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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number 000-25711

Extreme Networks, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**77-0430270**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6480 Via del Oro San Jose, California	**95119**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (408) 579-2800

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Common stock, $0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $407.5 million as of December 31, 2016, the last business day of the Registrant's most recently completed second fiscal quarter, based upon the per share closing price of the Registrant's common stock as reported on The NASDAQ Global Market reported on such date. For purposes of this disclosure, shares of common stock held or controlled by executive officers and directors of the registrant and by persons who hold more than 5% of the outstanding shares of common stock have been treated as shares held by affiliates. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

113,064,935 shares of the Registrant's Common stock, $.001 par value, were outstanding as of September 6, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2017 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

EXTREME NETWORKS, INC.

FORM 10-K

INDEX

FORWARD LOOKING STATEMENTS

Except for historical information contained herein, certain matters included in this annual report on Form 10-K are, or may be deemed to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "will," "may," "designed to," "believe," "should," "anticipate," "plan," "expect," "intend," "estimate" and similar expressions identify forward-looking statements, which speak only as of the date of this annual report. These forward-looking statements are contained principally under Item 1, "Business," and under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," but may also be in other sections of this annual report on Form 10-K. Because these forward-looking statements are subject to risks and uncertainties, actual results could differ materially from the expectations expressed in the forward-looking statements. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include those described in Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise these forward-looking statements to reflect subsequent events or circumstances.

PART I

Item1. Business

Overview

Extreme Networks, Inc., together with its subsidiaries (collectively referred to as “Extreme” and as “we”, “us” and “our”) is a leader in providing software-driven networking solutions for enterprise customers. Providing a combined end-to-end solution from the data center to the access point, Extreme designs and develops wired and wireless network infrastructure equipment and develops the software for network management, policy, analytics, security and access controls. We strive to help our customers and partners Connect Beyond the Network by building world-class software and network infrastructure solutions that solve the wide range of problems faced by information technology (“IT”) departments.

During fiscal year 2017, Extreme experienced a 13% year-over-year revenue growth. These results reflect continued execution toward our strategic objectives, including results from the recently acquired wireless local area network (“WLAN”) business (“WLAN Business”) from Zebra Technologies Corporation (“Zebra”).

Enterprise network administrators from the data center to the access layer need to respond to the rapid digital transformational trends of cloud, mobility, big data, social business and the ever-present need for network security. Accelerators such as Internet of Things (“IoT”), artificial intelligence (“AI”), bring your own device (“BYOD”), machine learning, cognitive computing, and robotics add complexity to challenge the capabilities of traditional networks. Technology advances have a profound effect across the entire enterprise network by placing unprecedented demands on network administrators to enhance management capabilities, scalability, programmability, agility, and analytics of the enterprise networks they manage.

A trend affecting the enterprise network equipment market is the continued adoption of the cloud-managed enterprise WLAN in the enterprise market. Hybrid cloud is a cloud computing environment which uses a mix of on-premises, private cloud and third-party, public cloud services with orchestration between the two platforms. We introduced ExtremeCloud, our Cloud offering in 2016 and announced our enhanced cloud offering in 2017. ExtremeCloud is the only offering in the market that seamlessly integrates the Cloud with on premise infrastructures.

To facilitate the readers understanding, the following is a list of common terms in our industry used in the discussion of our business:

- **Access Point:** A wireless access point, or more generally just access point (“AP”), is a networking hardware device that allows a Wi-Fi device to connect to a wired network. (Industry term)
- **OpenFlow:** OpenFlow (“OF”) is considered one of the first software-defined networking (“SDN”) standards. It originally defined the communication protocol in SDN environments that enables the SDN Controller to directly interact with the forwarding plane of network devices such as switches and routers, both physical and virtual (hypervisor-based), so it can better adapt to changing business requirements. (Source: SDx Central)
- **OpenStack:** OpenStack software controls large pools of compute, storage, and networking resources throughout a datacenter, managed through a dashboard or via the OpenStack API. OpenStack works with popular enterprise and open source technologies making it ideal for heterogeneous infrastructure. (Source: OpenStack.org)

- **CloudStack:** CloudStack is an open source cloud computing software for creating, managing, and deploying infrastructure cloud services. It uses existing hypervisors such as KVM, VMware ESXi and XenServer/XCP for virtualization.
- **Single Pane of Glass:** Single pane of glass is a term used to describe a management display console that integrates all parts of a computer infrastructure.
- **Fabric Attach**: Avaya, Inc.'s ("Avaya") Avaya Fabric Attach ("FA") fundamentally introduces autonomic/automatic attachment to network services for end users IoT devices to a network infrastructure. Fabric Attach and Fabric Connect are key building blocks of the Avaya SDN Fx™ architecture.
- **Fabric Connect**: Fabric Connect is an extended implementation of the IEEE/IEFT standards for Shortest Path Bridging ("SPB"). It offers a full-service network virtualization technology that combines the best of Ethernet and the best of IP.
- **Campus (Network)**: A campus network, or campus area network, or corporate area network or ("CAN") is a computer network made up of an interconnection of local area networks ("LANs") within a limited geographical area, such as a college campus, company campus, hospital, hotel, convention center or sports venue.
- **Data Center:** A data center is a facility used to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, redundant data communications connections, environmental controls (e.g. air conditioning, fire suppression) and various security devices.
- **Data Center Fabric technologies**: Also known as networking switch fabric, is the basic topology of how a network is laid out and connected to switch traffic on a data or circuit-switched network.
- **Edge**: An edge device is a device which provides an entry point into enterprise or service provider core networks. Examples include routers, routing switches, integrated access devices ("IADs"), multiplexers, and a variety of metropolitan area network ("MAN") and wide area network ("WAN") access devices.
- **Access:** Network access is the closest point of entry to a network whether it is a wireless access point, Ethernet connection, or Wi-Fi device.
- **Aggregation:** In computer networking, the term aggregation applies to various methods of combining (aggregating) multiple network connections in parallel in order to increase throughput beyond what a single connection could sustain, and to provide redundancy in case one of the links should fail.
- **Core:** A core network, or network core, is the central part of a telecommunications network that provides various services to customers who are connected by the access network.
- **Layer 3 Data Center Interconnect;** A Data Center Interconnect ("DCI") refers to the networking of two or more different data centers to achieve business or IT objectives. This interconnectivity between separate data centers enables them to work together, share resources and/or pass workloads between one another. A Layer 3 DCI refers to interconnection made through layer 3 of the commonly-referenced multilayered communication model, Open Systems Interconnection ("OSI").
- **Flipped Classroom:** Flipped classroom is an instructional strategy and a type of blended learning that reverses the traditional learning environment by delivering instructional content, often online, outside of the classroom.

Industry Background

The networking industry appears to be invigorated by a wave of technological change:

- **Ethernet (wired and wireless) has solidified its role in both public and private networks through its scalability, adaptability and cost-effectiveness.** At the same time, the enterprises and service providers expect the technology to follow a price-performance curve that mandates continued innovation by Ethernet vendors.
- **The mobile workforce continues to proliferate.** Employees expect high-quality and secure access to corporate resources in a BYOD world across a diversity of endpoints such as laptops, tablets, smart phones and wearables, whether they are within the corporate firewall or on-the-go. With ExtremeManagement, IT departments focus their investment decisions on this mobile workforce, taking a unified view of wireless access, from the campus core and the data center. Networking vendors offer end-to-end solutions that permit IT managers to meet employee expectations and to maximize IT return on investment.

- **Verticals such as healthcare, education, manufacturing, government, hospitality, which includes sports and entertainment venues and retail are connecting with their customers and guests beyond the network.** These enterprises are investing in guest and location technologies that connect with their customers via their mobile devices over their WLAN. This allows them to obtain rich analytics for contextual marketing, which in turn, enables them to deliver a personalized brand experience. ExtremeGuest and ExtremeLocation have been built on cloud-based technology for simple implementation and fast release to market to better provide necessary insights into guest demographics and location-based analytics.
- **Growing usage of the cloud.** Enterprises have migrated increasing numbers of applications and services to either private clouds or public clouds offered by third parties. In either case, the network infrastructure must adapt to this new dynamic environment. Intelligence and automation are key if enterprises are to derive maximum benefit from their cloud deployments. Ethernet speeds, scaling from 10 Gigabits per second ("G") to 40G and even 100G, provide the infrastructure for both private and public clouds. In addition, there is growing interest in SDN approaches that may include technologies such as OpenFlow, OpenStack, and CloudStack for increased network agility.
- **Vendor consolidation is expected to continue.** Consolidation of vendors within the enterprise network equipment market and between adjacent markets (storage, security, wireless & voice software and applications) continues to gain momentum. We identified this trend in 2013 with our acquisition of Enterasys. Further, we believe customers are demanding more end-to-end, integrated networking solutions. To address this demand, we acquired the WLAN Business of Zebra in October 2016, and Avaya's fabric-based secure networking solutions and network security solutions business ("Avaya Networking") in July 2017.

  Our strategy, product portfolio and research and development are closely aligned with what we have identified as the following trends in our industry:

  - **The software segment of the worldwide enterprise network equipment market has continued to evolve and demands for improvements in Network Management will continue.**
    - *Extreme announced our Enterprise Management Console in the fourth quarter of fiscal 2016. This innovative software helps IT network administrators to navigate the unprecedented demands caused by the surge of IoT devices and technology.*
  - **SDN is providing more revenue and delivery models to the industry.**
    - *Extreme's SDN offering is innovative and adaptable to a wide range of use cases.*
  - **Enterprise adoption of the cloud and open-source options are disrupting traditional license and maintenance business models.**
    - *Extreme announced cloud offerings in April 2016 and began participation in the OpenSwitch program in May 2016.*
  - **Growth of wireless devices continues to outpace hardwire switch growth.**
    - *Extreme announced our 802.11ac Wave 2 wireless offering in late 2015 and plans to continue to advance our wireless portfolio of indoor and outdoor access points.*

The Extreme Strategy

Extreme is focused on delivering end-to-end IP networking solutions for today's enterprise environments. From wireless and wired access technologies, through the campus, core and into the datacenter, Extreme is developing solutions to deliver outstanding business outcomes for our customers. Leveraging a unified management approach, both on premise and in the cloud, we continue to accelerate adoption and delivery of new technologies in support of emerging trends in enterprise networking. We continue to execute on our growth objectives by maximizing customer, partner, and shareholder value.

In fiscal 2014, we completed the acquisition of Enterasys Networks, on October 28, 2016, we completed the acquisition of the WLAN Business from Zebra, and on July 14, 2017, we completed the acquisition of Avaya Networking. These acquisitions support our growth strategy to lead the enterprise network equipment market with end-to-end software-driven solutions for enterprise customers from the data center to the wireless edge. After the closing of the Avaya Networking transaction, Extreme immediately became a networking industry leader with more than 30,000 customers. As a network switching leader in enterprise, datacenter and cloud, after closing of the Avaya Networking business, we combine and extend our world-class products and technologies to provide customers with some of the most advanced, high performance and open solutions in the market as well as a superb overall customer experience. The combination of Extreme and Avaya Networking is significant in that it brings together distinct strengths addressing the key areas of the network, from unified wired and wireless edge, to the enterprise core, to the data center and cloud.

Provider of high quality, software-driven, secure networking solutions and the industry's #1 customer support organization

- Only multi-vendor network management with "single pane of glass"
- Delivering new releases of next generation portfolio organically and through acquisition

Key elements of our strategy include:

- **Enable customers and partners to "Connect Beyond the Network".** We work with our customers to clearly understand their challenges and help them innovate with the latest networking technology. We help them move beyond just "keeping the lights on", so they can think strategically and innovate. By allowing customers to access critical decision making intelligence, we are able reduce their daily tactical work so they can spend their time on learning and understanding how to innovate their business with IT.
- **Enable a common fabric to simplify and automate the network.** With the acquisition of Avaya Networking, Extreme now has access to field proven Campus and Data Center Fabric technologies. Fabric technologies virtualize the network infrastructure (decoupling network services from physical connectivity) which enables network services to be turned up faster, with lower likelihood of error. They make the underlying network much easier to design, implement, manage and troubleshoot.
- **Software-driven networking services-led solutions.** Our software-driven solutions provide visibility, control and strategic intelligence from the Edge to the Data Center, across networks and applications. Our solutions include wired switching, wireless switching, wireless access points and controllers. We offer a suite of products that are tightly integrated with access control, network and application analytics as well as network management. All can be managed, assessed and controlled from one single pane of glass.
- **Offer customers choice – cloud or on premise.** We leverage cloud where it makes sense for our customers and provide on premise solutions where customers need it. Our hybrid approach gives our customers options to adapt the technology to their business. At the same time, all of our solutions have visibility, control and strategic information built in, all tightly integrated with one single pane of glass. Our customers can understand what's going on across the network and applications in real time – who, when, and what is connected to the network, which is critical for BYOD and IoT.
- **Enable IoT without additional IT resources.** In a recent IoT IT infrastructure survey conducted in December 2016, enterprise IT decision makers across industry verticals indicated their preference to opt for their existing wireless connectivity infrastructure to support IoT devices. These preferences will place unprecedented demand on network administrators to enhance management capabilities, scalability and programmability of the enterprise networks they manage without additional IT resources.
- **Provide a strong value proposition for our customers.** Our cloud-managed wired and wireless networking solutions that provide additional choice and flexibility with on or off premise network, device and application management coupled with our award-winning services and support provide a strong value proposition to the following customers and applications:
    - Enterprises and private cloud data centers use our products to deploy automated next-generation virtualized and high-density infrastructure solutions.
    - Enterprises and organizations in education, healthcare, manufacturing, hospitality, transportation and logistics and government agencies use our solutions for their mobile campus and backbone networks.
    - Enterprises, universities, healthcare and hospitality organizations use our solutions to enable better visibility and control of their data processing and analytics requirements.
- **Provide high-quality customer service and support.** We seek to enhance customer satisfaction and build customer loyalty through high-quality service and support. This includes a wide range of standard support programs that provide the level of service our customers require, from standard business hours to global 24-hour-a-day, 365-day-a-year real-time response support.
- **Extend switching and routing technology leadership.** Our technological leadership is based on innovative switching, routing and wireless products, the depth and focus of our market experience and our operating systems - the software that runs on all of our Ethernet Switches. Our products reduce operating expenses for our customers and enable a more flexible and dynamic network environment that will help them meet the upcoming demands of IoT, mobile, and cloud, etc. Furthermore, our network operating systems, our primary merchant silicon vendor, and select manufacturing partners permit us to leverage our engineering investment. We have invested in engineering resources to create leading-edge technologies to increase the performance and functionality of our products, and as a direct result, the value of our solution to our current and future customers. We look for maximum synergies from our engineering investment in our targeted verticals.

- **Expand Wi-Fi technology leadership.** Wireless is today's network access method of choice and every business must deal with scale, density and BYOD challenges. The increase in demand being seen today, fueled by more users with multiple devices, increases the expectation that everything will just work. The network edge landscape is changing as the explosion of mobile devices increases the demand for mobile, transparent and always-on wired to wireless edge services. This new "unified access layer" requires distributed intelligent components to ensure that access control and resiliency of business services are available across the entire infrastructure and manageable from a single console. Our unified access layer portfolio provides intelligence for the wired/wireless edge

- **Continue to deliver unified management and a common fabric across the wired/wireless environment from the Data Center to the mobile Edge.** Our rich set of integrated management capabilities provides centralized visibility and highly efficient anytime, anywhere control of enterprise wired and wireless network resources.

- **Offer a superior quality of experience.** Our network-powered application analytics provide actionable business insight by capturing and analyzing context-based data about the network and applications to deliver meaningful intelligence about applications, users, locations and devices. With an easy to comprehend dashboard, our applications help businesses to turn their network into a strategic business asset that helps executives make faster and more effective decisions.

  Data can be mined to show how applications are being used enabling a better understanding of user behavior on the network, identifying the level of user engagement and assuring business application delivery to optimize the user experience. Application adoption can be tracked to determine the return on investment associated with new application deployment.

