

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW HAMPSHIRE

Civil Action No.

SECURITIES AND EXCHANGE COMMISSION
Central Regional Office
1801 California Street, Suite 1500
Denver, CO 80202

Plaintiff,

v.

GARY M. WORKMAN
2301 E. Ruby Hill Drive
Pleasanton, CA 94566

Defendant.

COMPLAINT

Plaintiff Securities and Exchange Commission ("SEC"), for its complaint, alleges:

- 1) From March 2000 through December 2001 (the "relevant period"), Gary M. Workman ("Workman"), the former president of the Asia Pacific division of Cabletron Systems, Inc. ("Cabletron") and its former subsidiary Enterasys Networks, Inc. ("Enterasys"), participated in a scheme with other officers and employees to inflate revenues of Enterasys and Cabletron (which are jointly referred to herein as "Enterasys"), and thereby convince investors that Enterasys was a viable independent company with consistently strong revenue growth.
- 2) During the relevant period, Workman knowingly negotiated, reviewed, and otherwise participated in transactions through which he caused Enterasys to improperly recognize revenue in financial statements reported in periodic and

- other filings with the SEC, and in press releases while the company's stock was publicly trading.
- 3) Workman participated in Enterasys's financial fraud by entering into sales transactions that lacked one or more necessary elements for revenue recognition under generally accepted accounting principles ("GAAP"). In some of these transactions, Workman entered into undisclosed "side agreements with purchasers, in which payment for product was contingent upon the purchaser's resale of the product, or the purchaser was granted full return, exchange, or cancellation rights. Workman knew, or was reckless in not knowing, that it was improper to recognize revenue on these transactions that were subject to material contingencies.
 - 4) In addition, some of the sales transactions were linked to investments that Enterasys made in unaffiliated, privately-held companies in return for the investee company's agreement to use the investment proceeds to buy products from Enterasys and its former subsidiary, Aprisma Management Technologies, Inc. ("Aprisma"). Workman knew, or was reckless in not knowing, that Enterasys was not interested in the investment aspect of these transactions, but rather used investments to improperly manage its revenues at quarter end.
 - 5) Moreover, Workman was aware that Enterasys sometimes invested in companies that could not otherwise afford Enterasys's and Aprisma's products and, in some cases, did not need the products. Accordingly, Workman knew, or was reckless in not knowing, that some of Enterasys's investment transactions lacked economic substance.

- 6) In addition to lacking economic substance, the investment deal in which Workman participated was not consummated during the quarter Enterasys recognized revenue for the related sale. Workman knew, or was reckless in not knowing, that it was improper to recognize revenue from sales that were contingent on the finalization of investments in future quarters.
- 7) In carrying out the scheme to improperly inflate Enterasys's revenues, Workman also misrepresented information to, or concealed information from, Enterasys's outside auditor concerning the true nature of some of the transactions for which the company improperly recognized revenue.
- 8) During the relevant period, Workman and others caused Enterasys to improperly recognize at least \$47 million in revenue from sales transactions flawed by one or more of the foregoing deficiencies.
- 9) The improper revenue was material information because it enabled Enterasys to meet or exceed analysts' consensus pro forma earnings per share estimates. Moreover, Workman and others caused Enterasys to overstate by 50% to 600% its announced pro forma earnings per share for each quarter during the relevant period. Further, Workman and others caused Enterasys to understate its operating losses by 5% to 33% for five quarters during the relevant period, and to overstate its net revenues by 8% and 25% for the final two quarters of the relevant period.
- 10) By participating in Enterasys's improper accounting practices, Workman and others caused Enterasys to make various materially false statements in numerous SEC filings and other documents, including: Enterasys SEC Form 10-K - for the fiscal year March 1, 2000 to March 3, 2001 ("Fiscal Year 2001 "); Enterasys SEC

- Forms 10-Q - for the quarters March 1, 2000 to June 3, 2000 (“Q1 Fiscal Year 2001”), June 4, 2000 to September 2, 2000 (“Q2 Fiscal Year 2001”), March 4, 2001 to June 2, 2001 (“Q1 Transition Year 2001”), June 3, 2001 to September 1, 2001 (“Q2 Transition Year 2001”), and July 1, 2001 to September 29, 2001 (“Q3 Transition Year 2001”); and all SEC filings/statements incorporating the above documents.
- 11) Largely as a result of the materially overstated revenue reported by Enterasys, Enterasys was successfully launched as an independent public company on August 6, 2001.
 - 12) During the relevant period, a period in which Enterasys’s stock price was artificially inflated due to its material overstatement of revenues, Workman realized profits from bonuses related to his improper conduct.
 - 13) When Enterasys announced on February 1, 2002 that its accounting and revenue recognition practices were being investigated by the SEC, Enterasys’s stock price dropped from \$10.80 to \$4.20 per share, a loss of approximately 61%.

