Software	Networking Enterprise (ProCurve)
Business Intelligence	Networking Middleware
Business Process Automation	Notebooks
Client Security	Printers
Data & Information Management	Professional/Consulting Services
Data Networking	Security Management Software
Database Archiving	Security, Enterprise
Desktops	Security, SMB
Displays	Server Operating Systems
Entry-Level Servers	Storage & Disaster Recovery, Enterprise
High-End Servers	Storage & Disaster Recovery, SMB
Identity Management	Storage Hardware, Enterprise
Integration Software	Storage Hardware, SMB/desktop
Market Segment Details	Storage Management Software
Mid-range Servers	Storage Middleware Equipment
Mobile Devices	Thin Clients

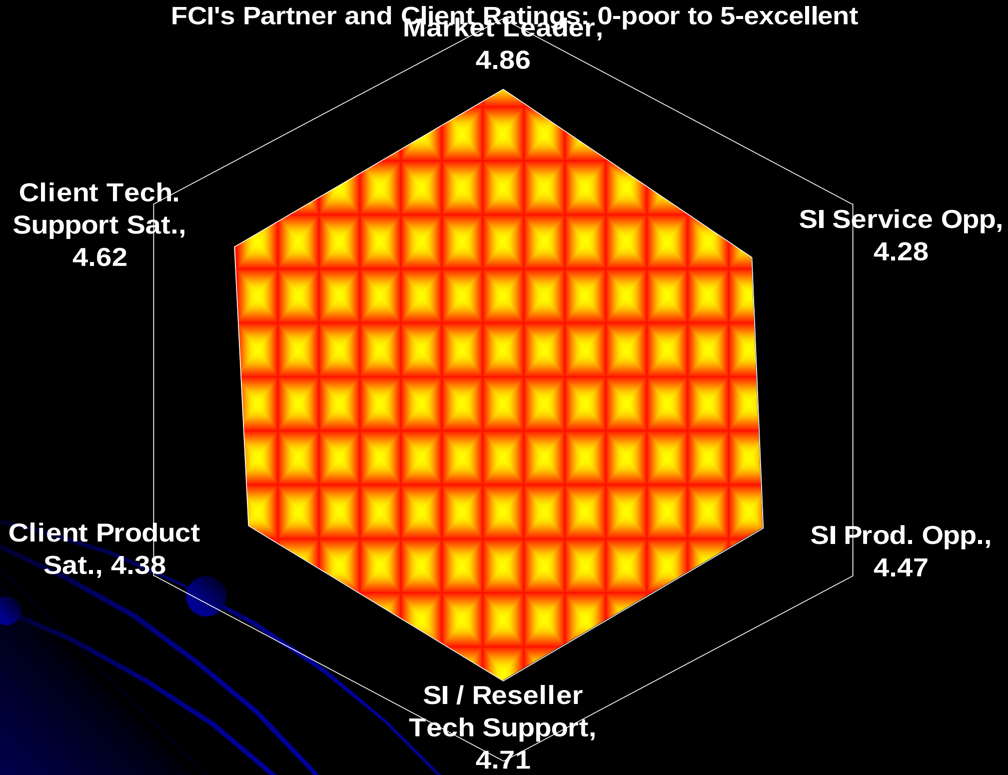
3COM Vendor Ratings (Pre Acquisition)



Primary Market Segments

- 3Com Security Solutions
- Convergence/IP Telephony
- LAN Switches
- LAN Transceivers / Cables
- Maintenance Services
- Network Interface Cards
- Network Management
- Professional Services
- Routers
- Terminal Servers
- Wireless