  Visibility into network and application performance enables our customers to pinpoint and resolve performance bottlenecks in the infrastructure whether they are caused by the network, application or server. This saves both time and money for the business and ensures critical applications are running at the best possible performance.

- **Software-driven networking solutions for the enterprise.** We are a software-driven networking solution company focused on the enterprise. We focus our R&D team and our sales teams to execute against a refined set of requirements for optimized return on investment, faster innovation, and clearer focus on mega trends and changes in the industry. As a software-driven networking company, we offer solutions for the entire enterprise network, the data center, the campus, the core and the WLAN.

- **Expand market penetration by targeting high-growth market segments.** Within the Campus, we focus on the mobile user, leveraging our automation capabilities and tracking WLAN growth. Our Data Center approach leverages our product portfolio to address the needs of private Cloud Data Center providers. Within the Campus we also target the high-growth physical security market, converging technologies such as Internet Protocol ("IP") video across a common Ethernet infrastructure in conjunction with technology partners.

- **Leverage and expand multiple distribution channels.** We distribute our products through select distributors, a large number of resellers and system-integrators worldwide, and several large strategic partners. We maintain a field sales force to support our channel partners and to sell directly to certain strategic accounts. As an independent Ethernet switch vendor, we seek to provide products that, when combined with the offerings of our channel partners, create compelling solutions for end-user customers.

- **Maintain and extend our strategic relationships.** We have established strategic relationships with a number of industry-leading vendors to both provide increased and enhanced routes to market, but also to collaboratively develop unique solutions.

We seek to differentiate ourselves in the market by delivering a value proposition based on a software-driven approach to network management, control and analytics.

Our key points of differentiation include:

- **Data Center to access edge wired and wireless solutions**. The addition of the WLAN Business and the Avaya Networking assets will allow Extreme to offer a complete, unified portfolio of software-driven network access solutions. We offer the latest in wireless access points for both outdoor and indoor use plus a complete line of switches for the Campus, Core and Data Center.

- **Multi-vendor management from a "single pane-of-glass".** Extreme's Management Center ("EMC") is a single unified management system that is designed to provide visibility, security, and control across the entire network. This can make the network easier to manage and troubleshoot, often with lower operating expenses. Extreme's software can manage third-party vendors' network devices, including Avaya Networking products, enabling our customers to potentially maximize device lifespan and protect investments.

- **Software-driven vertical solutions.** Extreme's software-driven solutions are designed to be easily adaptable to vertical solutions in industries such as healthcare, education, manufacturing, retail, transportation and logistics, government and hospitality. Extreme solutions are also designed to be well-suited for vertical-specific partners in these industries.
- **Application-aware Quality of Service ("QoS") and analytics**. Extreme has innovative analytic software that enables our customers to see application usage across the network and apply policies that maximize network capabilities. This allows our customers to improve the user experience.
- **Built-in identity and access control.** Extreme Control, a network access control, and identity management solution is delivered with the wired and wireless hardware. This may reduce the need to add on expensive software or hardware that may require complex compatibility testing.
- **Easier policy assignment and SDN.** ExtremeControl and ExtremeManagement software allow our customers to assign policy across the entire network. The SDN component adds versatility for implementing policies that increase network utilization.
- **100% in-sourced tech support.** ExtremeWorks delivers best in class customer support in the industry with 92% first call resolution through a 100% in-sourced support model.

Extreme sells products primarily through an ecosystem of channel partners which combine our Ethernet, wireless and management and software analytics products with their vertical-specific offerings to create IT solutions for end user customers

Products

Our software-driven networking products offer resilient high-performance networking, granular visibility and control and strategic intelligence for business innovation and operational simplicity. Fabric technologies enable "network-wide automation" that provides simple "plug-and-play" operation and much faster time-to-service. We build our products into vertical market solutions for converged campus networks that provide user and device mobility. Data Center and Cloud administrators are able to virtualize their servers and storage over our high-performance Ethernet infrastructure. Extreme's access control and analytics software provides visibility, control, strategic intelligence and security from the Data Center to the Edge - all through a single pane-of-glass.

Our product categories include:

- **Edge/Access Ethernet switching systems**. Our ExtremeSwitching Edge/Access Switch portfolio delivers Ethernet connectivity for the Edge of the network. Within this portfolio are products offering Access connection speeds ranging from 100 Megabit to 10 Gigabit – including new multi-rate 2.5 Gigabit and 5 Gigabit capabilities. These Switches provide various physical presentations (copper and fiber) along with options to deliver traditional Ethernet or convergence-friendly Power-over-Ethernet ("POE"), including high-power universal PoE consisting of 60W power to support new classes of Ethernet-powered devices. These Switching products, combined with our mature operating systems, deliver the features, performance, and reliability required by our customers to deploy, operate and manage converged networking infrastructures.

  This category was further enhanced in fiscal year 2017 with the introduction of a new family of entry-level Access Switches, the ExtremeSwitching 200 Series which target small and medium enterprises looking for an economical wired Access solution. The category of products has also been enhanced by the recent addition of the Avaya Networking assets, which brings three additional product lines – the ERS 3000, 4000, and 5000 Series which address, respectively, entry-level, mainstream, and premium edge networking markets. These families have been refreshed in fiscal 2017 to add the latest switching architectures enabling them to deliver more physical capabilities. The ERS 3000, 4000 and 5000 Series also provide seamless access to a Fabric-based Core by delivering automation and hyper-segmentation, along with the ability to harden the perimeter of the network infrastructure.
- **Aggregation/Core Ethernet switching systems**. Our ExtremeSwitching Aggregation/Core Switches are designed to address the demanding needs of Aggregation, Top-of-Rack and Campus Core environments. Delivering 10G, 25G, 40G, 50G and now also 100G connectivity with maximum throughput and reliability, these switches provide flexible Ethernet connectivity over a range of interface types and speeds and are available in both fixed and modular (or chassis-based) configurations. These Switching platforms, in conjunction with our advanced operating systems and centralized management software, provide the density, performance, and reliability required to serve in a diverse range of environments, especially where application demands and uptime expectations are mission-critical.

This category was enhanced in fiscal year 2017 with the introduction of the ExtremeSwitching X870 Series, a high-density 100G switch designed for high-performance enterprise and Cloud Data Centers. This is available in a compact 1RU form factor and supports multi-rate 10G, 25G, 40G, 50G and 100G interface speeds. The X870 Series is ideal for either Spine/Leaf or high-density Top-of-Rack architectures. During fiscal year 2017, we also introduced ExtremeSwitching X690 Series, a are high-density, purpose-built 10Gb/100Gb switches ideal for top-of-rack and/or edge leaf applications within high-performance data centers. The X690 supports a range of interface speeds, including 1Gb, 10Gb, 25Gb, 40Gb 50Gb and 100Gb, the X690 comes in a compact 1RU form factor.

The addition of Avaya Networking assets included the recently released VSP 8600 Series – a next-generation, low-profile, high-density Ethernet switch for the Core and Aggregation. This new switch complements the fixed and semi-modular VSP 8000 Series products that are currently in the market, and together these products empower the creation of versatile always-on campus solutions that are Fabric-enabled and 100 Gigabit-ready. The technologies supported by these innovative platforms can also leverage automated network attachment to proactively reduce operational burden and time-to-service.

- **Data Center switching systems**: Our ExtremeSwitching Data Center switches provide the highest levels of reliability and throughput - specifically designed to address the exacting demands of high-performance enterprise and Cloud Data Centers. These switches are available in both fixed and modular chassis configurations and include a set of advanced features such as redundant management and fabric modules, hot-swappable line cards on our chassis-based platforms, as well as multi-speed stacking of up to 100 Gigabits and flexible 10/25/40/50/100 Gigabit port options on our fixed-form platforms, which makes these switches well-suited for a majority of enterprise Data Center environments. Both platform types also provide redundant power supplies and fan trays to ensure high hardware availability.

  These switches also provide key feature extensions for Data Centers through technologies that include Virtual Extensible LAN (“VXLAN”), MPLS/VPLS, and Shortest Path Bridging (“SPB”) capabilities – the latter available on the recently-acquired Avaya Core Switches. In addition to these capabilities, our Data Center Switches offer innovative traffic optimization enabling Virtual Machine (“VM”) mobility via Layer 3 Data Center Interconnect. And our CoreFlow2 architecture delivers tens of millions of flows for deep visibility and control over users, services, and applications to meet the analytic and policy demands of today’s business applications.

- **High-density Wi-Fi.** Our ExtremeWireless and its family of Wireless Access Points is a centralized management and appliance that enables the deployment of wired-like performance, at scale for high-density in every environment. Our Wireless Access Point products offer both indoor and outdoor 802.11a/b/g/n/ac Access Points. Proven in the most demanding environments, ExtremeWireless delivers an exceptional experience for BYOD and mobile users wherever they may roam. During fiscal year 2017, we continued our growth in high-density venue deployments with many additional NFL stadiums.

  We are creating a single architecture from the Campus Core to the unified wired/wireless Edge thereby extending the Fabric Attach capability to ExtremeWireless APs. This will enable ExtremeWireless integration into existing and new Fabric Connect deployments and will also enable rapid, zero-touch deployment of ExtremeWireless APs.

- **Highly scalable, distributed Wi-Fi networks.** Our acquisition of the WLAN Business broadened our market penetration with a proven distributed wireless architecture that serves many top retailers, hospitality brands and transportation and logistics companies globally. ExtremeWireless WiNG has an extensive portfolio of indoor and outdoor 802.11ac (Wave 1 and 2) APs, with both virtualized and appliance-based controllers, an industry unique Wireless over VDSL2 wall plate solution and AirDefense; a premier wireless security solution.

- **Centralized network visibility, control, and insights.** Our Extreme Management Center empowers our customers to turn their network into a strategic business asset that drives crucial business objectives. It provides visibility, control and meaningful information across the wired and wireless network, from the edge to the private cloud, across multi-vendor environments. Our Extreme Management Center gives IT departments visibility and automated control over users, devices, and applications. It enables them to manage, automate and report on the entire network and applications. With Extreme Management Center, IT can correlate network and application performance with user and device activities to troubleshoot issues fast. Strategic information from the network allows enterprises make real-time decisions on policies, devices, applications, and people. This way, the implementation of new technologies such as BYOD and IoT can be automated and securely executed. Customers can deploy, configure, monitor and support the complete range of wired, wireless and switching infrastructure and set network-wide policy to enable enterprises to reduce the overall cost of network administration and operations, protect corporate resources and provide a consistently high-quality user experience that is managed through a single pane of glass, no need to switch screens or applications.

- **Network access control for secure BYOD and IoT management.** ExtremeControl is part of our Extreme Management Center and lets enterprises unify the security of their wired and wireless networks with in-depth visibility and control over users, devices, and applications. Granular policy controls enable enterprises to comply with policies and compliance obligations. They can use ExtremeControl to locate, authenticate and apply targeted policies to users and devices as users connect to the network for secure BYOD, guest access, and IoT. ExtremeControl is integrated with major enterprise platforms, including solutions for network security, enterprise mobility management, analytics, Cloud, and Data Center. In addition, it offers an open northbound API for customized integrations to key enterprise platforms.

Key product features include:

  - Enables secure guest access and BYOD via a self-service portal with social media logins
  - Reduces security vulnerabilities with end-system posture assessment
  - Expands security integration with next-generation firewalls
  - Offers visibility across your network with advanced reporting and alerting
  - Offers an open API for customized integrations.

- **Application analytics for strategic intelligence.**

  ExtremeAnalytics, also part of our Extreme Management Center, is a network-powered application analytics and optimization solution that captures network data, then aggregates, analyzes, correlates and reports on it to enable better decision making and improved business performance. Granular visibility into network and application performance, users, locations and devices empowers our customers to make data-driven business decisions. Customers can save operational costs, solve issues faster and deliver a superior end user experience with real-time data in one easy-to-read dashboard. Our solution speeds up troubleshooting by separating the network from application performance so IT can quickly identify root-causes. ExtremeAnalytics makes our customers' networks safer as it monitors shadow IT, identifies and reports malicious or unwanted applications, and monitors security compliance. Because of the value ExtremeAnalytics was able to provide, Extreme was selected as the Official Wi-Fi & Analytics Provider for the NFL, including Super Bowl XLVIII, XLIX, XLVI and XLI.

  Key product features include:

  - Enables troubleshooting and visualization of all wireless clients with our intuitive event analyzer
  - Allows customers to manage quality of experience by understanding network and application performance in one simple view
  - Provides contextual data about applications on the network without performance degradation
  - Includes transport layer independent application fingerprinting (a network security term to describe a collection of attributes from a network device).
  - Allows customers to identify problems proactively

  ExtremeGuest is complemented with ExtremeLocation which is a cloud service that enables enterprises to incorporate location-based services, which when combined with guest analytics, can power contextual marketing campaigns for retailers and hotel chains.

- **Cloud-based network management: simple, flexible, and powerful.** ExtremeCloud is an elastic, API driven wired and wireless cloud network management solution that offers advanced visibility and control over users and applications. Application analytics allow managed service providers ("MSPs") to deliver insights about how customer networks are being used and which policies they need to implement to optimize user experience. ExtremeCloud empowers MSPs to explore new revenue streams without additional investment in Cloud infrastructure. ExtremeCloud keeps operational cost low, adjusts to customer demand and protects their brand with white labeling. Elasticity and API foundation combined with zero-touch provisioning, multi-tenancy and delegation allows MSPs to optimize their operations and address the needs of geographically distributed customers from a single location. Extensive REST APIs enable end-to-end automation and empower MSPs to be more agile and responsive to customer needs.

Sales, Marketing and Distribution

We conduct our sales and marketing activities on a worldwide basis through a channel that utilizes distributors, resellers and our field sales organization. As of June 30, 2017, our worldwide sales and marketing organization consisted of 598 employees, including vice presidents, directors, managers, sales representatives, and technical and administrative support personnel. We have domestic sales offices located in six states and international sales offices located in 30 countries. The new talent brought in through the acquisitions of the WLAN Business and Avaya Networking business adds significant depth to our marketing efforts.

We sell our products primarily through an ecosystem of channel partners who combine our Ethernet, wireless, management and analytics software products with their vertical specific offerings to create compelling information technology solutions for end-user customers. We utilize our field sales organization to support our channel partners and to sell directly to certain end-user customers, including some large global accounts.

The details of our sales and distribution channels are as follows:

- **Alliance, Original Equipment Manufacturers ("OEM") and Strategic Relationships.** We have active Alliance, OEM & strategic relationships with Barco NV, Ericsson Enterprise AB, Silicon Graphics International, Inc. (acquired by HP), PC HK Ltd., Nokia Siemens Networks and Aviat Networks, Inc. as well as other global industry technology leaders in which our products are qualified to be included into an overall solution or reference architecture. These tested and validated solutions are then marketed and sold by the Alliance, OEM or strategic partners into their specific verticals, market segments and customers as turnkey offerings.
- **Distributors.** We have established several key relationships with leading distributors in the electronics and computer networking industries. Each of our distributors primarily resells our products to resellers. The distributors enhance our ability to sell and provide support to resellers who may benefit from the broad service and product fulfillment capabilities offered by these distributors. Extreme maintained distribution agreements with our largest distributors, Westcon Group, Tech Data Corporation and Jenne Corporation on substantially the same material terms as we generally enter into with each of our distributor partners. Distributors are generally given the right to return a portion of inventory to us for the purpose of stock rotation, to claim rebates for competitive discounts and participate in various cooperative marketing programs to promote the sale of our products and services. We defer recognition of revenue on all sales to distributors who maintain inventory of our products until the distributors sell the product, as evidenced by monthly "sales-out" reports that the distributors provide to us, provided other revenue recognition criteria are met. (See "Revenue Recognition" in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*)
- **Resellers.** We rely on many resellers worldwide that sell directly to the end-user customer. Our resellers include regional networking system resellers, resellers who focus on specific vertical markets, value added resellers, network integrators and wholesale resellers. We provide training and support to our resellers and our resellers generally provide the first level of contact to end-users of our products. Our relationships with resellers are on a non-exclusive basis. Our resellers are not given rights to return inventory and do not automatically participate in any cooperative marketing programs. We generally recognize product revenue from our reseller and end-user customers at the time of delivery, provided other revenue recognition criteria are met. When significant obligations or contingencies remain after products are delivered, such as installation or customer acceptance, revenue and related costs are deferred until such obligations or contingencies are satisfied. (See "Revenue Recognition" in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*.)
- **Field Sales**. Our field sales organization is trained to sell solutions, support and develop leads for our resellers and to establish and maintain key accounts and strategic end-user customers. To support these objectives, our field sales force:
  - Assists end-user customers in finding solutions to complex network system and architecture problems.
  - Differentiates the features and capabilities of our products from competitive offerings.
  - Continually monitors and understands the evolving networking needs of enterprise and service provider customers.
  - Promotes our products and ensures direct contact with current and potential customers.
  - Assists our resellers to drive opportunities to closure business.

