

Q1 Financial Results

Issued May 1, 2012

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Q1 2012 Highlights

▶ Revenue of \$78.6 million

- Up 10% year-over-year
- Declined 14% in seasonally soft first quarter
- Customer response, particularly bookings, remained high
- BBS shipments and extended warranties booked in Q1 lead to a \$4.2 million sequential increase in deferred revenue

▶ Solid execution

- Strong non-GAAP Gross Margin performance, better than guidance
- Non-GAAP Operating Expenses lower than guidance
- Non-GAAP EPS at high end of guidance
- Stronger than expected cash flow
- Continued progress on inventory reduction

▶ International Update

- High touch model leading to multiple design wins
- Continuing to build up sales and channel partner organization

▶ Remain focused on executing on TAM expansion opportunities

Q1 2012 Financial Results vs. Guidance

\$s in millions, except EPS	Actual Results	Jan. Guidance**	Comments
Revenue	\$78.6	\$80 to \$82 million	While revenue was \$1.4 million under guidance, deferred revenue largely driven by BBS shipments increased by \$4.2 million. Strong customer response for our Unified Access portfolio remained high. Added 36 new customers with the majority for our E-series products.
Gross Margin*	45.1%	Up slightly from Q4 2011 of 43.1%	Increase was primarily driven by mix issues – both customer and product versus service.
Operating Expenses*	\$34.7	A little less than the Q4 2011 levels of \$35.7	Lower than our guidance aided by \$400,000 business credit on our operations in China.
EPS*	\$0.01	Approximately breakeven	At high end of guidance due to higher than anticipated GM and lower Operating Expenses.
Cashflow	\$9.9	Slightly positive	Strong cash collections resulted in better results than guidance.

*Non-GAAP metrics; see reconciliation in the appendix.

**Guidance issued on Feb. 7, 2012.

Income Statement Summary

Q1 12 / Q4 11 / Q1 11

\$s in millions, except EPS	Actual Q1 2012	Actual Q4 2011	Actual Q1 2011	Chg Q1 12 vs. Q4 11	Chg Q1 12 vs. Q1 11
Revenue	\$78.6	\$91.6	\$71.5	-\$13.0	\$7.1
Domestic	\$72.9	\$85.8	\$67.3	-\$12.9	\$5.6
International	\$5.7	\$5.8	\$4.2	-\$0.1	\$1.5
10% or greater customers	1	1	2	0	-1
Gross Margins*	45.1%	43.1%	45.7%	2.0%	-0.6%
Operating Expenses*	\$34.7	\$35.7	\$28.9	-\$1.0	\$5.8
Operating Income*	\$0.8	\$3.8	\$3.8	-\$3.0	-\$3.0
EPS*	\$0.01	\$0.08	\$0.09	\$0.01	-\$0.07

*Non-GAAP metrics; see reconciliation in the appendix.

Selected Balance Sheet Metrics

\$s in millions	Actual Q1 2012	Actual Q4 2011	Actual Q1 2011	% Chg Q1 12 vs. Q4 11	% Chg Q1 12 vs. Q1 11	Comments
Cash*	\$49.6	\$39.7	\$39.6	24.9%	25.2%	Strong cash collections.
CF From Operating Activities	\$13.5	\$5.9	\$2.7	129.0%	401.4%	Strong execution.
DSOs	49 Days	43 Days	56 Days	-	-	Slightly lower than our target range of 50 to 55 days.
Inventory Dollars	\$37.2	\$44.6	\$49.4	-16.7%	-24.8%	Achieved a \$7.4 million reduction in inventory levels. Remained focused on making further progress on improving inventory metrics.
Turns	3.6 x	4.0 x	3.4 x			
Deferred Revenue	\$34.3	\$30.1	\$29.7	13.7%	15.3%	Increase due to shipments for BBS projects and to extended warranty contracts booked in the quarter.

*Cash includes Cash, Cash Equivalents and Restricted Cash

Other Metrics

\$s in millions, on GAAP basis	Actual Q1 2012	Actual Q4 2011	Actual Q1 2011
Capital Ex	\$3.0	\$1.1	\$1.7
Depreciation	\$2.0	\$2.0	\$1.6
Stock Based Compensation			
COGS	\$0.4	\$0.4	\$0.5
R&D	\$1.0	\$1.1	\$1.6
S&M	\$1.2	\$1.2	\$1.3
G&A	\$1.7	\$1.7	\$4.6

Appendix:

Safe Harbor & Use of Non-GAAP Metrics

All statements other than statements of historical facts contained in this presentation, including statements regarding our future operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other similar expressions.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described including those set forth in our filings with the Securities and Exchange Commission (“SEC”), including our most recent report on Form 10-K for the fiscal year ended Dec. 31, 2011, filed with the SEC and available at <http://www.sec.gov>.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or will occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations. You should read our SEC filings and the documents that we have filed with the SEC as exhibits to those filings, with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect.

