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St. Bernard Software Secures Storage Solution From FalconStor Software and Dynamic Network Factory for Centralized Storage and Business Continuity

IPStor-Powered Solution from Dynamic Network Factory Provides Global Security Software Firm with iSCSI Connectivity and Faster Data Recovery

MELVILLE, N.Y., and HAYWARD, CA, June 22, 2004—FalconStor Software, Inc. (Nasdaq: FALC), a leading developer of network storage infrastructure software solutions, and Dynamic Network Factory, Inc. (DNF), a leading maker of high-performance network area storage, storage area network and RAID systems, today announced that St. Bernard Software Inc. has implemented Hybrid Storage Network (HSN™) solutions from DNF, powered by FalconStor's flagship product, IPStor, to meet the diverse needs of its corporate storage environment.

With 35 servers and hundreds of client machines distributed across their headquarters in San Diego, St. Bernard faced mounting challenges created by decentralized storage. When additional storage was needed, administrators were forced to shut down critical application servers individually to attach more disk capacity, often requiring a complete rebuild of its old storage array. Backup was also a major issue, as some servers synchronized with a data security agent, but others were neglected as the number of active systems exceeded what could tracked and managed.

“Not only were we looking for a solution to centralize our storage, but also one that would allow our QA department to utilize the added pool of storage without a direct Fibre Channel connection,” said Theo Seales, IT Manager at St. Bernard Software. “With the DNF and FalconStor solution, our data is now consolidated in a single system, managing data and backup processes across the corporation. Our QA department now has access to 1.2 terabytes of storage, allocated as needed.”

St. Bernard wanted to address two core organizational needs with a single solution. They needed multiple terabytes of cost effective storage for static files, such as ghost images used by their QA department, while their SQL and Exchange databases on their application servers required superior performance. Other products St. Bernard considered forced the difficult choice of either going with SCSI drives for fast database performance at a cost premium, and with less storage space overall, or choosing Serial ATA disks and sacrificing speed for affordability.

St. Bernard turned to Dynamic Network Factory and FalconStor, who designed a manageable storage system to suit their complex needs. Breaking ground for the HSN™ technology, DNF created a hybrid product based on the StorBank M4-SA16000F. On the data side, it incorporated Ultra320 SCSI drives for high IO storage in a RAID 1 configuration, and independent mirrored Ultra320 SCSI drives for the operating system. Four terabytes of Serial ATA storage, configured for RAID 5, were connected to the NAS engine over 2Gigabit optical fibre. To integrate with their diverse network environment, the unit was fitted with dual copper gigabit Ethernet host ports, thus enabling SAN over IP, and included an independent 2Gb Fibre Channel controller for direct connectivity to a Fibre Channel network. The hybrid system combined the strengths of each storage medium and interface into a single solution.



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This innovative implementation was made possible by the partnership between Dynamic Network Factory and FalconStor, with DNF developing complete storage solutions powered by IPStor. Using IPStor software, DNF has enhanced their product lineup, offering custom solutions for Virtual Tape Libraries, iSCSI engines, and other tailored solutions. IPStor's comprehensive suite of advanced storage services enables DNF to specify and target each product, while using one centralized storage software solution. This comprehensive software suite manages data availability, data recovery, capacity management, and performance for SAN and NAS systems using Fibre Channel or IP interfaces.

At St. Bernard, the IPStor-powered solution was deployed quickly, and the SAN over IP option immediately allowed St. Bernard to connect its QA department to the new storage pool without requiring a Fibre Channel connection. The QA department's need for additional storage for static files and ghost images were more than satisfied with the dynamic allocation of 1.2 terabytes of disk capacity.

FalconStor's IPStor Snapshot agents for Exchange and SQL and TimeMark® options were critical in providing a level of backup granularity that was previously inaccessible. While St. Bernard's existing solution allowed restoration from the last complete backup, Snapshot and TimeMark enabled specific point-in-time recovery of individual files or volumes, preventing administrator headaches and wasted time. The HSN solution provided by DNF's StorBank M4-SA16000F NAS system and FalconStor's IPStor software met St. Bernard's every expectation, and more.

"DNF's storage appliances, powered by FalconStor's IPStor software, are proving to be an effective solution that addresses storage issues faced by businesses today," said Wendy Petty, FalconStor vice president of sales. "As evidenced by St. Bernard, these storage appliances are delivering advanced storage services for companies that need to streamline storage management and maximize their resources."

About St. Bernard Software Inc.

St. Bernard Software Inc. is a global provider of security solutions that protect against data loss, system threats, Internet abuse and unsolicited e-mail. Through its products and services, St. Bernard Software helps companies protect their bottom line by securing networks against major risks before they happen. The company's products include Open File Manager™, enterprise class software that enables backup applications to back up open files; UpdateEXPERT®, which solves system and application security problems by keeping software patch levels current; iPrism®, an Internet access management appliance that monitors, filters and reports on inappropriate Internet usage; and ePrism, a dedicated e-mail filtering and spam management appliance for enterprises of all levels.

Founded in 1995, with corporate headquarters in San Diego and an international office in London, St. Bernard Software sells and supports its award-winning products through key solution partners worldwide. St. Bernard Web site: <http://www.stbernard.com>.

About Dynamic Network Factory

Founded in 1989, Dynamic Network Factory (DNF) is a privately held company based in the Silicon Valley (Hayward, CA). As a leading provider of network-attached storage and RAID storage systems, Dynamic Network Factory carries a variety of products to assist companies in meeting their mission-critical storage needs with affordable, high performance, and high capacity storage equipment. DNF started as US subsidiary of Japanese publicly-traded IT conglomerate CSK Electronics in 1989. In 1998 the company refined its strategy and began to focus the hardware group on storage solutions. Within a year, DNF's rapid growth resulted in its emergence as an independent, privately-held spinoff. Since its



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inception, DNF has designed custom solutions for organizations of all sizes, and built products for many major computer manufacturers. DNF has over 30,000 customers ranging from consumers, small-to-medium business, government agencies, universities, hospitals, financial institutions, and Fortune 500 companies. Customers include UC Berkeley, MIT, the Federal Aviation Administration, Lockheed Martin, Bank of America, Citibank, Wells Fargo, Fujitsu, Nordstrom's, Toshiba, PG&E, and Safeway Corporation. For more information, visit www.storageexpert.com.

About FalconStor

FalconStor Software, Inc. (Nasdaq: FALC) is a leading developer of network storage infrastructure software solutions designed to optimize the performance and availability of today's complex IT infrastructures. Deployed by a wide range of Fortune 1000 enterprises, FalconStor's flagship product, IPStor, optimizes storage utilization, accelerates backup and recovery, maximizes I/O performance and ensures business continuity via sophisticated data replication services. It is available and supported through major OEMs, system integrators and resellers worldwide.

Founded in 2000, FalconStor is headquartered in Melville, NY, with offices throughout Europe and the Asia Pacific regions including Paris, Tokyo and Taiwan. FalconStor is an active member of the Technical Support Alliance Network (TSANet), Storage Networking Industry Association (SNIA) and Fibre Channel Industry Association (FCIA). For more information visit www.falconstor.com or call 1-631-777-5188.

This press release includes forward-looking statements that involve risk and uncertainties that could cause actual results to differ materially from the forward-looking statements. These risks and uncertainties include: the early stage of FalconStor's business; delays in product development; market acceptance of FalconStor's products and services; technological change in the storage and networking industries; competition in the storage networking software market; the ability to achieve profitability; intellectual property issues; and other risk factors discussed in FalconStor's reports on Forms 10-K, 10-Q and other reports filed with the Securities and Exchange Commission.

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