F5 Vendor Ratings



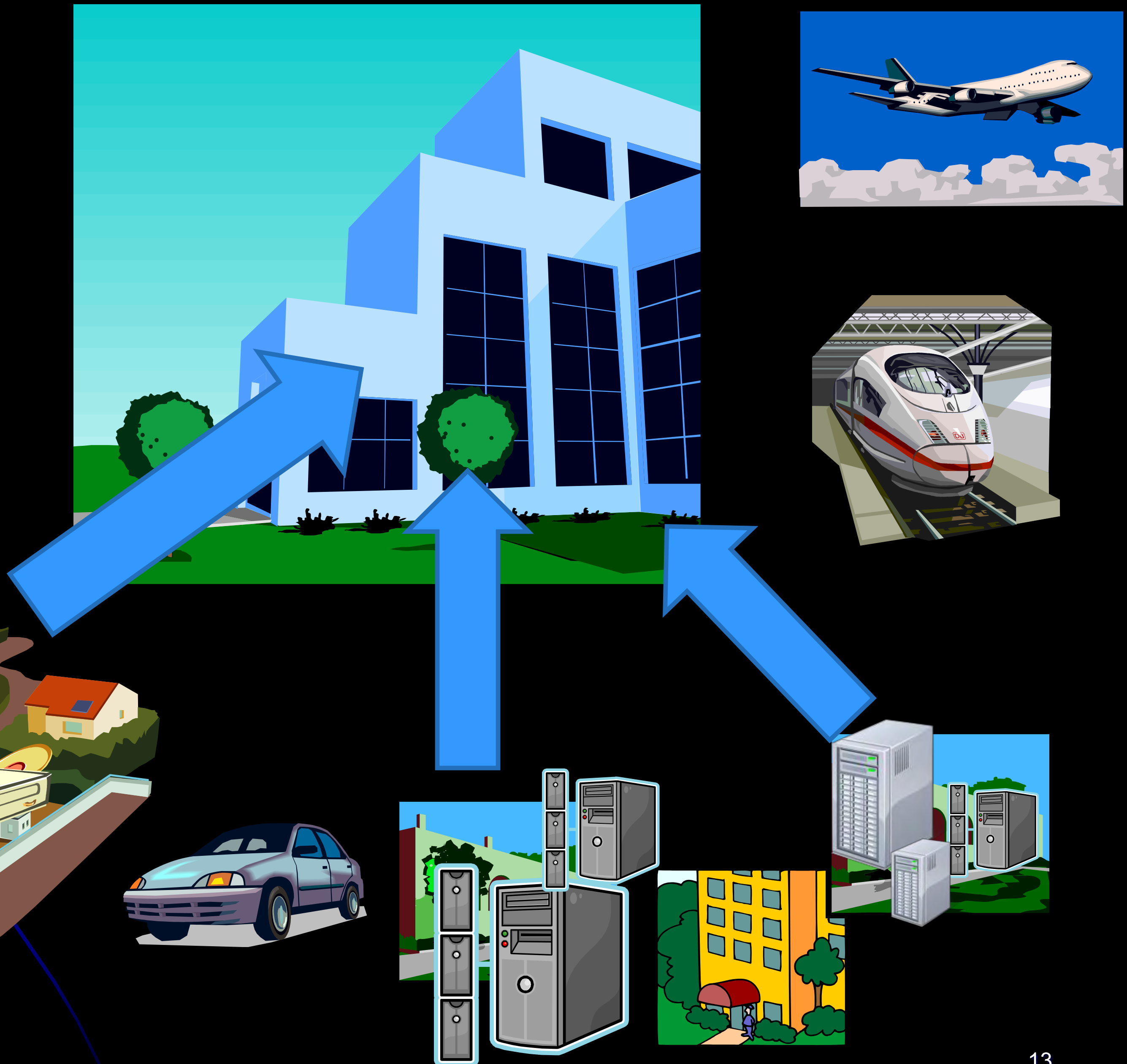
Core Market Segments

BIG-IP - ADC / AFE
FirePass - SSL VPN
WANJet - WOC / WAFS
Acopia - File Virtualization

In July 2010 FCI's SI clients had estimated 64% of its workforce worked outside of the corporate office. An increase of 2% over 2009. This trend is continuing.

July 2009 an Est 61% of FCI’s SI clients have or are centralizing IT infrastructure. The trend indicates by the end of 2010 68% will centralize infrastructure.

(Updated July 2010)



FCI's Q4 2010 and 2011 Technology Spending Trends and Forecasts

- Larger enterprise clients are looking to leverage the latest 2010 technologies which can support the most complex enterprise applications while at the same time simplifying infrastructure management coupled with improving predictive and proactive networking performance and reliability.
- Q3 to Q4 2010 sequential qrt over qrt growth is projected at 5.5%. for the large enterprise. Networking vendors for our SI's have a 5.75% Qtr over Qtr expectations. *
- Specific to the large enterprise we are continuing to see a significant increase in present RFP's, RFQ's, and RFI's coupled with 2011 IT Budgeting activity indicating a increase in annual IT sales for us to be between 12 and 18% (year over year) for 2011.

* Data is derived from FCI's SI client base with a concentration in core infrastructure products and solutions for the large enterprise in North America.

2010 FCI's SI Client Survey

Enterprise Network Infrastructure Initiatives and Initiatives related to or involving network infrastructure	Researching (RFI/RFP/RFQ)	Testing	In Production	Refreshing	No Initiatives	No Reply
Cloud Computing (Private/Public/Iaas)	39%	14%	11%	4%	28%	4%
Telepresence	35%	7%	7%	1%	41%	9%
Storage Virtualization	35%	11%	32%	12%	8%	2%
Enterprise data/file management	33%	11%	25%	8%	19%	4%
Client (PC/Laptop) Virtualization	29%	12%	18%	4%	32%	5%
Security Technologies (e.g., identity management, DLP, encryption, Intrusion Detection, Etc)	28%	8%	37%	10%	17%	0%
Unified Communications	27%	8%	24%	4%	29%	8%
Network HW Infrastructure New/Upgrades*	25%	6%	44%	16%	19%	0%
Server Virtualization	21%	10%	42%	12%	14%	1%
Video Conferencing	19%	9%	6%	1%	57%	8%
Network HW Infrastructure "In Production" means the client has executed on their new and upgrade initiatives within 2010. "No Initiatives means the client has no plans of upgrading within 2010.			Executed within 2010	In the process of executing.		

Data collected 4/17/2010 to 8/15/2010 from 471 SI Clients

Areas of Growth in Networking Technology

(Specific to Core Infrastructure in the large enterprise for North America.)

- Network Management
- Network application acceleration, optimization and management
- Network Security
- VoIP / Unified Communications / Telepresence
- IaaS / IaaP
- Cloud Computing (Private and Public) **(as it relates to networking initiatives)**
- Unified Computing (as it relates to networking initiatives)
- Server and Desktop Virtualization (as it relates to networking initiatives)