We report net income or loss and basic and diluted net income or loss per share in accordance with GAAP, and additionally on a non-GAAP basis, often referred to as pro forma. We believe that non-GAAP information is useful because it can enhance the understanding of our ongoing economic performance. We use non-GAAP reporting internally to evaluate and manage our operations. We have chosen to provide this information to investors to enable them to perform comparisons of operating results in a manner similar to how we analyze our own operating results. Reference to these non-GAAP financial measures should be considered in addition to GAAP financial measures, but should not be considered a substitute for results that are presented in accordance with GAAP.

A full reconciliation of GAAP to non-GAAP financial data can be found in the appendix on this slide package and in our Q1 2012 earnings press release issued on May 1, 2012, and we ask that you review this information in conjunction with this presentation.

GAAP to Non-GAAP Reconciliation

The Company uses certain non-GAAP financial measures in this press release to supplement its consolidated financial statements, which are presented in accordance with GAAP. These non-GAAP measures include non-GAAP net income and non-GAAP basic and diluted net income per common share. These non-GAAP measures are provided to enhance the reader's understanding of the Company's operating performance as they primarily exclude certain non-cash charges for stock-based compensation and amortization of acquisition-related intangible assets, and non-recurring merger-related and other expenses, which the Company believes are not indicative of its core operating results. Merger-related and other expenses largely include the charge resulting from the required revaluation of Occam inventory to its estimated fair value, legal and professional expenses, and severance and integration-related expenses and inventory-related charges associated with our merger with Occam. Management believes that the use of non-GAAP measures provides investors with important perspectives into the Company's ongoing business performance and management uses these non-GAAP measures to evaluate financial results and to establish operational goals. The presentation of these non-GAAP measures is not meant to be a substitute for results presented in accordance with GAAP, but rather should be evaluated in conjunction with those GAAP results. A reconciliation of the non-GAAP results to the most directly comparable GAAP results is provided in the financial schedules portion of this press release. The non-GAAP financial measures used by the company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

GAAP to Non-GAAP

Q1 2012 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 78,565	-	-	\$ 78,565
Cost of revenue	43,108	363	1,275	44,746
Gross profit	35,457	(363)	(1,275)	33,819
Gross margin	45.1%	-0.5%	-1.6%	43.0%
Operating expenses	34,684	3,952	2,552	41,188
Operating income (loss)	773	(4,315)	(3,827)	(7,369)
Other income (expense), net	(57)	-	-	(57)
Income (loss) before taxes	716	(4,315)	(3,827)	(7,426)
Provision for income taxes	95	-	-	95
Net income (loss)	\$ 621	\$ (4,315)	\$ (3,827)	\$ (7,521)
Weighted average basic and diluted shares used to compute GAAP net loss per common share				47,850
Weighted average diluted shares used to compute non-GAAP net income per common share	48,039	48,039	48,039	
GAAP net loss per common share				\$ (0.16)
Non-GAAP net income per share	\$ 0.01	\$ (0.09)	\$ (0.08)	

GAAP to Non-GAAP

Q4 2011 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Non-Cash Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 91,585	\$ -	\$ -	\$ 91,585
Cost of revenue	52,127	362	2,042	54,531
Gross profit	39,458	(362)	(2,042)	37,054
Gross margin	43.1%	-0.4%	-2.2%	40.5%
Operating expense	35,653	4,004	2,553	42,210
Operating income (loss)	3,805	(4,366)	(4,595)	(5,156)
Other income (expense), net	(10)	-	-	(10)
Income (loss) before taxes	3,795	(4,366)	(4,595)	(5,166)
Provision for income taxes	48	-	-	48
Net income (loss)	\$ 3,747	\$ (4,366)	\$ (4,595)	\$ (5,214)
Weighted average basic and diluted shares used to compute GAAP net loss per common share				47,398
Weighted average diluted shares used to compute non-GAAP net income per common share	47,570	47,570	47,570	
GAAP net loss per common share				\$ (0.11)
Non-GAAP net income (loss) per share	\$ 0.08	\$ (0.09)	\$ (0.10)	

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