Although we compete in many vertical markets, in fiscal year 2017, we have focused on the specific verticals of healthcare, education, manufacturing, government and hospitality, which includes sports and entertainment venues. Years of experience and a track record of success in the verticals we serve enables us to address the following industry-specific problems.

Healthcare:

- **Patient services.** In an increasingly competitive healthcare market, ensuring patient and visitor access from a variety of devices to the Internet can be a competitive advantage. We have several medical facilities worldwide that can reference Extreme's expertise in meeting the challenges of patient services which include: online services, guest Wi-Fi, IoT, wearables and sensors.
- **The majority of new medical devices are IP-based**. Not only are most medical devices monitored through the network, they are regulated by various government agencies across the globe. Extreme has success in meeting this challenge with compliance through our complete wireless and wired product suite overseen by innovative management and analytics.
- **Clinical workflow has shifted to real-time mobility inside and outside the hospital.** Medical professionals often access critical patient records through network connections. Extreme's reliable and comprehensive technology, including the latest Wave 2 capability, is backed by practical experience in addressing the demanding needs of clinical workflow.

Education:

- **New styles of teaching.** Personalized learning, flipped classrooms and competency-based education depend on well-managed high-bandwidth digital content delivery. Extreme has extensive knowledge in smart classroom and large campus environments; both of which are experiencing a growing presence of IoT devices. Our easy-to-manage networks provide the bandwidth necessary to deliver digital content, including emerging styles like virtual and mixed reality, to thousands of students with the speed and quality required. Extreme has demonstrated the ability to provide high density, two-way Internet connectivity so that each student has a rich and uninterrupted educational experience.
- **Online and technology-based assessment is growing in importance.** K-12 is implementing high stakes standardized testing and higher education is moving to BYOD for online mid-term and final exams. ExtremeAnalytics helps ensure tests proceed by providing visibility into the network flow from student device to local school server to remote testing server.
- **Protecting student privacy, safety and digital freedom**. Extreme has built-in access and identity control to protect the safety and privacy of students, faculty and administrators. This all in one offering helps ease the burden on education institutions that have limited IT resources.

Manufacturing:

- **Operations to meet the fast-changing customer and market requirements.** Flexible manufacturing and build-to-order processes place high demands on the network for material and shop floor control. Extreme's proven technology strives to meet these demands in some of the world's most demanding manufacturing environments.
- **Speed, adaptability and innovation are the new currencies in the manufacturing realm**. A fast and reliable network can help to accommodate speed. Extreme's full suite of wired and wireless product and management and analytics software enable agile manufacturing.
- **Visibility into plant and back office technology performance**. Extreme's management, control and analytics provide end-to-end network visibility from a single console without the need to swap user interfaces. This unique capability is well-suited for plant and back office environments.

Government:

- **Secure access.** Government agencies are being challenged to provide their employees and the citizens they serve with secure, cost-effective, high-speed access to online information and resources. For today's agencies, high quality video, collaboration, social media, VoIP and multimedia applications have become mission-critical services. These applications have placed unprecedented bandwidth and control demands on existing networks.
- **Management of new technologies.** The increasingly rapid deployment of wireless access, data center virtualization and the adoption of cloud computing have further complicated network management and control. For federal government agencies, the challenge is determining how to deliver secure, seamless, always-on access to these mission-critical services.
- **Controlling costs.** Agencies need to deliver access from laptops, tablets, smartphones and other types of devices, at any time, from any place and from anywhere, while at the same time maximizing efficiencies and cost savings across all areas of the network infrastructure. Extreme provides a rich set of networking solutions that strive to be cost-effective and secure and allow government agencies to meet not only today's needs, but also to be prepared for future demands.

Hospitality:

- **Developing a cohesive and enhanced mobile experience.** Through real world experience in sports stadiums, where over 70,000 fans actively access the Internet, Extreme has developed the expertise to handle the most demanding venue challenges. Our hospitality experience spans hotels, casinos, theaters, convention centers, vacation destinations and outdoor venues.
- **Emphasizing the user experience and mobile engagement.** Extreme has the ability to monitor applications so that policy to maximize user experience can be implemented in fixed and mobile environments with the same set of management tools from a single pane of glass.
- **Generating revenue opportunities for the business**. Knowing the behaviors of customers and clients is a key to success and Extreme Analytics provides visibility to the usage patterns and traits of network users.

Retail:

- **Transforming the brick and mortar retail experience**. Extreme's strength in the retail vertical is built upon years of experience and enhanced with the acquisition of WLAN Business. Extreme is able to deliver Wi-Fi across distribution centers, driving efficiencies in logistics workflow while enabling in-store Wi-Fi to maximize associate resource planning and customer engagement. ExtremeAnalytics, Extreme's location and mobile usage analytics tool, also provides brands with unique insights into in-store behaviors of their customers. This is fast becoming one of Extreme's competitive differentiators in the retail vertical.

Furthermore, in fiscal 2017, we decided to focus on the following customer profiles where we believe we can add the most value:

- **Customer size:** Those customers with annual revenue of $100 million to $2.5 billion.
- **Target deployment:** Campus deployments with 250 to 5,000 employees or education campuses with 1,000 to 15,000 students.
- **Target data centers:** Data centers with 1,000 servers or less.
- **Vertical markets:** Healthcare, education, government, manufacturing, hospitality, which includes sports and entertainment venues, and retail.
- **Customer characteristics:** Our customers tend to operate in transient environments, such as college campuses, hospitals and sports venues, where BYOD and secure network access and identity control are critical. Their networks must be highly available with the ability to continue operations in the event of a service interruption. Secure access is essential to ensuring the protection of mission-critical systems and confidential information. Often tasked to manage the network with a limited IT staff, our customers appreciate the excellent service and support we strive to provide.

Customers with 10% of net revenue or greater

The following table sets forth major customers accounting for 10% or more of our net revenue:

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Tech Data Corporation	18%	17%	15%
Jenne Corporation	12%	14%	*
Westcon Group Inc.	11%	14%	15%

* Less than 10% of revenue

International sales

International sales are an important portion of our business. In fiscal 2017, sales to customers outside of the United States accounted for 49% of our consolidated net revenues, compared to 55% in fiscal 2016 and 57% in fiscal 2015. These sales are conducted primarily through foreign-based distributors and resellers managed by our worldwide sales organization. In addition, we have direct sales to end-user customers, including large global accounts. The primary markets for sales outside of the United States are countries in Europe and Asia, as well as Canada, Mexico, Central America and South America.

We operate in one segment, the development and marketing of network infrastructure equipment. Information concerning revenue, results of operations and revenue by geographic area is set forth under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in Note 10 of our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, both of which are incorporated herein by reference. Information on risks attendant to our foreign operations is set forth below in Item 1A. "Risk Factors."

Marketing

We continue to develop and execute on a number of marketing programs to support the sale and distribution of our products by communicating the value of our solutions to our existing and potential customers, our distribution channels, our resellers and our technology alliance partners. Our marketing efforts include participation in industry tradeshows, conferences and seminars, publication of technical and educational articles in industry journals, communication across social media channels, frequent updates to our publicly available website, promotions, web-based training courses, advertising, analyst relations and public relations. We also submit our products for independent product testing and evaluation. Extreme participates in numerous industry analyst ratings including ratings from Gartner Magic Quadrants, Gartner Critical Capabilities, Forrester Waves, IDC MarketScapes and InfoTech Vendor Landscapes.

Backlog

Our products are often sold on the basis of standard purchase orders that are cancelable prior to shipment without significant penalties. In addition, purchase orders are subject to changes in quantities of products and delivery schedules in order to reflect changes in customer requirements and manufacturing capacity. Our business is characterized by seasonal variability in demand and short lead-time orders and delivery schedules. Actual shipments depend on the then-current capacity of our contract manufacturers and the availability of materials and components from our vendors. Although we believe the orders included in the backlog are firm, all orders are subject to possible rescheduling by customers, cancellations by customers which we may elect to allow without penalty to customer, and further pricing adjustments on orders from distributors. Therefore, we do not believe our backlog, as of any particular date is necessarily indicative of actual revenue for any future period.

Our product backlog at June 30, 2017, net of anticipated back end rebates for distributor sales, was $25.5 million, compared to $26.8 million at June 30, 2016.

Seasonality

Like many of our competitors, we historically have experienced seasonal fluctuations in customer spending patterns, which generally adversely affect our first and third fiscal quarters. This pattern should not be relied upon or be considered indicative of our future performance, however, as it has varied in the past.

Customer Service and Support

Our customers seek high reliability and maximum uptime for their networks. To that extent, we provide the following service offerings:

- *Support services for end-users, resellers and distributors.* We meet the service requirements of our customers and channel partners through our Technical Assistance Centers ("TACs"), located in Morrisville, North Carolina; Salem, New Hampshire; Holtsville, New York; Reading, United Kingdom; Penang, Malaysia; Brno, Czech Republic; Utrect, Netherlands and Chennai, India. Our TAC engineers and technicians assist in diagnosing and troubleshooting technical issues regarding customer networks. Development engineers work with the TACs to resolve product functionality issues specific to each customer.
- *Professional services.* We provide consultative services to improve customer productivity in all phases of the network lifecycle – planning, design, implementation, operations and optimization management. Our network architects develop and execute customized software and service-led networking solutions for deployment plans to meet individualized network strategies. These activities may include the management and coordination of the design and network configuration, resource planning, staging, logistics, migration and deployment. We also provide customized training and operational best practices manuals to assist customers in the transition and sustenance of their networks.

- *Education.* We offer classes covering a wide range of topics such as installation, configuration, operation, management and optimization – providing customers with the necessary knowledge and experience to successfully deploy and manage our products in various networking environments. Classes may be scheduled and available at numerous locations worldwide. We deliver training using our staff, on-line training classes and authorized training partners. In addition, we make much of our training materials accessible free-of-charge on our internet site for customers and partners to use in self-education. We believe this approach enhances the market's ability to learn and understand the broad array of advantages of our products.

Long-Lived Assets

See Note 3 of our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for more information regarding our long-lived assets.

Manufacturing

We outsource the majority of our manufacturing and supply chain management operations as part of our strategy to maintain global manufacturing capabilities and to reduce our costs. We conduct quality assurance, manufacturing engineering, document control and test development at engineering facilities at Morrisville, North Carolina; Salem, New Hampshire; Toronto, Canada and Chennai, India. This approach enables us to reduce fixed costs and to flexibly respond to changes in market demand. Our end-to-end supply chain, including our two engineering facilities at Morrisville and Chennai are all ISO 9001 certified.

We use Alpha Networks, Inc. ("Alpha Networks") headquartered in Hsinchu, Taiwan to design and manufacture our Summit, A-Series, B-Series, C-Series, Stackable products, G-Series, D-Series, I-Series and 800-Series Standalone products and Black Diamond chassis products. Alpha Networks is a global networking Original/Joint Design Manufacturer ("ODM/JDM") leader with core competencies in areas such as Ethernet, LAN/MAN, Wireless, Broadband and VoIP. Alpha Networks manufacturing processes and procedures are ISO 9001 certified.

We use Benchmark Electronics, Inc. ("Benchmark") headquartered in Huntsville, Alabama and Flextronics International ("Flextronics") headquartered in Singapore, to manufacture our S-Series and K-Series chassis products, 7100-Series Stackable products and SSA Standalone products. Benchmark and Flextronics have a significant investment in capital to ensure they have the latest in manufacturing and test technologies and both companies are ISO 9001 certified.

The ExtremeWireless Access Point products are supplied by Senao Electronics ("Senao"), headquartered in Taipei, Taiwan. With the addition of WiNG Wireless, which was part of the WLAN Business from Zebra, we also use Wistron NeWeb Corporation ("WNC") headquartered in Hsinchu, Taiwan; Universal Scientific Industrial ("USI") headquartered in Shanghai, China and Accton Technology Corporation ("Accton") headquartered in Hsinchu, Taiwan to design and manufacture WiNG Access Points. Senao, WNC, USI and Accton manufacturing processes and procedures are ISO 9001 certified.

All of our manufacturers utilize automated testing equipment to perform product testing and burn-in with specified tests. Together we rely upon comprehensive inspection testing and statistical process controls to assure the quality and reliability of our products.

We use a collaborative sales and operations planning ("S&OP") forecast of expected demand to determine our material requirements. Lead times for materials and components vary significantly, and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. We order most of our materials and components on an indirect basis through our ODM/JDM, OEMs and contract manufacturers' ("CMs"). Purchase commitments with all of our manufacturers are generally on a purchase order basis.

Research and Development

The success of our products to date is due in large part to our focus on research and development. We believe that continued success in the marketplace will depend on our ability to develop new and enhanced products employing leading-edge technology. Accordingly, we plan to undertake development efforts with an emphasis on increasing the reliability, performance and features of our family of products, and designing innovative products to reduce the overall network operating costs of customers.

Our product development activities focus on solving the needs of customers in the enterprise campus by providing an end-to-end, wired and wireless network solution from the access edge to the private clouds in targeted verticals. Current activities include the continuing development of our innovative switching technology aimed at extending the capabilities of our products. Our ongoing research activities cover a broad range of areas, including, in particular, 40G and 100G Ethernet, routing, timing and resiliency protocols, open standards interfaces, software defined networks, network security, identity management, data center fabrics, and wireless networking.

We plan to continue to enhance the functionality of our modular operating systems which have been designed to provide high reliability and availability. This allows us to leverage a common operating system across different hardware and network chipsets.

As of June 30, 2017, our research and development organization consisted of 495 employees. Research and development efforts are conducted in several of our locations, including San Jose, California, Morrisville, North Carolina; Salem, New Hampshire; Toronto, Canada, and Bangalore and Chennai, India. Our research and development expenses in fiscal years 2017, 2016 and 2015 were $93.7 million, $78.7 million and $93.4 million, respectively.

Intellectual Property

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of June 30, 2017, we had 493 issued patents in the United States and 352 patents outside of the United States. The expiration dates of our issued patents in the United States range from 2018 to 2032. Although we have patent applications pending, there can be no assurance that patents will be issued from pending applications or that claims allowed on any future patents will be sufficiently broad to protect our technology. With respect to trademarks, we have a number of pending and registered trademarks in the United States and outside the United States.

We enter into confidentiality, inventions assignment or license agreements with our employees, consultants and other third parties with whom we do business, and control access to, and distribution of, our software, documentation and other proprietary information. In addition, we provide our software products to end-user customers primarily under “shrink-wrap” or "click-through" license agreements. These agreements are not negotiated with or signed by the licensee, and thus these agreements may not be enforceable in some jurisdictions. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

Competition

The market for network switches, routers and software (including analytics) which is part of the broader market for networking equipment is extremely competitive and characterized by rapid technological progress, frequent new product introductions, changes in customer requirements and evolving industry standards. We believe the principal competitive factors in this market are:

- expertise and familiarity with network protocols, network switching/routing/wireless and network management;
- expertise and familiarity with application analytics software;
- expertise with network operations and management software;
- product performance, features, functionality and reliability;
- price/performance characteristics;
- timeliness of new product introductions;
- adoption of emerging industry standards;
- customer service and support;
- size and scope of distribution network;
- brand name;
- breadth of product offering;
- access to customers; and
- size of installed customer base.