I. JURISDICTION AND VENUE

- 14) The SEC brings this action for injunctive relief under Sections 21(d) and (e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d) and (e)].
- 15) This Court has jurisdiction over this action pursuant to Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].
- 16) In connection with the transactions, acts, practices, and courses of business described in this Complaint, Workman, directly and indirectly, has made use of the means or instrumentalities of interstate commerce or the mails, or the means

and instruments of transportation or communication in interstate commerce or the mails.

- 17) Venue is proper in this district because certain of the transactions, acts, practices, and courses of business constituting the violations of law alleged herein occurred within this district.
- 18) During the relevant period of time Cabletron and Enterasys had their principal place of business in Rochester, New Hampshire.

II. DEFENDANT

- 19) Gary M. Workman, age 57, was the president of Enterasys's Asia Pacific ("APAC") division from November 1998 through February 2002. Workman, who lived in Singapore during the relevant period, supervised the sales, marketing and accounting staff responsible for the nine Asian countries constituting the APAC region.

III. WORKMAN KNOWINGLY PARTICIPATED IN SALES TRANSACTIONS FOR WHICH ENTERASYS IMPROPERLY RECOGNIZED REVENUE

A. The Ariel Side Agreement

- 20) On August 31, 2001, one day before the end of the second quarter of Transition Year 2001 (which ended on September 1, 2001), Workman on behalf of Enterasys signed a contract with Ariel International Technology Co. Ltd ("Ariel"), a company based in Hong Kong. The contract provided that Ariel was to purchase \$4 million of products, but Enterasys was to remain primarily responsible for selling these products. Moreover, the contract provided Ariel with credit terms of 75 days, but if the product was not sold, the credit terms extended to 150 days.

As part of the contract, Ariel submitted a purchase order to Enterasys for approximately \$4 million, which referenced the associated letter agreement. Although the purchase order was submitted to Enterasys' finance group in New Hampshire without the associated letter agreement, Enterasys shipped product and booked revenue for the Ariel order, one of the largest from the APAC region for the quarter.

- 21) At the end of August 2001, Hor Chong (David) Boey, the Vice President of Finance for APAC who reported to Workman, exchanged a series of emails with Bruce Kay, a senior vice president of finance for Enterasys, to obtain approval of credit terms for the pending deal with Ariel. Contrary to the terms of the contract, Boey represented the credit period was 75 days. In fact, the credit terms were 150 days. Boey copied Workman on the final email in the string that noted a credit account for the transaction was approved based on the misrepresented terms of the agreement.
- 22) On September 10, 2001, Enterasys's outside auditor selected the Ariel transaction as part of its quarterly review and requested a copy of the letter agreement. Following repeated requests by headquarters, Workman directed an employee to email and fax the letter agreement to Enterasys's headquarters on September 18, 2001, where it was determined that the letter agreement did not support revenue recognition because it made Enterasys ultimately responsible for reselling the underlying product and gave Ariel extended payment terms of 150 days.
- 23) After being advised of the revenue obstacles associated with the letter agreement, Workman and others participated in an effort to present Enterasys's outside

auditor with an altered letter agreement that removed the objectionable terms, notwithstanding that it was more than two weeks after the end of the quarter in which Enterasys had recognized revenue for the Ariel transaction.

- 24) Accordingly, on September 20 and 21, 2001 Enterasys headquarters sent three emails to Workman stating that it would lose revenue for the Ariel transaction unless Workman procured a new document overnight, backdated to August 31, 2001, that eliminated the terms that would be objectionable to the company's outside auditor.
- 25) Although unwilling to renegotiate or change the actual terms of the letter agreement, Ariel agreed to move the objectionable terms into a side agreement and to create a new agreement purporting to give Ariel a 75-day payment term and to make Ariel responsible for reselling the product. Accordingly, under Workman's supervision, the APAC office entered into a side agreement with Ariel, which was not disclosed to Enterasys's outside auditors, and modified the letter agreement by creating a new backdated first page that contained the fabricated terms.
- 26) The APAC office then forwarded the altered and backdated letter agreement to Enterasys's headquarters which, in turn, presented the letter agreement to Enterasys's outside auditor.
- 27) As a result, Workman knowingly participated in a scheme by which Enterasys presented a backdated document to Enterasys's outside auditor that did not reflect the true terms of the Ariel purchase as of the end of the quarter in which Enterasys recognized revenue for this sale.

