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McAfee, Inc. Agrees to Acquire Reconnex

On July 31, 2008, McAfee Inc. (NYSE: MFE) announced a definitive agreement to acquire privately owned Reconnex for approximately \$46 million.

1. Who is Reconnex?

Reconnex is a leading data loss prevention (DLP) company with unique technology that learns and adapts to automate the ongoing protection of data. Reconnex's technology enables an organization to protect all information assets on its network without requiring upfront knowledge of what needs to be protected, regardless of how that information is stored, secured or communicated. Here are some details about Reconnex's history and accomplishments.

- Recognized as a leader in Gartner's *Magic Quadrant for Content Monitoring and Filtering and Data Loss Prevention*, June 2008
- Is a top leader in "The Forrester Wave™: Data Leak Prevention, Q2 2008," June 2008
- Protects more than 1.5 million endpoints
- Founded in 2003, it is a private company with more than 20 patents pending
- Headquartered in Mountain View, California, with 85 full-time employees (approximately 20 of these employees are located in a company-owned offshore development center in Pune, India)
- Boasts 35 blue-chip customers in a range of industries, including Qualcomm, George Washington University, Bill me Later, Airline Reporting Corp., Medstar Health Systems and Webex

2. Why is McAfee acquiring Reconnex?

This acquisition will build on the McAfee® data protection portfolio, solving one of the biggest challenges organizations face; namely what information to protect and who should have access to it. As the fastest growing dedicated security company in the world, McAfee is constantly looking to enhance its security portfolio to meet the changing needs of its customers. Through the pending acquisition of Reconnex, McAfee expects to take another step toward its goal of holding the leadership position in proactive security and risk management solutions.

- Reconnex's differentiated approach to data protection and advanced, innovative learning technologies expand McAfee's security risk management (SRM) strategy and address a critical need for McAfee customers and the market
- McAfee will be able to offer a next-generation data protection solution—McAfee Adaptive Protection—to solve the major limitation in other data protection solutions
- Reconnex complements McAfee's data protection products and leverages its existing install base
- The acquisition strengthens McAfee's position in the data protection market, one of the fastest growing segments within the IT security industry

3. How does Reconnex "learn"?

Reconnex is the only vendor that begins with the assumption that you don't know what you need to protect. Most other data protection vendors assume that the customer knows exactly what they need to protect and if they don't, then the information can't be protected. While this is true when it comes to safeguarding personal privacy information, this is not true of organizations with high business impact data that is constantly evolving.

Reconnex's advanced technology features unique, innovative learning technology. Much like Google indexes the Internet and teaches you where the most relevant information is, Reconnex's solution indexes and classifies all content within or as it leaves an organization. Content is queried to improve rule accuracy, perform investigations and to define *what content* to protect from *whom*. The technology



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can monitor, capture, analyze and index all known and unknown threats entering or leaving the network, creating a historical index that can be used for:

- Investigations—Analyze and assess communications by topic, user, or destination
- Rule tuning—Tests new rules against historic archives to ensure accuracy without having to tune them over time
- Knowledge mining—Uses analytical techniques to analyze communications and understand what rules are necessary
- Policy creation—Facilitates associations, clustering, and advanced analysis techniques, so that you know who is sending your sensitive information out, how it is being sent, and where it is going

4. What are the primary problems driving the need for a data protection solution with learning capabilities?

As organizations put protections in place to safeguard their data, two fundamental questions need to be answered: what information to protect and from whom. Using the capture index built into Reconnex's products, organizations can test new rules against historical traffic, reducing time to protection (as opposed to the current model where they have to test rules against future traffic). In addition, today's security teams are expected to be aware of normal business processes; something that only business owners would typically know. With Reconnex, security teams can mine their organizations' content and communications to determine business processes. The major problem that Reconnex addresses is the complexity and time involved in the deployment and management of data protection systems.