We believe we compete with our competitors with respect to many of the foregoing factors. However, the market for network switching solutions is dominated by a few large companies, particularly Cisco Systems, Inc., Dell, Hewlett-Packard Company, Huawei Technologies Co. Ltd., and Juniper Networks Inc. Most of these competitors have longer operating histories, greater name recognition, larger customer bases, broader product lines and substantially greater financial, technical, sales, marketing and other resources.

With the acquisitions of assets from Zebra and Avaya, we believe Extreme is uniquely positioned to address the most pressing market needs from the campus to the data center.

In addition, in order to increase our competitive position in the market, on March 29, 2017, we entered into an Asset Purchase Agreement with LSI Corporation and, solely for the purposes set forth in the Asset Purchase Agreement, Broadcom Corporation ("Broadcom"), to purchase the data center technology business of Brocade Communication Systems, Inc. and its subsidiaries ("Brocade Data"). This transaction is subject to certain conditions that may not occur, and if we do consummate the transaction, we may not realize the anticipated benefits and will assume certain contracts and related liabilities. (See "Risk Factors" in Item 1A below.)

Restructuring

Fiscal year 2015

During the fourth quarter of fiscal 2015, we implemented a plan to reduce costs through targeted restructuring activities intended to reduce operating costs and realign our organization in the current competitive environment. We initiated a plan to reduce our worldwide headcount by more than 225 employees, primarily in sales and marketing as well as research and development, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions.

Fiscal year 2016

During fiscal 2016, we continued to realign our operations by abandoning excess facilities, primarily in San Jose, California; Salem, New Hampshire and Morrisville, North Carolina in addition to other smaller leased locations. These excess facilities represented approximately 32% of the floor space in the aggregate at these locations and included general office and warehouse space.

Fiscal year 2017

During fiscal 2017, we continued to realign our operations by continuing to review our excess facilities, expected sublease income, and implemented a reduction force. The Company subleased its previous headquarters location at Rio Robles Drive in San Jose, California ("Rio Robles") and moved into a larger location at 6480 Via del Oro in San Jose, California ("Via del Oro") acquired as part of the WLAN Business acquisition. Additionally, due to the acquisition of Avaya Networking and the anticipated acquisition of Brocade Data, there is a need to accommodate the increase in headcount. To address this need, the Company decided to reoccupy a majority of the previously exited space in its Salem, New Hampshire location. In addition, the Company announced a reduction-in-force during the fiscal year affecting 90 employees.

Environmental Matters

We are subject to various environmental and other regulations governing product safety, materials usage, packaging and other environmental impacts in the United States and in various countries where our products are manufactured and sold. We are also subject to regulatory developments, including recent SEC disclosure regulations relating to so-called "conflict minerals," relating to ethically responsible sourcing of the components and materials used in our products. To date, compliance with federal, state, local, and foreign laws enacted for the protection of the environment has had no material effect on our capital expenditures, earnings, or competitive position.

We are committed to energy efficiency in our product lines. Accordingly, we believe this is an area that affords us a competitive advantage for our products in the marketplace. We maintain compliance with various regulations related to the environment, including the Waste Electrical and Electronic Equipment and the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment regulations adopted by the European Union. To date, our compliance efforts with various United States and foreign regulations related to the environment has not had a material effect on our operating results.

Employees

As of June 30, 2017, we employed 1,628 people, including 598 in sales and marketing, 495 in research and development, 174 in operations, 261 in customer support and services, and 100 in finance and administration. We have never had a work stoppage and no employees in the United States are represented under a collective bargaining agreement. We consider our employee relations to be good.

We believe our future success depends on our continued ability to attract, integrate, retain, train and motivate highly qualified employees, and upon the continued service of our senior management and key employees. None of our executive officers or key employees is bound by an employment agreement which mandates that the employee render services for any specific term. The market for qualified personnel is highly competitive.

Organization

We were incorporated in California in May 1996, and reincorporated in Delaware in March 1999. Our corporate headquarters are located at 6480 Via del Oro, San Jose, CA 95119 and our telephone number is (408) 579-2800. We electronically file our Securities Exchange Commission ("SEC") disclosure reports with the SEC and they are available free of charge at both www.sec.gov and www.extremenetworks.com. The public may also read or copy any materials we file with the SEC at the SEC's public reference room at Station Place, 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

Our corporate governance guidelines, the charters of our audit committee, our compensation committee, our nominating and corporate governance committee and our code of conduct policy (including code of ethics provisions that apply to our principal executive officer, principal financial officer, controller and senior financial officers) are available on our website at www.extremenetworks.com under "Corporate Governance." These items are also available to any stockholder who requests them by calling (408) 579-2800.

Item 1A. Risk Factors

The following is a list of risks and uncertainties which may have a material and adverse effect on our business, operations, industry, financial condition, results of operations or future financial performance. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, results of operations, industry, financial position and financial performance in the future.

We may not realize anticipated benefits of past or future acquisitions, divestitures and strategic investments, and the integration of acquired companies or technologies may negatively impact our business and financial results or dilute the ownership interests of our stockholders.

As part of our business strategy, we review acquisition and strategic investment prospects that we believe would complement our current product offerings, augment our market coverage or enhance our technical capabilities, or otherwise offer growth opportunities. In the event of any future acquisitions, we could:

- issue equity securities which would dilute current stockholders' percentage ownership;
- incur substantial debt;
- assume contingent liabilities; or
- expend significant cash.

These actions could have a material adverse effect on our operating results or the price of our common stock.

For example, on October 28, 2016, we completed the acquisition of the WLAN Business from Zebra Technologies Corporation and amended our credit facility with our lenders to finance the acquisition. As of June 30, 2017, we have $93.7 million of indebtedness outstanding.

On July 14, 2017, we completed the acquisition of Avaya's Networking business under section 363 of the United States Code, 11 U.S.C. § 101-1532 (the "Bankruptcy Code") for a purchase price of $100.0 million subject to certain adjustments set forth in the purchase agreement.

Further, on March 29, 2017, we entered into an Asset Purchase Agreement with LSI Corporation and, solely for the purposes set forth in the Asset Purchase Agreement, Broadcom Corporation, to purchase the data center technology business of Brocade Communication Systems, Inc. and its subsidiaries. This transaction is subject to certain conditions that may not occur, and if we do consummate the transaction, we may not realize the anticipated benefits and will assume certain contracts and related liabilities.

Moreover, even if we do obtain benefits in the form of increased sales and earnings, these benefits may be recognized much later than the time when the expenses associated with an acquisition are incurred. This is particularly relevant in cases where it would be necessary to integrate new types of technology into our existing portfolio and new types of products may be targeted for potential customers with which we do not have pre-existing relationships.

Our ability to realize the anticipated benefits of our acquisitions and investment activities, including the WLAN Business and Avaya Networking, also entail numerous risks, including, but not limited to:

- difficulties in the assimilation and successful integration of acquired operations, technologies and/or products;
- unanticipated costs, litigation or other contingent liabilities associated with the acquisition or investment transaction;
- incurrence of acquisition- and integration-related costs, goodwill or in-process research and development impairment charges, or amortization costs for acquired intangible assets, that could negatively impact our operating results and financial condition;
- the diversion of management's attention from other business concerns;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering markets in which we have no or limited prior experience;
- the potential loss of key employees of acquired organizations and inability to attract or retain other key employees; and
- substantial charges for the amortization of certain purchased intangible assets, deferred stock compensation or similar items.

We may not be able to successfully integrate any businesses, products, technologies, or personnel that we might acquire in the future, and our failure to do so could have a material adverse effect on our business, operating results and financial condition.

Our strategic transaction with Broadcom may not be consummated or may not deliver the anticipated benefits we expect.

On March 29, 2017, we entered into an Asset Purchase Agreement with LSI Corporation and, solely for the purposes set forth in the Asset Purchase Agreement, Broadcom Corporation, to purchase the data center technology business of Brocade Communication Systems, Inc. and its subsidiaries (the “Brocade Data”). This transaction is subject to certain conditions that may not occur, and if we do consummate the transaction, we may not realize the anticipated benefits and will assume certain contracts and related liabilities.

We are devoting a significant proportion of our time and resources to consummating the Brocade Data transaction, however, there can be no assurance that such activities will result in the consummation of this transaction.

The closing of the Brocade Data transaction is subject to the consummation of the merger of Bobcat Merger Sub, Inc., a direct wholly owned subsidiary of LSI, with and into Brocade, upon the terms and subject to the conditions set forth in the Agreement and Plan of Merger, dated as of November 2, 2016, by and among Broadcom Limited, Broadcom, Brocade and Bobcat Merger Sub, and the satisfaction of customary closing conditions, including, among other matters, (i) the absence of any law or governmental order prohibiting or preventing the consummation of the transactions contemplated by the Asset Purchase Agreement, (ii) the receipt of certain needed governmental approvals and authorizations, (iii) the accuracy of the representations and warranties and compliance with the covenants set forth in the Asset Purchase Agreement, each in all material respects, and (iv) the absence of any material adverse effect on the business.

In the event that any of these closing conditions are not satisfied, we may not be able to consummate the Brocade Data transaction. In addition, even if we are able to consummate the Brocade Data transaction, such transaction may not deliver the benefits we anticipate or enhance stockholder value.

Our credit facilities impose financial and operating restrictions on us.

Our debt instruments, including our Credit Facility, as amended, entered into in connection with the WLAN Business and Avaya Networking business, impose, and the terms of any future debt may impose, operating and other restrictions on us. These restrictions could affect, and in many respects limit or prohibit, among other items, our ability to:

- incur additional indebtedness;
- create liens;
- make investments;
- enter into transactions with affiliates;
- sell assets;
- guarantee indebtedness;
- declare or pay dividends or other distributions to stockholders;
- repurchase equity interests;
- change the nature of our business;
- enter into swap agreements;
- issue or sell capital stock of certain of our subsidiaries; and
- consolidate, merge, or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

The agreements governing our Credit Facility, as amended, also require us to achieve and maintain compliance with specified financial ratios. A breach of any of these restrictive covenants or the inability to comply with the required financial ratios could result in a default under our debt instruments. If any such default occurs, the lenders under our credit agreement may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. The lenders under our credit agreement also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under our credit agreement will have the right to proceed against the collateral granted to them to secure the debt. If the debt under our credit agreement were to be accelerated, we cannot give assurance that this collateral would be sufficient to repay our debt.

If we fail to meet our payment or other obligations under our Credit Facility, as amended, the lenders under such Credit Facility, as amended, could foreclose on, and acquire control of, substantially all of our assets.

Our Credit Facility, as amended, is jointly and severally guaranteed by us and certain of our subsidiaries. Borrowings under our Credit Facility, as amended, are secured by liens on substantially all of our assets, including the capital stock of certain of our subsidiaries, and the assets of our subsidiaries that are loan party guarantors. If we are unable to repay outstanding borrowings when due, the lenders under our credit agreement will have the right to proceed against this pledged capital stock and take control of substantially all of our assets.

Our revenues may decline as a result of changes in public funding of educational institutions.

A portion of our revenues comes from sales to both public and private K-12 educational institutions. Public schools receive funding from local tax revenue, and from state and federal governments through a variety of programs, many of which seek to assist schools located in underprivileged or rural areas. The funding for a portion of our sales to educational institutions comes from a federal funding program known as the E-Rate program. E-Rate is a program of the Federal Communications Commission that subsidizes the purchase of approved telecommunications, Internet access, and internal connection costs for eligible public educational institutions. The E-Rate program, its eligibility criteria, the timing and specific amount of federal funding actually available and which Wi-Fi infrastructure and product sectors will benefit, are uncertain and subject to final federal program approval and funding appropriation continues to be under review by the Federal Communications Commission, and we cannot assure that this program or its equivalent will continue, and as a result, our business may be harmed. Furthermore, if state or local funding of public education is significantly reduced because of legislative or policy changes or by reductions in tax revenues due to changing economic conditions, our sales to educational institutions may be negatively impacted by these changed conditions. Any reduction in spending on information technology systems by educational institutions would likely materially and adversely affect our business and results of operations. This is a specific example of the many factors which add additional uncertainty to our future revenue from our education end-customers.

To successfully manage our business or achieve our goals, we must attract, retain, train, motivate, develop and promote key employees, and failure to do so can harm us.

Our success depends to a significant degree upon the continued contributions of our key management, engineering, sales and marketing, service and operations personnel, many of whom would be difficult to replace. We do not have employment contracts with these individuals that mandate that they render services for any specific term, nor do we carry life insurance on any of our key personnel. We have experienced and may in the future experience significant turnover in our executive personnel. Changes in our management and key employees could affect our financial results, and a recent reduction in force, may impede our ability to attract and retain highly skilled personnel. We believe our future success will also depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing, service, finance and operations personnel. The market for these personnel is competitive, and we have had difficulty in hiring employees, particularly engineers, in the time-frame we desire.

A number of our employees are foreign nationals who rely on visas and entry permits in order to legally work in the United States and other countries. In recent years, the United States has increased the level of scrutiny in granting H-1(B), L-1 and other business visas. In addition, the current U.S. administration has indicated that immigration reform is a priority. Compliance with United States immigration and labor laws could require us to incur additional unexpected labor costs and expenses or could restrain our ability to retain skilled professionals. Any of these restrictions could have a material adverse effect on our business, results of operations and financial conditions.

We cannot assure you we will be profitable in the future, and our financial results may fluctuate significantly from period to period.

We have reported losses in each of our three most recent fiscal years. In addition, in years when we reported profits, we were not profitable in each quarter during those years. We anticipate continuing to incur significant sales and marketing, product development and general and administrative expenses. Any delay in generating or recognizing revenue could result in a loss for a quarter or full year. Even if we are profitable, our operating results may fall below our expectations and those of our investors, which could cause the price of our stock to fall.

We may experience challenges or delays in generating or recognizing revenue for a number of reasons and our revenue and operating results have varied significantly in the past and may vary significantly in the future due to a number of factors, including, but not limited to, the following:

- our dependence on obtaining orders during a quarter and shipping those orders in the same quarter to achieve our revenue objectives;
- decreases in the prices of the products we sell;
- the mix of products sold and the mix of distribution channels through which products are sold;
- acceptance provisions in customer contracts;
- our ability to deliver installation or inspection services by the end of the quarter;
- changes in general and/or specific economic conditions in the networking industry;
- seasonal fluctuations in demand for our products and services;
- a disproportionate percentage of our sales occurring in the last month of the quarter;
- our ability to ship products by the end of a quarter;
- reduced visibility into the implementation cycles for our products and our customers' spending plans;
- our ability to forecast demand for our products, which in the case of lower-than-expected sales, may result in excess or obsolete inventory in addition to non-cancelable purchase commitments for component parts;
- our sales to the telecommunications service provider market, which represents a significant source of large product orders, being especially volatile and difficult to forecast;
- product returns or the cancellation or rescheduling of orders;
- announcements and new product introductions by our competitors;
- our ability to develop and support relationships with enterprise customers, service providers and other potential large customers;

- our ability to achieve and maintain targeted cost reductions;
- fluctuations in warranty or other service expenses actually incurred;
- our ability to obtain sufficient supplies of sole- or limited-source components for our products on a timely basis;
- increases in the price of the components we purchase; and
- changes in funding for customer technology purchases in our markets, such as policy changes in public funding of educational institutions in the United States in accordance with the Federal Communications Commission's E-Rate program.

Due to the foregoing and other factors, many of which are described herein, period-to-period comparisons of our operating results should not be relied upon as an indicator of our future performance.

The global economic environment has and may continue to negatively impact our business and operating results.

The challenges and uncertainty currently affecting global economic conditions may negatively impact our business and operating results in the following ways:

- customers may delay or cancel plans to purchase our products and services;
- customers may not be able to pay, or may delay payment of, the amounts they owe us, which may adversely affect our cash flow, the timing of our revenue recognition and the amount of our revenue;
- increased pricing pressure may result from our competitors aggressively discounting their products;
- accurate budgeting and planning will be difficult due to low visibility into future sales;
- forecasting customer demand will be more difficult, increasing the risk of either excess and obsolete inventory if our forecast is too high or insufficient inventory to meet customer demand if our forecast is too low; and
- our component suppliers and contract manufacturers have been negatively affected by the economy, which may result in product delays and changes in pricing and service levels.