- 28) In addition to knowing that the letter agreement presented to Enterasys's outside auditor was backdated, Workman was aware that this document was subject to an undisclosed side agreement that precluded revenue recognition.
- 29) Accordingly, Workman participated in Enterasys's improper recognition of \$3.9 million in revenue from the Ariel transaction in the second and third quarters of Transition Year 2001.
- 30) By knowingly participating in the Ariel transaction, Workman caused Enterasys's books and records that recorded revenue and cost of goods sold for this transaction to be inaccurate.
- 31) As a result of this conduct Workman knowingly caused Enterasys to file with the SEC inaccurate and misleading quarterly reports that overstated Enterasys's net revenues, caused the loss from operations to be understated and the net loss to shareholders to be understated.
- 32) In December 2001, Ariel notified Workman by email that it was cancelling the August 31, 2001 purchase order.
- 33) In November 2002, as part of the restatement of its financial statements for the period from March 2000 through September 2001, Enterasys reversed the \$3.9 million in revenue and the related cost of revenues that it had recognized on the Ariel transaction.

B. The ChoiceWay Investment Deal

- 34) On February 28, 2001, two days before the end of the fourth quarter of Fiscal Year 2001, Workman received an email from Enterasys headquarters advising him of the need to close an additional \$3 million in sales by the end of the quarter.

Workman was overseeing the negotiation of a potential \$1 million investment in ChoiceWay Technologies Co. Ltd. (“ChoiceWay”), a Beijing distributor.

- 35) After receiving the email, Workman and others from the APAC region increased the proposed investment in ChoiceWay to \$3.1 million in product credits, which ChoiceWay was to use to purchase Enterasys product by quarter end, in return for an equity interest in ChoiceWay. In order to allow sufficient time to complete the investment portion of the agreement, Workman knew that Boey had granted ChoiceWay extended payment terms of 90 days and agreed to pay the cost of storing the product.
- 36) Although the investment agreement with ChoiceWay was not finalized by quarter end on March 3, 2001, ChoiceWay submitted two purchase orders to Enterasys for \$3.1 million of product, based on its understanding that its purchases were contingent on the finalization of an investment by Enterasys the following quarter. At the time ChoiceWay submitted its purchase orders, Workman knew that Enterasys intended to recognize revenue in the fourth quarter of Fiscal Year 2001 even though the contingent investment to which he agreed made it improper to recognize revenue in these quarters.
- 37) In addition to being aware that ChoiceWay’s purchase orders were contingent on a future investment, Workman was also aware that a \$3.1 million in orders exceeded the entire amount of Enterasys product that ChoiceWay had sold during the previous year. Workman knew there were serious questions about ChoiceWay’s independent ability to pay for this order absent Enterasys’s investment.

- 38) By knowingly participating in the ChoiceWay transaction, Workman assisted Enterasys in improperly recognizing a total of approximately \$3.1 million in revenue in the fourth quarter of Fiscal Year 2001 and the first quarter of Transition Year 2001.
- 39) By knowingly participating in the ChoiceWay transaction, Workman caused Enterasys's books and records that recorded revenue and cost of goods sold for this transaction to be inaccurate.
- 40) As a result of this conduct Workman knowingly caused Enterasys to file with the SEC inaccurate and misleading annual and quarterly reports that overstated Enterasys's net revenues, caused the loss from operations to be understated and the net loss to shareholders to be understated.
- 41) Although he was copied on a February 22, 2001 email requesting all reseller agreements related to investments, Workman did not disclose to Enterasys's outside auditor the fact that the purchase order was contingent upon completion of Enterasys's investment in ChoiceWay.
- 42) In November 2002, as part of the restatement of its financial statements for the period from March 2000 through September 2001, Enterasys reversed the \$3.1 million in revenue and the related cost of revenues that it had recognized on the ChoiceWay transaction.

