



 [Print this article](#)

[Close This Window](#)

UPDATE 1-Former Enterasys execs convicted of fraud

Wed Dec 20, 2006 12:16 PM ET

(Adds details)

WASHINGTON, Dec 20 (Reuters) - Four former executives of privately held computer security company Enterasys Networks Inc. have been convicted of accounting fraud, the U.S. Department of Justice said on Wednesday.

A jury on Tuesday after a five-week trial convicted former Chief Financial Officer Robert Gagalis and former executives Bruce Kay, Robert Barber and Hor Chong Boey in federal court in New Hampshire, the Justice Department said.

"The charges on which the four defendants were convicted stem from a scheme that began in the summer of 2001 to falsely inflate Enterasys' revenue to increase, or at least maintain, the price of Enterasys stock," the department said in a statement.

The scheme involved backdating and falsification of documents, as well as concealing terms of deals "to facilitate the fraudulent recognition of revenue," it said.

Enterasys, which was purchased by two private equity firms earlier this year, overstated its revenues by more than \$11 million in the quarter ended September 1, 2001, the department said.

Enterasys shareholders lost \$1.3 billion after disclosure of one of the fraudulent transactions and an investigation by the U.S. Securities and Exchange Commission, it said.

All four individuals are scheduled to be sentenced in March, the department said.

Other former Enterasys executives -- including former Chief Executive Henry Fiallo -- previously pleaded guilty to felony charges in connection with this scheme, it said. They are scheduled to be sentenced in April.

© Reuters 2006. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.

[Close This Window](#)