If global economic conditions do not show continued improvement, we believe we could experience material adverse impacts to our business and operating results.

We depend upon international sales for a significant portion of our revenue which imposes a number of risks on our business.

International sales constitute a significant portion of our net revenue. Our ability to grow will depend in part on the expansion of international sales. Our international sales primarily depend on the success of our resellers and distributors. The failure of these resellers and distributors to sell our products internationally would limit our ability to sustain and grow our revenue. There are a number of risks arising from our international business, including:

- longer accounts receivable collection cycles;
- difficulties in managing operations across disparate geographic areas;
- difficulties associated with enforcing agreements through foreign legal systems;
- reduced or limited protection of intellectual property rights, particularly in jurisdictions that have less developed intellectual property regimes, such as China and India;
- higher credit risks requiring cash in advance or letters of credit;
- potential adverse tax consequences;
- compliance with regulatory requirements of foreign countries, including compliance with rapidly evolving environmental regulations;
- compliance with U.S. laws and regulations pertaining to the sale and distribution of products to customers in foreign countries, including export controls and the Foreign Corrupt Practices Act;
- the payment of operating expenses in local currencies, which exposes us to risks of currency fluctuations.
- political and economic turbulence;

- terrorism, war or other armed conflict;
- compliance with U.S. and other applicable government regulations prohibiting certain end-uses and restrictions on trade with embargoed or sanctioned countries, such as Russia, and with denied parties;
- potential import tariffs imposed by the United States and the possibility of reciprocal tariffs by foreign countries;
- difficulty in conducting due diligence with respect to business partners in certain international markets;
- increased complexity of accounting rules and financial reporting requirements;
- fluctuations in local economies; and
- natural disasters and epidemics.

Any or all of these factors could have a material adverse impact on our business, financial condition, and results of operations.

Substantially all of our international sales are United States dollar-denominated. The continued strength and future increases in the value of the United States dollar relative to foreign currencies could make our products less competitive in international markets. In the future, we may elect to invoice some of our international customers in local currency, which would expose us to fluctuations in exchange rates between the United States dollar and the particular local currency. If we do so, we may decide to engage in hedging transactions to minimize the risk of such fluctuations.

We have entered into foreign exchange forward contracts to offset the impact of payment of operating expenses in local currencies to some of our operating foreign subsidiaries. However, if we are not successful in managing these foreign currency transactions, we could incur losses from these activities.

Local laws and customs in many countries differ significantly from, or conflict with, those in the United States or in other countries in which we operate. In many foreign countries, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. Although we have implemented policies, procedures and training designed to ensure compliance with these U.S. and foreign laws and policies, there can be no complete assurance that any individual employee, contractor, channel partner, or agents will not violate our policies and procedures. Violations of laws or key control policies by our employees, contractors, channel partners, or agents could result in termination of our relationship, financial reporting problems, fines, and/or penalties for us, or prohibition on the importation or exportation of our products, and could have a material adverse effect on our business, financial condition and results of operations.

We expect the average selling price of our products to decrease, which is likely to reduce gross margin and/or revenue.

The network equipment industry has traditionally experienced an erosion of average selling prices due to a number of factors, including competitive pricing pressures, promotional pricing and technological progress. We anticipate the average selling prices of our products will decrease in the future in response to competitive pricing pressures, excess inventories, increased sales discounts and new product introductions by us or our competitors. We may experience decreases in future operating results due to the erosion of our average selling prices. To maintain our gross margin, we must develop and introduce on a timely basis new products and product enhancements and continually reduce our product costs. Our failure to do so would likely cause our revenue and gross margin to decline.

We purchase several key components for products from single or limited sources and could lose sales if these suppliers fail to meet our needs.

We currently purchase several key components used in the manufacturing of our products from single or limited sources and are dependent upon supply from these sources to meet our needs. Certain components such as tantalum capacitors, SRAM, DRAM, and printed circuit boards, have been in the past, and may in the future be, in short supply. We have encountered, and are likely in the future to encounter, shortages and delays in obtaining these or other components, and this could have a material adverse effect on our ability to meet customer orders. Our principal sole-source components include:

- ASICs - merchant silicon, Ethernet switching, custom and physical interface;
- microprocessors;
- programmable integrated circuits;
- selected other integrated circuits;

- custom power supplies; and
- custom-tooled sheet metal.

Our principal limited-source components include:

- flash memory;
- DRAMs and SRAMs;
- printed circuit boards;
- CAMs;
- connectors; and
- timing circuits (crystals & clocks).

We use our forecast of expected demand to determine our material requirements. Lead times for materials and components we order vary significantly, and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. If forecasts exceed orders, we may have excess and/or obsolete inventory, which could have a material adverse effect on our operating results and financial condition. If orders exceed forecasts, we may have inadequate supplies of certain materials and components, which could have a material adverse effect on our ability to meet customer delivery requirements and to recognize revenue.

Our top ten suppliers accounted for a significant portion of our purchases during the quarter. Given the significant concentration of our supply chain, particularly with certain sole or limited source providers, any significant interruption by any of the key suppliers or a termination of a relationship could temporarily disrupt our operations. Additionally, our operations are materially dependent upon the continued market acceptance and quality of these manufacturers' products and their ability to continue to manufacture products that are competitive and that comply with laws relating to environmental and efficiency standards. Our inability to obtain products from one or more of these suppliers or a decline in market acceptance of these suppliers' products could have a material adverse effect on our business, results of operations and financial condition. Other than pursuant to an agreement with a key component supplier which includes pricing based on a minimum volume commitment, generally we do not have agreements fixing long-term prices or minimum volume requirements from suppliers. From time to time we have experienced shortages and allocations of certain components, resulting in delays in filling orders. Qualifying new suppliers to compensate for such shortages may be time-consuming and costly and may increase the likelihood of errors in design or production. In addition, during the development of our products, we have experienced delays in the prototyping of our chipsets, which in turn has led to delays in product introductions. Similar delays may occur in the future. Furthermore, the performance of the components from our suppliers as incorporated in our products may not meet the quality requirements of our customers.

Intense competition in the market for networking equipment could prevent us from increasing revenue and attaining profitability.

The market for network switching solutions is intensely competitive and dominated primarily by Brocade Communications Systems, Inc., Cisco Systems Inc., Dell, Hewlett-Packard Company, Huawei Technologies Co. Ltd. and Juniper Networks, Inc. Most of our competitors have longer operating histories, greater name recognition, larger customer bases, broader product lines and substantially greater financial, technical, sales, marketing and other resources. As a result, these competitors are able to devote greater resources to the development, promotion, sale and support of their products. In addition, they have larger distribution channels, stronger brand names, access to more customers, a larger installed customer base and a greater ability to make attractive offers to channel partners and customers than we do. Some of our customers may question whether we have the financial resources to complete their projects and future service commitments.

For example, we have encountered, and expect to continue to encounter in the future, many potential customers who are confident in and committed to the product offerings of our principal competitors. Accordingly, these potential customers may not consider or evaluate our products. When such potential customers have considered or evaluated our products, we have in the past lost, and expect in the future to lose, sales to some of these customers as large competitors have offered significant price discounts to secure these sales.

The pricing policies of our competitors impact the overall demand for our products and services. Some of our competitors are capable of operating at significant losses for extended periods of time, increasing pricing pressure on our products and services. If we do not maintain competitive pricing, the demand for our products and services, as well as our market share, may decline. From time to time, we may lower the prices of our products and services in response to competitive pressure. When this happens, if we are unable to reduce our component costs or improve operating efficiencies, our revenue and gross margins will be adversely affected.

We may not fully realize the anticipated positive impacts to future financial results from our restructuring efforts.

We have undertaken restructuring efforts in the past to streamline operations and reduce operating expenses. Our ability to achieve the anticipated cost savings and other benefits from our restructuring efforts within expected time frames is subject to many estimates and assumptions and may vary materially based on factors such as market conditions and the effect of our restructuring efforts on our work force. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. We cannot assure that we will fully realize the anticipated positive impacts to future financial results from our current or future restructuring efforts. If our estimates and assumptions are incorrect or if other unforeseen events occur, we may not achieve the cost savings expected from such restructurings, and our business and results of operations could be adversely affected.

Industry consolidation may lead to stronger competition and may harm our operating results.

There has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. For example, some of our current and potential competitors for enterprise data center business have made acquisitions or announced new strategic alliances, designed to position them with the ability to provide end-to-end technology solutions for the enterprise data center. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us. We believe industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in our operating results and could have a material adverse effect on our business, operating results, and financial condition. Furthermore, particularly in the service provider market, rapid consolidation will lead to fewer customers, with the effect that loss of a major customer could have a material impact on results not anticipated in a customer marketplace composed of more numerous participants.

We intend to invest in engineering, sales, services, marketing and manufacturing on a long term basis, and delays or inability to attain the expected benefits may result in unfavorable operating results.

While we intend to focus on managing our costs and expenses, over the long term, we also intend to invest in personnel and other resources related to our engineering, sales, services, marketing and manufacturing functions as we focus on our foundational priorities, such as leadership in our core products and solutions and architectures for business transformation. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be adversely affected.

Our success is dependent on our ability to continually introduce new products and features that achieve broad market acceptance.

The network equipment market is characterized by rapid technological progress, frequent new product introductions, changes in customer requirements and evolving industry standards. If we do not regularly introduce new products in this dynamic environment, our product lines will become obsolete. These new products must be compatible and inter-operate with products and architectures offered by other vendors. We have and may in the future experience delays in product development and releases, and such delays have and could in the future adversely affect our ability to compete and our operating results.

When we announce new products or product enhancements or end of sale existing products that have the potential to replace or shorten the life cycle of our existing products, customers may defer or cancel orders for our existing products. These actions could have a material adverse effect on our operating results by unexpectedly decreasing sales, increasing inventory levels of older products and exposing us to greater risk of product obsolescence.

Even if we introduce new switching products, alternative technologies could achieve widespread market acceptance and displace the Ethernet technology on which we have based our product architecture. For example, developments in routers and routing software could significantly reduce demand for our products. As a result, we may not be able to achieve widespread market acceptance of our current or future products.

If we do not successfully anticipate technological shifts, market needs and opportunities, and develop products, product enhancements and business strategies that meet those technological shifts, needs and opportunities, or if those products are not made available or strategies are not executed in a timely manner or do not gain market acceptance, we may not be able to compete effectively and our ability to generate revenues will suffer.

The markets for our products are constantly evolving and characterized by rapid technological change, frequent product introductions, changes in customer requirements, and continuous pricing pressures. We cannot guarantee that we will be able to anticipate future technological shifts, market needs and opportunities or be able to develop new products, product enhancements and business strategies to meet such technological shifts, needs or opportunities in a timely manner or at all. For example, the move from traditional network infrastructures towards SDN has been receiving considerable attention. In our view, it will take several years to see the full impact of SDN, and we believe the successful products and solutions in this market will combine hardware and software elements together. If we fail to anticipate market requirements or opportunities or fail to develop and introduce new products, product enhancements or business strategies to meet those requirements or opportunities in a timely manner, it could cause us to lose customers, and such failure could substantially decrease or delay market acceptance and sales of our present and future products and services, which would significantly harm our business, financial condition, and results of operations. Even if we are able to anticipate, develop and commercially introduce new products and enhancements, we cannot assure that new products or enhancements will achieve widespread market acceptance.

The cloud networking market is still in its early stages and is rapidly evolving. If this market does not evolve as we anticipate or our target end customers do not adopt our cloud networking solutions, we may not be able to compete effectively, and our ability to generate revenue will suffer.

The cloud networking market is still in its early stages. The market demand for cloud networking solutions has increased in recent years as end customers have deployed larger networks and have increased the use of virtualization and cloud computing. Our success may be impacted by our ability to provide successful cloud networking solutions that address the needs of our channel partners and end customers more effectively and economically than those of other competitors or existing technologies. If the cloud networking solutions market does not develop in the way we anticipate, if our solutions do not offer significant benefits compared to competing legacy network switching products or if end customers do not recognize the benefits that our solutions provide, then our potential for growth in this cloud market could be adversely affected.

Claims of infringement by others may increase and the resolution of such claims may adversely affect our operating results.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents, copyrights (including rights to "open source" software) and other intellectual property rights. Because of the existence of a large number of patents in the networking field, the secrecy of some pending patents and the issuance of new patents at a rapid pace, it is not possible to determine in advance if a product or component might infringe the patent rights of others. Because of the potential for courts awarding substantial damages, the lack of predictability of such awards and the high legal costs associated with the defense of such patent infringement matters that would be expended to prove lack of infringement, it is not uncommon for companies in our industry to settle even potentially unmeritorious claims for very substantial amounts. Furthermore, the entities with whom we have or could have disputes or discussions include entities with extensive patent portfolios and substantial financial assets. These entities are actively engaged in programs to generate substantial revenue from their patent portfolios and are seeking or may seek significant payments or royalties from us and others in our industry.

Litigation resulting from claims that we are infringing the proprietary rights of others has resulted and could in the future result in substantial costs and a diversion of resources, and could have a material adverse effect on our business, financial condition and results of operations. We previously received notices from entities alleging that we were infringing their patents and have been party to patent litigation in the past.

Without regard to the merits of these or any other claims, an adverse court order or a settlement could require us, among other actions, to:

- stop selling our products that incorporate the challenged intellectual property;
- obtain a royalty bearing license to sell or use the relevant technology, and that license may not be available on reasonable terms or available at all;
- pay damages;

- redesign those products that use the disputed technology; or
- face a ban on importation of our products into the United States.

In addition, our products include so-called "open source" software. Open source software is typically licensed for use at no initial charge, but imposes on the user of the open source software certain requirements to license to others both the open source software as well as modifications to the open source software under certain circumstances. Our use of open source software subjects us to certain additional risks for the following reasons:

- open source license terms may be ambiguous and may result in unanticipated obligations regarding the licensing of our products and intellectual property;
- open source software cannot be protected under trade secret law;
- suppliers of open-source software do not provide the warranty, support and liability protections typically provided by vendors who offer proprietary software; and
- it may be difficult for us to accurately determine the developers of the open source code and whether the acquired software infringes third-party intellectual property rights.

We believe even if we do not infringe the rights of others, we will incur significant expenses in the future due to defense of legal claims, disputes or licensing negotiations, though the amounts cannot be determined. These expenses may be material or otherwise adversely affect our operating results.

Our operating results may be negatively affected by defending or pursuing claims or lawsuits.

We have in the past, currently are and will likely in the future pursue or be subject to claims or lawsuits in the normal course of our business. In addition to the risks related to the intellectual property lawsuits described above, we are currently parties to other litigation as described in Note [8] to our Notes to Consolidated Financial Statements included elsewhere in this Annual Report. Regardless of the result, litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a lawsuit in which we are a defendant could result in a court order against us or payments to other parties that would have an adverse effect on our business, results of operations or financial condition. Even if we are successful in prosecuting claims and lawsuits, we may not recover damages sufficient to cover our expenses incurred to manage, investigate and pursue the litigation. In addition, subject to certain limitations, we may be obligated to indemnify our current and former customers, suppliers, directors, officers and employees in certain lawsuits. We may not have adequate insurance coverage to cover all of our litigation costs and liabilities.

If we fail to protect our intellectual property, our business could suffer.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. However, we cannot ensure that the actions we have taken will adequately protect our intellectual property rights or that other parties will not independently develop similar or competing products that do not infringe on our patents. We generally enter into confidentiality, invention assignment or license agreements with our employees, consultants and other third parties with whom we do business, and control access to and distribution of our intellectual property and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise misappropriate or use our products or technology, which would adversely affect our business.

When our products contain undetected errors, we may incur significant unexpected expenses and could lose sales.