C. JBS Communications

- 43) During Fiscal Year 2001, Workman authorized an arrangement between Enterasys and JBS Communications, Inc. ("JBS"), a Japanese company that was

- acting as a warehouse for Enterasys. Under this arrangement, Enterasys's APAC division purported to sell product to JBS for which Enterasys recognized revenue.
- 44) Notwithstanding its purported sale of product to JBS, Enterasys remained responsible for reselling the product to third-party customers. Upon identifying a customer, Enterasys repurchased the product from JBS, paid JBS a five percent commission, and resold the product to the customer it had identified.
- 45) Although JBS was acting as a warehouse for Enterasys product rather than a genuine purchaser, a fact that Workman knew precluded revenue recognition, Workman caused Enterasys to improperly recognize revenues upon shipment of product to JBS.
- 46) By authorizing the arrangement with JBS, Workman knowingly or recklessly participated in improperly recognizing approximately \$3.79 million in revenue from sales to JBS during the first, second, and fourth quarters of Fiscal Year 2001.
- 47) By knowingly participating in the JBS transactions, Workman caused Enterasys's books and records that recorded revenue and cost of goods sold for this transaction to be inaccurate.
- 48) As a result of this conduct, Workman knowingly caused Enterasys to file with the SEC inaccurate and misleading annual and quarterly reports that overstated Enterasys's net revenues, caused the loss from operations to be understated and the net loss to shareholders to be understated.
- 49) Workman did not disclose to Enterasys's outside auditor the arrangement with JBS to park Enterasys's product until Enterasys located a third-party customer to

purchase it, at which time Enterasys bought the product back from JBS and resold it the third-party.

- 50) In November 2002, as part of the restatement of its financial statements for the period from March 2000 through September 2001, Enterasys reversed the \$3.79 million in revenue and the related cost of revenues that it had recognized on the JBS transactions.

**IV. WORKMAN AIDED ENTERASYS'S FILING OF FALSE
FORMS 10-K AND 10-Q**

- 51) As a public company with stock registered with the SEC, Enterasys and its directors, officers and employees were required to comply with the federal securities laws and regulations. Those laws and regulations require public companies to file annual and quarterly reports that contain financial statements that are prepared in conformity with GAAP and which contain accurate information about the financial condition of the company.
- 52) Between March 1, 2000 and December 2001, Enterasys filed one annual and six quarterly reports with the SEC.
- 53) These annual and quarterly reports were materially false and misleading because they contained financial statements that were not prepared in conformity with GAAP. In each report, Enterasys improperly recognized revenue on transactions, misrepresented the income or loss from operations, and misrepresented the net income or loss to common shareholders.
- 54) As a result of the conduct alleged above, Enterasys violated the reporting provisions of Section 13(a) of the Exchange Act and Rules 13a-1, 13a-13 and 12b-20 by filing inaccurate and misleading annual and quarterly reports.

- 55) Workman knowingly provided substantial assistance of the company's violations by negotiating, reviewing or otherwise participating in transactions discussed above for which revenue was improperly recognized in the financial statements and reported in the filings with the SEC for the annual report filed by Enterasys for Fiscal Year 2001 and each of the quarterly reports filed by Enterasys during the relevant period, except the quarterly report for Q3 Fiscal Year 2001.
- 56) Workman was aware that his activities caused Enterasys to file inaccurate and misleading quarterly and annual reports with the SEC, which reports overstated the company's revenue, misrepresented the income or loss from operations, and misrepresented the net income or loss to common shareholders.
- 57) As a result of his conduct, Workman knowingly provided substantial assistance to Enterasys filing inaccurate and misleading annual and quarterly reports, and thereby aided and abetted Enterasys's violations of Section 13(a) of the Exchange Act and Rules 13a-1, 13a-13 and 12b-20.

**V. WORKMAN AIDED ENTERASYS'S VIOLATIONS
OF THE BOOKS AND RECORDS PROVISIONS**

- 58) Under the federal securities laws and regulations, Enterasys was required to keep books, records, and accounts that accurately and fairly reflected the company's business transactions.
- 59) As a result of Workman's conduct alleged above, Enterasys failed to make and keep books, records, and accounts that accurately and fairly reflected the company's business transactions and thereby violated Section 13(b)(2)(A) of the Exchange Act.