5. How will this acquisition benefit customers?

Reconnex customers benefit from:

- Access to a wide-range of solutions and resources from a global security company
- Access to a compatible, integrated SRM solution that addresses a broader range of threats to data
- Continued support and protection of existing investments in Reconnex solutions
- Integration with McAfee's data protection and ePolicy Orchestrator's management capabilities
- World-class threat research expertise from McAfee Avert Labs

McAfee customers benefit from:

McAfee customers will be able to take advantage of a strong encryption and data security solution along with the high quality support they have always enjoyed.

Future integration with McAfee ePolicy Orchestrator® (ePO™) will allow existing ePO customers to deploy an enterprise-grade data protection solution as part of their established security framework with no additional management consoles or agents.

6. How has McAfee progressed with the SafeBoot acquisition? What bookings contribution do SafeBoot data protection products provide today?

The acquisition of SafeBoot and the creation of McAfee's data protection business unit is another good example of McAfee's strategy to make important investments in its product portfolio. Data protection remains the number one concern of customers both globally and in global organizations and these concerns are driving spending. Coupled with McAfee ePO, the company has created an infrastructure that significantly helps these businesses reduce management effort, time and training. McAfee has observed strong interest in its current DLP product family, which includes McAfee Total Protection for Data (combination of Onigma and SafeBoot technologies), McAfee Host Data Loss Prevention (built upon Onigma technology) and the McAfee Data Loss Prevention Appliance (natively developed product). Built upon the SafeBoot technology is McAfee Endpoint Encryption, McAfee Encrypted USB and McAfee



7. What products does Reconnex currently develop and support?

Reconnex offers an appliance-based data protection solution and is the only vendor that operates on the assumption that since you don't know what you need to protect, Reconnex helps businesses learn about their data assets. The company's solution line is in its third generation and comprises two products:

Reconnex iGuard Appliance

This hardened, turnkey solution for information monitoring and protection addresses privacy and protects intellectual property assets. Deployed at the network perimeter or internal networks, iGuard operates passively with no impact on overall network performance. The iGuard appliance simplifies installation and ongoing administration. It includes pre-built and customizable policies for accurately identifying and protecting content. The iGuard device stores up to six terabytes of data and is the industry's only solution that includes a capture database for high-performance indexing and search for after-the-fact investigation.

The iGuard appliance comes in two versions. The iGuard 1650 is geared for branch offices and medium-size businesses, while the iGuard 3650 is designed for large enterprises, higher education, and government institutions. Both versions of the iGuard appliance integrate with the inSight console for unified, multisystem management and reporting.

Reconnex inSight Console

The inSight Console provides a centralized interface for managing all security policies, as well as alerting and reporting. It supports multiple levels of access for multiple classes of users, ensuring usage flexibility. Through inSight, IT can configure and manage the iGuard appliance, including multisystem management across multiple devices.

Key differentiators of Reconnex's solutions are:

- The core technology is a capture Index of all communications used for learning applications
- It is a high performance solution that scales to gigabit rates
- It has a purpose-built classification system that results in accurate detection of content

8. Are Reconnex's products compatible with McAfee's products?

This acquisition will significantly enhance McAfee's capabilities in data protection. Through ePO and McAfee Total Protection for Enterprise solutions, McAfee protects more than 60 million endpoints. Reconnex's products align with McAfee's vision to provide a complete data protection and compliance solution to McAfee's customers, meeting the significant demand for adaptive data protection. From a technology perspective, McAfee expects to finalize the product integration roadmap and provide more information in the near future. McAfee anticipates that Reconnex's products will be integrated into McAfee ePO in 2009.

9. What is the current integration plan and timetable?

Until this acquisition closes, both companies will continue operating business as usual. McAfee and Reconnex will continue to develop an integration plan that will be implemented following close. At a high level, McAfee anticipates that Reconnex will be integrated into its data protection product business unit, lead by Gerhard Watzinger.

10. What is McAfee communicating to customers and partners?