Network products frequently contain undetected errors when new products or new versions or updates of existing products are released to the marketplace. In the past, we have experienced such errors in connection with new products and product updates. We have experienced component problems in prior years that caused us to incur higher than expected warranty, service costs and expenses, and other related operating expenses. In the future, we expect that, from time to time, such errors or component failures will be found in new or existing products after the commencement of commercial shipments. These problems may have a material adverse effect on our business by causing us to incur significant warranty, repair and replacement costs, diverting the attention of our engineering personnel from new product development efforts, delaying the recognition of revenue and causing significant customer relations problems. Further, if products are not accepted by customers due to such defects, and such returns exceed the amount we accrued for defective returns based on our historical experience, our operating results would be adversely affected.

Our products must successfully inter-operate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. The occurrence of system errors, whether or not caused by our products, could result in the delay or loss of market acceptance of our products and any necessary revisions may cause us to incur significant expenses. The occurrence of any such problems would likely have a material adverse effect on our business, operating results and financial condition.

Our dependence on a few manufacturers for our manufacturing requirements could harm our operating results.

We primarily rely on our manufacturing partners: Alpha Networks, Inc. headquartered in Hsinchu, Taiwan; Senao Networks, Inc. headquartered in Taoyuan, Taiwan; Benchmark Electronics headquartered in Huntsville, Alabama; and select other partners to manufacture our products. We have experienced delays in product shipments from our manufacturing partners in the past, which in turn delayed product shipments to our customers. These or similar problems may arise in the future, such as delivery of products of inferior quality, delivery of insufficient quantity of products, or the interruption or discontinuance of operations of a manufacturer, any of which could have a material adverse effect on our business and operating results. In addition, any natural disaster or business interruption to our manufacturing partners could significantly disrupt our business. While we maintain strong relationships with our manufacturing partners, our agreements with these manufacturers are generally of limited duration and pricing, quality and volume commitments are negotiated on a recurring basis. The failure to maintain continuing agreements with our manufacturing partners could adversely affect our business. We intend to introduce new products and product enhancements, which will require that we rapidly achieve volume production by coordinating our efforts with those of our suppliers and contract manufacturers.

As part of our cost-reduction efforts, we will need to realize lower per unit product costs from our manufacturing partners by means of volume efficiencies and the utilization of manufacturing sites in lower-cost geographies. However, we cannot be certain when or if such price reductions will occur. The failure to obtain such price reductions would adversely affect our operating results.

We must continue to develop and increase the productivity of our indirect distribution channels to increase net revenue and improve our operating results.

Our distribution strategy focuses primarily on developing and increasing the productivity of our indirect distribution channels. If we fail to develop and cultivate relationships with significant channel partners, or if these channel partners are not successful in their sales efforts, sales of our products may decrease and our operating results could suffer. Many of our channel partners also sell products from other vendors that compete with our products. Our channel partners may not continue to market or sell our products effectively or to devote the resources necessary to provide us with effective sales, marketing and technical support. We may not be able to successfully manage our sales channels or enter into additional reseller and/or distribution agreements. Our failure to do any of these could limit our ability to grow or sustain revenue.

Our operating results for any given period have and will continue to depend to a significant extent on large orders from a relatively small number of channel partners and other customers. However, we do not have binding purchase commitments from any of them. A substantial reduction or delay in sales of our products to a significant reseller, distributor or other customer could harm our business, operating results and financial condition because our expense levels are based on our expectations as to future revenue and to a large extent are fixed in the short term. Under specified conditions, some third-party distributors are allowed to return products to us and unexpected returns could adversely affect our results.

The sales cycle for our products is long and we may incur substantial non-recoverable expenses or devote significant resources to sales that do not occur when anticipated.

The purchase of our products represent a significant strategic decision by a customer regarding its communications infrastructure. The decision by customers to purchase our products is often based on the results of a variety of internal procedures associated with the evaluation, testing, implementation and acceptance of new technologies. Accordingly, the product evaluation process frequently results in a lengthy sales cycle, typically ranging from three months to longer than a year, and as a result, our ability to sell products is subject to a number of significant risks, including risks that:

- budgetary constraints and internal acceptance reviews by customers will result in the loss of potential sales;
- there may be substantial variation in the length of the sales cycle from customer to customer, making decisions on the expenditure of resources difficult to assess;
- we may incur substantial sales and marketing expenses and expend significant management time in an attempt to initiate or increase the sale of products to customers, but not succeed;

- if a sales forecast from a specific customer for a particular quarter is not achieved in that quarter, we may be unable to compensate for the shortfall, which could harm our operating results; and
- downward pricing pressures could occur during the lengthy sales cycle for our products.

Failure to successfully expand our sales and support teams or educate them in regard to technologies and our product families may harm our operating results.

The sale of our products and services requires a concerted effort that is frequently targeted at several levels within a prospective customer's organization. We may not be able to increase net revenue unless we expand our sales and support teams in order to address all of the customer requirements necessary to sell our products.

We cannot assure that we will be able to successfully integrate employees into our company or to educate and train current and future employees in regard to rapidly evolving technologies and our product families. A failure to do so may hurt our revenue growth and operating results.

Failure of our products to comply with evolving industry standards and complex government regulations may adversely impact our business.

If we do not comply with existing or evolving industry standards and government regulations, we may not be able to sell our products where these standards or regulations apply. The network equipment industry in which we compete is characterized by rapid changes in technology and customers' requirements and evolving industry standards. As a result, our success depends on:

- the timely adoption and market acceptance of industry standards, and timely resolution of conflicting U.S. and international industry standards; and
- our ability to influence the development of emerging industry standards and to introduce new and enhanced products that are compatible with such standards.

In the past, we have introduced new products that were not compatible with certain technological standards, and in the future, we may not be able to effectively address the compatibility and interoperability issues that arise as a result of technological changes and evolving industry standards.

Our products must also comply with various U.S. federal government regulations and standards defined by agencies such as the Federal Communications Commission, standards established by governmental authorities in various foreign countries and recommendations of the International Telecommunication Union. In some circumstances, we must obtain regulatory approvals or certificates of compliance before we can offer or distribute our products in certain jurisdictions or to certain customers. Complying with new regulations or obtaining certifications can be costly and disruptive to our business.

If we do not comply with existing or evolving industry standards or government regulations, we will not be able to sell our products where these standards or regulations apply, which may prevent us from sustaining our net revenue or achieving profitability.

If we do not adequately manage and evolve our financial reporting and managerial systems and processes, our ability to manage and grow our business may be harmed.

Our ability to successfully implement our business plan and comply with regulations requires an effective planning and management process. We need to continue improving our existing, and implement new, operational and financial systems, procedures and controls. We need to ensure that any businesses acquired, including the WLAN Business and the Avaya Networking businesses, are appropriately integrated in our financial systems. Any delay in the implementation of, or disruption in the integration of acquired businesses, or delay and disruption in the transition to, new or enhanced systems, procedures or controls, could harm our ability to record and report financial and management information on a timely and accurate basis, or to forecast future results.

Changes in the effective tax rate including from the release of the valuation allowance recorded against our net U.S. deferred tax assets, or adverse outcomes resulting from examination of our income or other tax returns or change in ownership, could adversely affect our results.

Our future effective tax rates may be volatile or adversely affected by changes in our business or U.S. or foreign tax laws, including: the partial or full release of the valuation allowance recorded against our net U.S. deferred tax assets; expiration of or lapses in the research and development tax credit laws; transfer pricing adjustments; tax effects of stock-based compensation; or costs related to restructuring. The current U.S. administration and key members of Congress have made public statements indicating that tax reform is a priority. Certain changes to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the United States until those earnings are repatriated to the United States, could affect the tax treatment of our foreign earnings. In addition, we are subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities. Although we regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes, there is no assurance that such determinations by us are in fact adequate. Changes in our effective tax rates or amounts assessed upon examination of our tax returns may have a material, adverse impact on our cash flows and our financial condition.

Our future effective tax rate in particular could be adversely affected by a change in ownership pursuant to U.S. Internal Revenue Code Section 382. If a change in ownership occurs, it may limit our ability to utilize our net operating losses to offset our U.S. taxable income. If U.S. taxable income is greater than the change in ownership limitation, we will pay a higher rate of tax with respect to the amount of taxable income that exceeds the limitation. This could have a material adverse impact on our results of operations. On April 26, 2012, we adopted an Amended and Restated Rights Agreement to help protect our assets (the "Rights Agreement"). In general, this does not allow a stockholder to acquire more than 4.95% of our outstanding common stock without a waiver from our board of directors, who must take into account the relevant tax analysis relating to potential limitation of our net operating losses. Our Rights Agreement is effective through May 31, 2018, subject to ratification by a majority of the stockholders of the Company at the next annual shareholders meeting, expected to be held on November 9, 2017.

Provisions in our charter documents and Delaware law and our adoption of a stockholder rights plan may delay or prevent an acquisition of Extreme, which could decrease the value of our Common Stock.

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. In addition, our Board of Directors has the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer. Although we believe these provisions of our certificate of incorporation and bylaws and Delaware law will provide for an opportunity to receive a higher bid by requiring potential acquirers to negotiate with our Board of Directors, these provisions apply even if the offer may be considered beneficial by some of our stockholders.

Our Rights Agreement provides that if a single stockholder (or group) acquires more than 4.95% of our outstanding common stock without a waiver from our Board of Directors, each holder of one share of our common stock (other than the stockholder or group who acquired in excess of 4.95% of our common stock) may purchase a fractional share of our preferred stock that would result in substantial dilution to the triggering stockholder or group. Accordingly, although this plan is designed to prevent any limitation on the utilization of our net operating losses by avoiding issues raised under Section 382 of the U.S. Internal Revenue Code, the Rights Agreement could also serve as a deterrent to stockholders wishing to effect a change of control.

Compliance with laws, rules and regulations relating to corporate governance and public disclosure may result in additional expenses.

Federal securities laws, rules and regulations, as well as NASDAQ Stock Market rules and regulations, require companies to maintain extensive corporate governance measures, impose comprehensive reporting and disclosure requirements, set strict independence and financial expertise standards for audit and other committee members and impose civil and criminal penalties for companies and their Chief Executive Officers, Chief Financial Officers and directors for securities law violations. These laws, rules and regulations and the interpretation of these requirements are evolving, and we are making investments to evaluate current practices and to continue to achieve compliance, which investments may have a material impact on the Company's financial condition.

We are required to evaluate the effectiveness of our internal control over financial reporting on an annual basis and publicly disclose any material weaknesses in our controls. Any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and significant expense to remediate, and ultimately could have an adverse effect on our stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to assess the effectiveness of our internal control over financial reporting and to disclose if such controls were unable to provide assurance that a material error would be prevented or detected in a timely manner. We have an ongoing program to review the design of our internal controls framework in keeping with changes in business needs, implement necessary changes to our controls design and test the system and process controls necessary to comply with these requirements. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our Company will have been detected.

If we or our independent registered public accounting firm identifies material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our financial statements and its stock price may decline. Remediation of a material weakness could require us to incur significant expenses and, if we fail to remedy any material weakness, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, our stock price may decline, and we may be subject to sanctions or investigation by regulatory authorities, including the U.S. Securities and Exchange Commission or the NASDAQ Stock Market LLC. We may also be required to restate our financial statements from prior periods. Execution of restatements create a significant strain on our internal resources and could cause delays in our filing of quarterly or annual financial results, increase our costs and cause management distraction. Restatements may also significantly affect our stock price in an adverse manner.

Our headquarters and some significant supporting businesses are located in Northern California and other areas subject to natural disasters that could disrupt our operations and harm our business.

Our corporate headquarters are located in Silicon Valley in Northern California. Historically, this region as well as our R&D centers in North Carolina and New Hampshire have been vulnerable to natural disasters and other risks, such as earthquakes, fires, floods and tropical storms, which at times have disrupted the local economy and posed physical risks to our property. We have contract manufacturers located in Taiwan where similar natural disasters and other risks may disrupt the local economy and pose physical risks to our property and the property of our contract manufacturer.

In addition, the continued threat of terrorism and heightened security and military action in response to this threat, or any future acts of terrorism, may cause further disruptions to the economies of the United States and other countries. If such disruptions result in delays or cancellations of customer orders for our products, our business and operating results will suffer.

We currently do not have redundant, multiple site capacity in the event of a natural disaster, terrorist act or other catastrophic event. In the event of such an occurrence, our business would suffer.

Our stock price has been volatile in the past and our stock price may significantly fluctuate in the future.

In the past, our common stock price has fluctuated significantly. This could continue as we or our competitors announce new products, our results or those of our customers or competition fluctuate, conditions in the networking or semiconductor industry change, or when investors, change their sentiment toward stocks in the networking technology sector.

In addition, fluctuations in our stock price and our price-to-earnings multiple may make our stock attractive to momentum, hedge or day-trading investors who often shift funds into and out of stock rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis. These fluctuations may adversely affect the trading price or liquidity of our common stock. Some companies, including us, that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If a suit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management’s attention and resources.

We rely on the availability of third-party licenses.

Some of our products are designed to include software or other intellectual property, including open source software, licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of these products. There can be no assurance that the necessary licenses would be available on acceptable terms, if at all. The inability to obtain certain licenses or other rights or to obtain such licenses or rights on favorable terms, could have a material adverse effect on our business, operating results, and financial condition. Moreover, the inclusion in our products of software or other intellectual property licensed from third parties on a nonexclusive basis could limit our ability to protect our proprietary rights in our products. Further, the failure to comply with the terms of any license, including free open source software, may result in our inability to continue to use such license. Our inability to maintain or re-license any third-party licenses required in our products or our inability to obtain third-party licenses necessary to develop new products and product enhancements, could require us, if possible, to develop substitute technology or obtain substitute technology of lower quality or performance standards or at a greater cost, any of which could delay or prevent product shipment and harm our business, financial condition, and results of operations.

System security risks, data protection breaches, and cyber-attacks could compromise our proprietary information, disrupt our internal operations and harm public perception of our products, which could adversely affect our business.

In the ordinary course of business, we store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners on our networks. In addition, we store sensitive data through cloud-based services that may be hosted by third parties and in data center infrastructure maintained by third parties. The secure maintenance of this information is critical to our operations and business strategy. Increasingly, companies, including us, are subject to a wide variety of attacks on their networks on an ongoing basis. Despite our security measures, our information technology and infrastructure may be vulnerable to penetration or attacks by computer programmers and hackers, or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks, creating system disruptions or slowdowns and exploiting security vulnerabilities of our products, and the information stored on our networks could be accessed, publicly disclosed, lost or stolen, which could subject us to liability to our customers, suppliers, business partners and others, and cause us reputational and financial harm. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of our networks. This can be true even for “legacy” products that have been determined to have reached an end of life engineering status but will continue to operate for a limited amount of time.

If an actual or perceived breach of network security occurs in our network or in the network of a customer of our networking products, regardless of whether the breach is attributable to our products, the market perception of the effectiveness of our products could be harmed. In addition, the economic costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software systems and security vulnerabilities could be significant and may be difficult to anticipate or measure. Because the techniques used by computer programmers and hackers, many of whom are highly sophisticated and well-funded, to access or sabotage networks change frequently and generally are not recognized until after they are used, we may be unable to anticipate or immediately detect these techniques. This could impede our sales, manufacturing, distribution or other critical functions, which could adversely affect our business.

Market conditions and changes in the industry could lead to discontinuation of our products or businesses resulting in asset impairments.

In response to changes in industry and market conditions, we may be required to strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses. Any decision to limit investment in or dispose of or otherwise exit businesses may result in the recording of special charges, such as inventory and technology-related write-offs, workforce reduction costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of discontinued products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Although in certain instances, our supply agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed, our loss contingencies may include liabilities for contracts that we cannot cancel with contract manufacturers and suppliers. Further, our estimates relating to the liabilities for excess facilities are affected by changes in real estate market conditions.

If our products do not effectively inter-operate with our customers' networks and result in cancellations and delays of installations, our business could be harmed.

Our products are designed to interface with our customers' existing networks, each of which have different specifications and utilize multiple protocol standards and products from other vendors. Many of our customers' networks contain multiple generations of products that have been added over time as these networks have grown and evolved. Our products must inter-operate with many or all of the products within these networks as well as future products in order to meet our customers' requirements. If we find errors in the existing software or defects in the hardware used in our customers' networks, we may need to modify our software networking solutions to fix or overcome these errors so that our products will inter-operate and scale with the existing software and hardware, which could be costly and could negatively affect our business, financial condition, and results of operations. In addition, if our products do not inter-operate with those of our customers' networks, demand for our products could be adversely affected or orders for our products could be canceled. This could hurt our operating results, damage our reputation, and seriously harm our business and prospects.