- 60) These inaccurate books, records and accounts include, but are not limited to, contracts, purchase orders, journal entries, postings to the general ledger, reports generated from the general ledger, financial statements, sales transactions files that did not contain side agreements or other documents defining the material terms of the agreement, and investment files that did not contain adequate documentation of due diligence performed to establish whether the transaction had economic substance.
- 61) Workman was aware that his activities which caused Enterasys to improperly recognize revenue also caused the company to keep books, records and accounts that did not accurately record the transactions with its customers.
- 62) As a result of his conduct, Workman knowingly provided substantial assistance leading to Enterasys's keeping inaccurate books, records, and accounts, and thereby aided and abetted Enterasys's violations of Section 13(B)(2)(A) of the Exchange Act.

**VI. WORKMAN AIDED ENTERASYS'S VIOLATION OF
THE INTERNAL CONTROLS PROVISIONS**

- 63) Under the federal securities laws and regulations, Enterasys was required to create and maintain a system of internal controls sufficient to provide reasonable assurances that transactions are recorded in a manner that would permit the preparation of financial statements in conformity with GAAP.
- 64) Enterasys did not create and maintain a system of internal controls sufficient to assure that its financial statements were prepared in conformity with GAAP during the seven quarters starting on March 1, 2000 and continuing through September 29, 2001.

- 65) As a result of the conduct alleged above, Workman aided and abetted Enterasys's violations of the internal control provisions.
- 66) As president of the APAC division with responsibility for supervising the accounting staff and implementing Enterasys's internal controls with respect to the APAC division, Workman was aware by his participation in the transactions discussed above that the internal controls were not sufficient to assure that the financial statements were being prepared in conformity with GAAP.
- 67) Workman provided knowing and substantial assistance to Enterasys's violation of the internal control provisions by failing to implement a system to record transactions in a manner to permit the preparation of financial statements in conformity with GAAP.
- 68) As a result of his conduct, Workman knowingly provided substantial assistance leading to Enterasys's violation of the internal controls requirements, and thereby aided and abetted Enterasys's violations of Section 13(b)(2)(B) of the Exchange Act.

VII. WORKMAN CREATED FALSE BOOKS AND RECORDS OR CIRCUMVENTED INTERNAL CONTROLS

- 69) As a result of the conduct alleged above, between March 1, 2000 and December 29, 2001, Workman knowingly circumvented or knowingly failed to implement a system of internal accounting controls, or knowingly falsified or caused to be falsified a book, record or account which Enterasys was required to keep reflecting transactions and dispositions of its assets in violation of Section 13(b)(5) and Rule 13b2-1.

VIII. WORKMAN DECEIVED ENTERASYS'S AUDITORS

- 70) At times material to this complaint, Workman was an officer of Enterasys.
- 71) Between March 1, 2000 and December 29, 2001, as a result of the conduct described above, Workman made or caused to be made materially false or misleading statements to an accountant, or omitted or caused to be omitted material facts in connection with the audit, review or examination of the financial statements of Enterasys or in the preparation of filings of any document or report required to be filed with the SEC.
- 72) Between March 1, 2000 and December 29, 2001, as a result of the conduct described above, Workman directly or indirectly took actions to manipulate, mislead or fraudulently influence the independent public or certified public accountant engaged in the performance of an audit or review of the financial statements of Enterasys that were required to be filed with the SEC.
- 73) Workman created false books, records and accounts in order to mislead Enterasys's certified public accountants.
- 74) Workman knew or should have known that his actions, if successful, would result in creating financial statements that were materially misleading.

FIRST CLAIM FOR RELIEF

Fraud – Violations of Exchange Act Section 10(b) and Rule 10b-5 [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]

- 75) The SEC realleges paragraphs 1 through 74 above.
- 76) Workman directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, employed devices, schemes, or artifices to defraud; made untrue statements of material fact or

omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person, in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

- 77) Workman violated and unless restrained and enjoined will in the future violate Exchange Act Section 10(b) and Rule 10b-5.
- 78) Alternatively, by reason of the conduct alleged in paragraphs 1 through 74, Enterasys violated Exchange Act Section 10(b) and Rule 10b-5 thereunder, and Workman aided and abetted Enterasys's violations by knowingly and substantially assisting those violations. Unless restrained and enjoined, Workman will in the future aid and abet violations of Exchange Act Section 10(b) and Rule 10b-5 thereunder.