We have liabilities for real estate leases in excess of what is necessary for our current business.

We have real estate leases that we are currently trying to sublease or that we have had to write-off their cost. Until such time that we are able to sublease these properties, or the current leases expire, we may incur financial liabilities for real estate leases significantly in excess of what is necessary for our current business.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The terms of the withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiated the withdrawal process in March 2017. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations and reduce the price of our securities.

While the full effects of the referendum will not be known for some time, the referendum and beginnings of the British exit from the European Union could cause disruptions to, and create uncertainty surrounding, our business with customers in the United Kingdom. One of the most immediate effects of the referendum to date includes the currency exchange rate fluctuations that have resulted in the strengthening of the U.S. Dollar against the U.K. Pound Sterling. The weaker U.K. Pound Sterling means that revenues earned in U.K. Pounds Sterling translate to lower reported U.S. Dollar revenues. The weaker U.K. Pound Sterling also means that expenses incurred in U.K. Pounds Sterling translate to lower reported U.S. Dollar expenses. In addition, the continued strength and future increases in the value of the U.S. Dollar relative to the U.K. Pounds Sterling could make the sale of our products less competitive in the United Kingdom.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our products.

As a public company, we are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, and the regulations adopted by the SEC as a result of the Dodd-Frank Act, that require us to perform certain reasonable country of origin inquiry and diligence exercises, and disclose and report on our diligence process and efforts to ascertain whether or not our products may contain "conflict minerals" mined from the Democratic Republic of the Congo or adjoining countries. These requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. In addition, we continue to incur additional costs to comply with these disclosure requirements, including costs related to conducting ongoing diligence procedures and, if applicable, potential changes to products, processes or sources of supply as a consequence of such activities. We may encounter challenges to satisfy customers who require that all of the components of our products are certified as "conflict free." If we cannot satisfy these customers, they may choose a competitor's products.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We started leasing our current headquarters, which is located in San Jose, California, in October 2016. We also lease office space and executive suites in various other geographic locations domestically and internationally for research and development, sales and service personnel and administration. Our aggregate lease expense for fiscal year 2017 was $9.4 million.

At June 30, 2017, the significant facilities that we leased were as follows:

Location	Use	Size (in square feet)
San Jose, California	Principal administrative, research and development, sales and marketing facilities	102,139
Salem, New Hampshire	Research and development, sales and marketing and administrative offices	197,259
Morrisville, North Carolina	Research and development, sales and administrative offices	54,530
Chennai, India	Research and development facilities	43,839
Bangalore, India	Research and development facilities	62,257
Shannon, Ireland	Administrative offices	13,046

The above leases expire at various dates between fiscal year 2018 and fiscal year 2023.

Item 3. ***Legal Proceedings***

The information set forth under the heading "Legal Proceedings" in Note 5, *Commitments, Contingencies and Leases*, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K, is incorporated herein by reference.

Item 4. ***Mine Safety Disclosures***

Not Applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Market Prices and Dividends

Our common stock trades on the NASDAQ Global Market and commenced trading on NASDAQ on April 9, 1999 under the symbol "EXTR." The following table sets forth the high and low sales prices as reported by NASDAQ. Such prices represent prices between dealers, do not include retail mark-ups, mark-downs or commissions and may not represent actual transactions.

Stock Prices	High	Low
Fiscal year ended June 30, 2017:		
First quarter	$ 4.54	$ 3.37
Second quarter	$ 5.10	$ 4.05
Third quarter	$ 7.51	$ 5.15
Fourth quarter	$ 10.70	$ 6.90
Fiscal year ended June 30, 2016:		
First quarter	$ 3.56	$ 2.13
Second quarter	$ 4.42	$ 3.34
Third quarter	$ 3.99	$ 2.35
Fourth quarter	$ 3.78	$ 3.08

As of September 6, 2017, there were 202 stockholders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. We have never declared or paid cash dividends on our capital stock and do not anticipate paying any cash dividends in the foreseeable future.

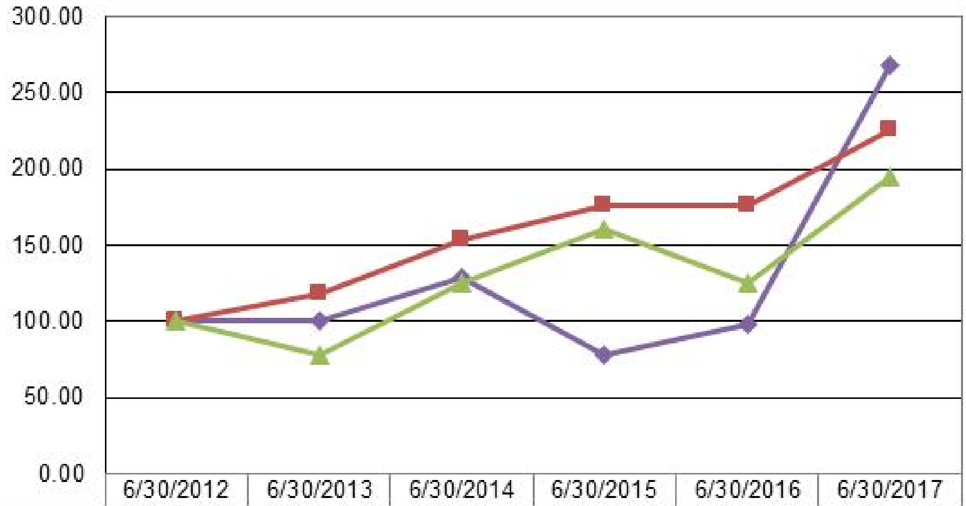
Certain information regarding our equity compensation plan(s) as required by Part II is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for our 2017 Annual Meeting of Stockholders not later than 120 days after the end of the fiscal year covered by this report.

STOCK PRICE PERFORMANCE GRAPH

Set forth below is a stock price performance graph comparing the annual percentage change in the cumulative total return on our common stock with the cumulative total returns of the CRSP Total Return Index for The NASDAQ Stock Market (U.S. companies) and the NASDAQ Computer Manufacturers Securities for the period commencing July 1, 2012 and ending on June 30, 2017. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

Comparison of Five-Year Cumulative Total Returns

Performance Graph for Extreme Networks, Inc.



	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Extreme Networks Inc.	100.00	100.00	129.07	78.20	98.55	268.02
NASDAQ Stock Market (US Companies)	100.00	117.72	153.76	176.37	176.14	225.22
NASDAQ Computer Manufacturers Index	100.00	77.69	124.83	160.95	125.89	194.87

Prepared by CRSP (www.crsp.uchicago.edu), Center for Research in Security Prices, Booth School of Business, The University of Chicago. Used with permission.

Item 6. ***Selected Financial Data***

The following table sets forth selected consolidated financial data for each of the fiscal years ended June 30, 2017, 2016, 2015, 2014 and 2013 derived from the Company's audited financial statements (in thousands, except per share amounts). These tables should be reviewed in conjunction with the Consolidated Financial Statements in Item 8 and related Notes, as well as Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Historical results may not be indicative of future results.

	Year Ended June 30,				
	2017(1)	2016(2)	2015(3)	2014(4)	2013(5)
Consolidated Statements of Operations Data:					
Net revenues	$ 598,118	$ 528,389	$ 552,940	$ 519,554	$ 299,343
Operating (loss) income	$ (733)	$ (25,550)	$ (62,994)	$ (50,232)	$ 10,852
Net (loss) income	$ (8,517)	$ (31,884)	$ (71,643)	$ (57,310)	$ 9,673
Net (loss) income per share – basic	$ (0.08)	$ (0.31)	$ (0.72)	$ (0.60)	$ 0.10
Net (loss) income per share – diluted	$ (0.08)	$ (0.31)	$ (0.72)	$ (0.60)	$ 0.10
Shares used in per share calculation – basic	108,273	103,074	99,000	95,515	93,954
Shares used in per share calculation – diluted	108,273	103,074	99,000	95,515	95,044

	As of June 30,				
	2017	2016	2015	2014	2013
Consolidated Balance Sheets Data:					
Cash and cash equivalents, short-term investments and marketable securities	$ 130,450	$ 94,122	$ 76,225	$ 105,882	$ 205,613
Inventories	$ 45,880	$ 40,989	$ 58,014	$ 57,109	$ 16,167
Total assets	$ 483,346	$ 374,423	$ 428,660	$ 526,432	$ 311,424
Deferred revenue, net	$ 104,341	$ 94,860	$ 99,782	$ 97,677	$ 41,454
Debt, net of issuance costs	$ 92,702	$ 55,074	$ 66,400	$ 120,990	$ —
Other long-term liabilities	$ 15,102	$ 13,328	$ 10,264	$ 8,595	$ 1,507
Common stock and capital in excess of par value	$ 909,155	$ 884,706	$ 865,382	$ 845,364	$ 821,425
Accumulated deficit	$ (800,257)	$ (791,740)	$ (759,856)	$ (688,213)	$ (630,903)

(1) Fiscal 2017 net loss and net loss per share includes acquisition and integrations costs of $13.1 million, amortization of intangibles of $8.7 million and a restructuring charge of $8.9 million.

(2) Fiscal 2016 net loss and net loss per share includes acquisition and integrations costs of $1.1 million, amortization of intangibles of $17.0 million and a restructuring charge of $11.0 million.

(3) Fiscal 2015 net loss and net loss per share includes acquisition and integration costs of $10.2 million, amortization of intangibles of $17.9 million and a restructuring charge of $9.8 million.

(4) Fiscal 2014 net loss and net loss per share includes acquisition and integration costs of $25.7 million, amortization of intangibles of $16.7 million and a restructuring charge of $0.5 million.

(5) Fiscal 2013 net income and net income per share includes a gain on sale of facilities of $11.5 million, a restructuring charge of $6.8 million and a charge for litigation settlement, net of $2.0 million.

Quarterly Financial Data (Unaudited)

Quarterly results for the years ended June 30, 2017 and 2016 are as follow (in thousands, except per share amounts):

	June 30, 2017(1)	March 31, 2017(2)	December 31, 2016(3)	September 30, 2016(4)
Net revenues	$ 178,701	$ 148,664	$ 148,111	$ 122,642
Gross profit	$ 101,739	$ 82,146	$ 75,354	$ 65,246
Net income (loss)	$ 12,177	$ (3,246)	$ (7,362)	$ (6,479)
Net income (loss) per share – basic	$ 0.11	$ (0.05)	$ (0.08)	$ (0.06)
Net income (loss) per share – diluted	$ 0.11	$ (0.05)	$ (0.08)	$ (0.06)

	June 30, 2016(5)	March 31, 2016(6)	December 31, 2015(7)	September 30, 2015(8)
Net revenues	$ 139,617	$ 124,886	$ 139,305	$ 124,581
Gross profit	$ 72,675	$ 62,720	$ 70,275	$ 65,118
Net loss	$ (2,340)	$ (10,784)	$ (7,234)	$ (11,526)
Net loss per share – basic	$ (0.02)	$ (0.10)	$ (0.07)	$ (0.11)
Net loss per share – diluted	$ (0.02)	$ (0.10)	$ (0.07)	$ (0.11)

(1) Net income and net income per share include the effect of acquisition and integration costs of $3.2 million, amortization of intangibles of $1.2 million and a reversal of restructuring charges of $0.7 million.

(2) Net loss and net loss per share include the effect of acquisition and integration costs of $3.4 million, amortization of intangibles of $1.2 million and a restructuring charge of $7.7 million.

(3) Net loss and net loss per share include the effect of acquisition and integration costs of $4.2 million, amortization of intangibles of $2.2 million and a restructuring charge of $1.9 million.

(4) Net loss and net loss per share include the effect of acquisition and integration costs of $2.3 million, amortization of intangibles of $4.1 million.

(5) Net loss and net loss per share include the effect of amortization of intangibles of $0.8 million and a restructuring charge of $0.1 million.

(6) Net loss and net loss per share include the effect of amortization of intangibles of $4.1 million and a restructuring charge of $1.4 million.

(7) Net loss and net loss per share include the effect of acquisition and integration costs of $0.8 million and amortization of intangibles of $4.3 million and a restructuring charge of $3.0 million.

(8) Net loss and net loss per share include the effect of acquisition and integration costs of $0.3 million and amortization of intangibles of $4.5 million and a restructuring charge of $5.6 million.

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with the per share amounts for the year.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

The following discussion should be read with the Consolidated Financial Statements and the related notes in Item 8 of Part II of this Report.

The following discussion is based upon our Consolidated Financial Statements included elsewhere in this Report, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the manufacturing and shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory and service parts, among other matters. Each of these decisions has some impact on the financial results for any given period. In making these decisions, we consider various factors including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. For further information about our critical accounting policies and estimates, see "Critical Accounting Policies and Estimates" section included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Extreme is a leading provider of network infrastructure equipment and offers related maintenance contracts for extended warranty and maintenance to our enterprise, data center and service provider customers. We were incorporated in California in May 1996, and reincorporated in Delaware in March 1999. Our corporate headquarters are located in San Jose, California. Substantially all of our revenue is derived from the sale of our networking equipment and related maintenance contracts.

Extreme Networks, Inc., together with its subsidiaries (collectively referred to as "Extreme" and as "we", "us" and "our") is a leader in providing software-driven networking solutions for enterprise customers. Providing a combined end-to-end solution from the data center to the access point, Extreme designs, develops and manufactures wired and wireless network infrastructure equipment and develops the software for network management, policy, analytics, security and access controls. We strive to help our customers and partners Connect Beyond the Network by building world-class software and network infrastructure solutions that solve the wide range of problems faced by IT departments.

Enterprise network administrators from the data center to the access layer need to respond to the rapid digital transformational trends of cloud, mobility, big data, social business and the ever present need for network security. Accelerators such as Internet of Things ("IoT"), artificial intelligence ("AI"), bring your own device ("BYOD"), machine learning, cognitive computing, and robotics add complexity to challenge the capabilities of traditional networks. Technology advances have a profound effect across the entire enterprise network placing unprecedented demands on network administrators to enhance management capabilities, scalability, programmability, agility, and analytics of the enterprise networks they manage.

A trend effecting the Enterprise Network Equipment market is the continued adoption of the cloud-managed enterprise WLAN in the enterprise market. Hybrid cloud is a cloud computing environment which uses a mix of on-premises, private cloud and third-party, public cloud services with orchestration between the two platforms. We introduced our Cloud offering in 2016 and announced its enhanced cloud offering in 2017. ExtremeCloud is the only offering in the market that seamlessly integrates the cloud with on-premise infrastructures. (See Part 1, Item 1. Business, for additional discussion of the Company's business)

Acquisition

On October 28, 2016, we completed the acquisition of Zebra's WLAN Business assets. Under the terms of the purchase agreement, we acquired customers, employees, technology and other assets as well as assumed certain contracts and other liabilities of the WLAN Business, for net cash consideration to $49.5 million.

We have accounted for the acquisition using the acquisition method of accounting. The purchase price allocation as of the acquisition date is set forth in Note 2 Business Combinations in our Notes to Consolidated Financial Statements and reflects fair values. The fair values were determined through established and generally accepted valuation techniques, including work performed by third-party valuation specialists. All valuations were considered finalized as of June 30, 2017.

During the fiscal year ended June 30, 2017, we recognized acquisition costs of $2.1 million and integration costs of $6.6 million, which is included in "Acquisition and integration costs" in the accompanying condensed consolidated statements of operations.

On July 14, 2017, we completed the acquisition of Avaya Networking, Avaya's fabric-based secure networking solutions and network security solutions business, that had been announced on March 7, 2017, and funds were remitted to Avaya pursuant to the purchase agreement. We acquired customers, employees, technology and other assets, as well as assume contracts and other liabilities of the Avaya Networking business, for a purchase price of $100.0 million, subject to certain adjustments. Pursuant to certain ancillary agreements, Avaya will also provide us with access to certain technology related to Avaya Networking, as well as transition services for a period of time following the closing of the transaction. As a condition of our agreement, the Company made deposits of $10.2 million in our fiscal third quarter to be applied to the purchase price upon closing. See Note 14. Subsequent Events for additional information.