SECOND CLAIM FOR RELIEF

**Falsified Books and Records - Exchange Act Section 13(b)(5) and Rule 13b2-1
[15 U.S.C. § 78m(b)(5) and 17 C.F.R. § 240.13b2-1]**

- 79) The SEC realleges paragraphs 1 through 74 above.
- 80) Workman knowingly circumvented or knowingly failed to implement a system of internal accounting controls, or directly or indirectly falsified or caused to be falsified books, records or accounts described in Section 13(b)(2) of the Exchange Act.
- 81) Workman violated, and unless restrained and enjoined will in the future violate Section 13(b)(5) of the Exchange Act and Rule 13b2-1.

THIRD CLAIM FOR RELIEF

**Deceit of Auditors - Exchange Act Rule 13b2-2
[17 C.F.R. § 240.13b2-2]**

- 82) The SEC realleges paragraphs 1 through 74 above.
- 83) Workman directly or indirectly made, or caused others to make, materially false or misleading statements, or omitted, or caused others to omit, to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, to Enterasys's accountants and outside auditor in connection with an audit or examination of Enterasys's financial statements or in the preparation or filing of Enterasys's documents or reports filed with the SEC.
- 84) By reason of the foregoing, Workman violated, and unless restrained and enjoined Workman will in the future violate Exchange Act Rule 13b2-2.

FOURTH CLAIM FOR RELIEF
False SEC Filings - Exchange Act Section 13(a) and Exchange Act
Rules 12b-20, 13a-1, and 13a-13
[15 U.S.C. § 78m(a) and 17 C.F.R. §§ 240.12b-20,
240.13a-1, and 240.13a-13]

- 85) The SEC realleges paragraphs 1 through 74 above.
- 86) Workman aided and abetted Enterasys, in that he provided knowing and substantial assistance to Enterasys, which as an issuer of securities registered pursuant to Section 12 of the Exchange Act, filed materially misleading annual and quarterly reports with the SEC in violation of Exchange Act Section 13(a) and Rules 12b-20, 13a-1, and 13a-13 thereunder.
- 87) Unless restrained and enjoined, Workman will in the future aid and abet violations of Exchange Act Section 13(a) and Rules 12b-20, 13a-1, and 13a-13.

FIFTH CLAIM FOR RELIEF
False Books and Records - Exchange Act Section 13(b)(2)(A)
[15 U.S.C. § 78m(b)(2)]

- 88) The SEC realleges paragraphs 1 through 74 above.

- 89) Workman aided and abetted Enterasys's failure to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the company's transactions and dispositions of its assets.
- 90) By reason of the foregoing, Enterasys violated Exchange Act Section 13(b)(2)(A), and Workman aided and abetted Enterasys's violations. Unless restrained and enjoined, Workman will in the future aid and abet violations of Section 13(b)(2)(A) of the Exchange Act.

EIGHTH CLAIM FOR RELIEF
Inadequate Internal Accounting Controls – Exchange Act Section 13(b)(2)(B)
[15 U.S.C. § 78m(b)(2)]

- 91) The SEC realleges paragraphs 1 through 74 above.
- 92) Workman aided and abetted Enterasys's failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP or any other criteria applicable to such statements.
- 93) By reason of the foregoing, Enterasys violated Exchange Act Section 13(b)(2)(B), and Workman aided and abetted Enterasys's violations. Unless restrained and enjoined, Workman will in the future aid and abet violations of Section 13(b)(2)(B) of the Exchange Act.

PRAYER FOR RELIEF

The SEC respectfully requests that this Court:

- 1) Find that Workman committed the violations alleged;
- 2) Enter an Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Workman from violating,

directly or indirectly, or aiding and abetting violations of the laws and rules alleged in this Complaint;

- 3) Order Workman to disgorge all ill-gotten gains in the form of any benefits of any kind derived from the illegal conduct alleged in this Complaint, including, but not limited to, salary, bonuses, proceeds from stock sales, and loan forgiveness benefits, plus pre-judgment interest;
- 4) Order Workman to pay civil penalties, including post-judgment interest, pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], in an amount to be determined by the Court; and
- 5) Order such other relief as is necessary and appropriate.

Respectfully submitted, February 1, 2007.

/s/ Leslie J. Hughes
Leslie J. Hughes (Colo. 15043)

/s/ Jeffrey S. Lyons
Jeffrey S. Lyons (Colo. 27389)

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