The acquisition will be accounted for using the acquisition method of accounting whereby the acquired assets and liabilities of the Avaya Networking will be recorded at their respective fair values and added to those of ours including an amount for goodwill representing the difference between the acquisition consideration and the fair value of the identifiable net assets. Results of operations of Avaya Networking will be included in our operations beginning with the closing date as noted above.

During fiscal year ended June 30, 2017, we recognized acquisition costs of $2.2 million, which is included in "Acquisition and integration costs" in the accompanying consolidated statements of operations related to the Purchase Agreement.

Future Acquisitions

On March 29, 2017, we entered into an additional Asset Purchase Agreement (the "Purchase Agreement II") with LSI Corporation, ("LSI"), and, solely for the purposes set forth in the Purchase Agreement II, Broadcom to purchase the Brocade Data business of Brocade. Upon the terms and subject to the conditions of the Purchase Agreement II, we will acquire customers, employees, technology and other assets of Brocade Data, as well as assume certain contracts and other liabilities of Brocade Data, for an upfront cash closing payment equal to $35.0 million, plus a deferred payment equal to $20.0 million to be paid $1 million per quarter for 20 quarters following the closing date of the transaction (the "Closing," and such date, the "Closing Date"), plus quarterly earn out payments equal to 50% of profits of Brocade Data for the five-year period commencing at the end of our first full fiscal quarter following the Closing Date. Pursuant to certain ancillary agreements, LSI will also provide us with access to certain technology related to Brocade Data, as well as transition services for a period of time following the Closing. The acquisition will include the rights to have manufactured and sold Brocade's current SLX based solutions product portfolio, which launched in March 2017. The Purchase Agreement II is contingent upon Broadcom acquiring Brocade. (See Item 1A Risk Factors for additional information).

During the fiscal year ended June 30 2017, we recognized acquisition costs of $2.2 million, which is included in "Acquisition and integration costs" in the accompanying consolidated statements of operations related to the Purchase Agreement II.

Results of Operations

Following is a summary of our results of operations during fiscal 2017:

- Net revenue of $598.1 million, increased 13.2% from fiscal 2016 net revenue of $528.4 million.
- Product revenue of $451.5 million, increased 14.2% from fiscal 2016 product revenue of $395.5 million.
- Service revenue of $146.7 million, increased 10.3% from fiscal 2016 service revenue of $132.9 million.
- Total gross margin of 54.3% of net revenue in fiscal 2017, compared to 51.2% in fiscal 2016.
- Restructuring charge of $8.9 million, for excess facilities and contract termination.
- Operating loss of $0.7 million, was a decrease in the operating loss of $24.8 million from fiscal 2016.
- Net loss was $8.5 million in fiscal 2017, a decrease of $23.4 million from a net loss of $31.9 million in fiscal 2016.
- Cash flow provided by operating activities of $59.3 million, compared to cash flow provided by operating activities of $30.4 million in fiscal 2016, an increase of $28.9 million. Cash and cash equivalents were $130.5 million as of June 30, 2017, an increase of $36.4 million compared to fiscal.2016

Net Revenues

The following table presents net product and service revenue for the fiscal years 2017, 2016 and 2015 (dollars in thousands):

	Year Ended				Year Ended			
	June 30, 2017	June 30, 2016	$ Change	% Change	June 30, 2016	June 30, 2015	$ Change	% Change
Net Revenues:								
Product	$ 451,459	$ 395,464	$ 55,995	14.2%	$ 395,464	$ 418,046	$ (22,582)	(5.4)%
Percentage of net revenue	*75.5%*	*74.8%*			*74.8%*	*75.6%*		
Service	146,659	132,925	13,734	10.3%	132,925	$ 134,894	(1,969)	(1.5)%
Percentage of net revenue	*24.5%*	*25.2%*			*25.2%*	*24.4%*		
Total net revenues	$ 598,118	$ 528,389	$ 69,729	13.2%	$ 528,389	$ 552,940	$ (24,551)	(4.4)%

Product revenue increased $56.0 million or 14.2% for the year ended June 30, 2017, compared to the corresponding period of fiscal 2016. The increase in product revenue was primarily a result of the acquisition of the WLAN Business during fiscal 2017 and to lower discounting from list price. The increase was partially offset by lower e-rate educational revenue.

Product revenue decreased $22.6 million or 5.4% for the year ended June 30, 2016, compared to the corresponding period of fiscal 2015. The decrease in product revenue was primarily due to an increase in competitive pricing pressure on lower volumes of modular (chassis based) switching products resulting from market shifts towards fixed products which are generally lower cost and are capable of rapidly adapting to changes and needs of the marketplace. The growth in the fixed products was not sufficient to offset the modular product decline and to a lesser extent, to the strengthening of the United States Dollar in nearly all geographical regions.

Service revenue increased $13.7 million or 10.3% for the year ended June 30, 2017, compared to the corresponding period of fiscal 2016. The increase in service revenue was primarily a result of the acquisition of the WLAN Business during fiscal 2017, the increased number of service contracts acquired and lower purchase accounting charges.

Service revenue decreased $2.0 million or 1.5% for the year ended June 30, 2016 compared to the corresponding period of fiscal 2015 due to a decrease in service maintenance contracts and professional service and training revenues. Partially offsetting the decrease were lower purchase accounting charges related to deferred service revenues, which decreased to $1.5 million for the year-ended June 30, 2016, from $3.1 million in the corresponding period of fiscal 2015.

We operate in three regions: Americas, which includes the United States, Canada, Mexico, Central America and South America; EMEA, which includes Europe, Russia, Middle East, and Africa; and APAC which includes Asia Pacific, South Asia, Japan and Australia. The following table presents the total net revenue geographically for the fiscal years 2017, 2016 and 2015 (dollars in thousands):

	Year Ended				Year Ended			
Net Revenues	June 30, 2017	June 30, 2016	$ Change	% Change	June 30, 2016	June 30, 2015	$ Change	% Change
Americas:								
United States	$ 303,617	$ 237,933	$ 65,684	27.6%	$ 237,933	$ 238,748	$ (815)	(0.3)%
Other	24,530	44,455	(19,925)	(44.8)%	44,455	31,931	12,524	39.2%
Total Americas	328,147	282,388	45,759	16.2%	282,388	270,679	11,709	4.3%
Percentage of net revenue	54.9%	53.4%			53.4%	49.0%		
EMEA	216,015	196,588	19,427	9.9%	196,588	223,368	(26,780)	(12.0)%
Percentage of net revenue	36.1%	37.2%			37.2%	40.4%		
APAC	53,956	49,413	4,543	9.2%	49,413	58,893	(9,480)	(16.1)%
Percentage of net revenue	9.0%	9.4%			9.4%	10.7%		
Total net revenues	$ 598,118	$ 528,389	$ 69,729	13.2%	$ 528,389	$ 552,940	$ (24,551)	(4.4)%

We rely upon multiple channels of distribution, including distributors, direct resellers, OEMs, and direct sales. Revenue through our distributor channel was 49% of total product revenue in fiscal years 2017 and 2016 and 47% of total product revenue in fiscal 2015.

The level of sales to any one customer, including a distributor, may vary from period to period.

Cost of Revenues and Gross Profit

The following table presents the gross profit on product and service revenue and the gross profit percentage of net revenues for the fiscal years 2017, 2016 and 2015 (dollars in thousands):

	Year Ended				Year Ended			
	June 30, 2017	June 30, 2016	$ Change	% Change	June 30, 2016	June 30, 2015	$ Change	% Change
Gross profit:								
Product	$ 233,732	$ 186,725	$ 47,007	25.2%	$ 186,725	$ 193,028	$ (6,303)	(3.3)%
Percentage of product revenue	51.8%	47.2%			47.2%	46.2%		
Service	90,753	84,063	6,690	8.0%	84,063	86,709	(2,646)	(3.1)%
Percentage of service revenue	61.9%	63.2%			63.2%	64.3%		
Total gross profit	$ 324,485	$ 270,788	$ 53,697	19.8%	$ 270,788	$ 279,737	$ (8,949)	(3.2)%
Percentage of net revenue	54.3%	51.2%			51.2%	50.6%		

Cost of product revenues includes costs of materials, amounts paid to third-party contract manufacturers, costs related to warranty obligations, charges for excess and obsolete inventory, amortization of developed technology intangibles, royalties under technology license agreements, and internal costs associated with manufacturing overhead, including management, manufacturing engineering, quality assurance, development of test plans, and document control. We outsource substantially all of our manufacturing and supply chain management operations, and we conduct quality assurance, manufacturing engineering, document control and distribution at our facilities in San Jose, California, Salem, New Hampshire, China, and Taiwan.

Product gross profit increased to $233.7 million for the year-ended June 30, 2017, from $186.7 million in the corresponding period of fiscal 2016. Product gross profit for the year-ended June 30, 2017, was favorably impacted by an increase in product revenue of $65.7 million due primarily to the acquisition of the WLAN Business, lower amortization of developed technology intangibles of $8.3 million and more favorable manufacturing costs due to cost reduction efforts and lower warranty charges of $2.2 million. The increases in product gross profit were partially offset by integration costs of $5.0 million primarily related to excess inventory charges related to the discontinuance of certain product lines due to the WLAN Business acquisition and increased royalty charges of $2.6 million.

Product gross profit decreased to $186.7 million for the year-ended June 30, 2016, from $193.0 million in the corresponding period of fiscal 2015. Product gross profit for the year-ended June 30, 2016, was unfavorably impacted by a decrease in product revenue of $22.6 million, offset by lower amortization of developed technology intangibles of $2.3 million, lower royalty charges of $1.9 million and warranty charges of $0.8 million.

Our cost of service revenue consists primarily of labor, overhead, repair and freight costs and the cost of service parts used in providing support under customer maintenance contracts.

Service gross profit increased to $90.8 million for the year-ended June 30, 2017, from $84.1 million in the corresponding period of fiscal 2016, primarily due to an increase in service revenue of $6.7 million related to the acquisition of the WLAN Business and the increased number of service contracts acquired.

Service gross profit decreased to $84.1 million for the year-ended June 30, 2016, from $86.7 million in the corresponding period of fiscal 2015, primarily due to a decrease in service revenue of $2.0 million and increased operating expenses, primarily professional fees of $0.6 million.

Operating Expenses

The following table presents operating expenses and operating income (dollars in thousands):

	Year Ended				Year Ended			
	June 30, 2017	June 30, 2016	$ Change	% Change	June 30, 2016	June 30, 2015	$ Change	% Change
Research and development	$ 93,724	$ 78,721	$ 15,003	19.1%	$ 78,721	$ 93,447	$ (14,726)	(15.8)%
Sales and marketing	162,927	150,806	12,121	8.0%	150,806	169,299	(18,493)	(10.9)%
General and administrative	37,864	37,675	189	0.5%	37,675	42,092	(4,417)	(10.5)%
Acquisition and integration costs	13,105	1,145	11,960	1,044.5%	1,145	10,205	(9,060)	(88.8)%
Restructuring and related charges, net of reversals	8,896	10,990	(2,094)	(19.1)%	10,990	9,819	1,171	11.9%
Amortization of intangibles	8,702	17,001	(8,299)	(48.8)%	17,001	17,869	(868)	(4.9)%
Total operating expenses	$ 325,218	$ 296,338	$ 28,880	9.7%	$ 296,338	$ 342,731	$ (46,393)	(13.5)%

The following table highlights our operating expenses and operating loss as a percentage of net revenues:

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Research and development	15.7%	14.9%	16.9%
Sales and marketing	27.2%	28.5%	30.6%
General and administrative	6.3%	7.1%	7.6%
Acquisition and integration costs	2.2%	0.2%	1.8%
Restructuring charge, net of reversals	1.5%	2.1%	1.8%
Amortization of intangibles	1.5%	3.2%	3.2%
Total operating expenses	54.4%	56.1%	62.0%
Operating loss	(0.1)%	(4.8)%	(11.4)%

Research and Development Expenses

Research and development expenses consist primarily of salaries and related personnel expenses, consultant fees and prototype expenses related to the design, development, and testing of our products.

Research and development expenses increased by $15.0 million or 19.1% for fiscal 2017 as compared to fiscal 2016. The increase in spending was primarily a result of the acquisition of the WLAN Business during fiscal 2017, and consists of $11.7 million of personnel costs, which includes compensation, benefits and non-cash stock based compensation, $1.3 million of technology and facility costs, $1.2 million of consulting and contract projects and $0.8 million of supplies and equipment costs.

Research and development expenses decreased by $14.7 million or 15.8% for fiscal 2016 as compared to fiscal 2015. The decrease in spending was related to $11.6 million of personnel costs, which includes compensation, benefits and non-cash stock based compensation, $1.6 million in reduced supplies and equipment costs, $1.2 million in depreciation and $0.3 million of other costs.

Sales and Marketing Expenses

Sales and marketing expenses consist of salaries, commissions and related expenses for personnel engaged in marketing and sales functions, as well as trade shows and promotional expenses.

Sales and marketing expenses increased by $12.1 million or 8.0% for the year-ended June 30, 2017, as compared to the corresponding period of fiscal 2016. The increase in sales and marketing expenses during fiscal 2017 was primarily a result of the acquisition of the WLAN Business during fiscal 2017, and consists of higher personnel costs including benefits and non-cash stock compensation of $9.2 million, $1.8 million in travel costs and $1.1 million in additional professional fees.

Sales and marketing expenses decreased by $18.5 million or 10.9% for the year-ended June 30, 2016 as compared to the corresponding period of fiscal 2015. The decrease in sales and marketing expenses during fiscal 2016 was primarily due to lower personnel costs including benefits and non-cash stock compensation of $11.5 million, $3.1 million in reduced travel costs, $2.4 million in reduced occupancy expense and $1.9 million in reduced sales conferences and related costs. In addition, sales and marketing professional fees decreased by $0.8 million during the period.

General and Administrative Expenses

General and administrative expense consists primarily of personnel costs, legal and professional service costs, share-based compensation, travel and facilities and information technology costs.

General and administrative expenses increased by $0.2 million or 0.5% for the year-ended June 30, 2017, as compared to the corresponding period of fiscal 2016. The increase in general and administrative expenses was primarily due to increases of $1.1 million in professional fees, $0.6 million in recruiting fees, and $0.2 million of taxes and franchise fees. The increase was partial offset by $0.9 million in lower personnel costs related to our reduced headcount and $0.6 million in our provision for bad debts.

General and administrative expenses decreased by $4.4 million or 10.5% for the year-ended June 30, 2016 as compared to the corresponding period of fiscal 2015. The decrease in general and administrative expenses was primarily due to $3.6 million in lower personnel costs related to our reduced headcount, as well as reduced professional fees of $1.9 million and other expenses of $0.4 million.

Acquisition and Integration Costs

As a result of our acquisitions of the WLAN Business in fiscal 2017 and Enterasys in fiscal 2014, we incurred $13.1 million, $1.1 million and $10.2 million of acquisition and integration costs in fiscal years 2017, 2016 and 2015, respectively.

For fiscal 2017, we incurred $2.1 million of acquisition and $6.6 million of integration costs related to the WLAN Business acquisition. We also incurred acquisition costs of $2.2 million and $2.2 million related to our acquisition of Avaya Networking on July 14, 2017, and anticipated acquisition of Brocade Data, respectively.

For fiscal 2016 and 2015, the entire $1.1 million and $10.2 million, respectively, of expense was related to integration costs of the Enterasys acquisition. The lower fiscal 2016 integration expenses were due to winding down of integration activities associated with the acquisition, which included lower severance and termination costs, information systems applications costs and consulting fees.

Restructuring and Related Charges, Net of Reversals

As of June 30, 2017, restructuring liabilities were $4.1 million and consisted primarily of obligations for estimated future obligations for non-cancelable lease payments for excess facilities, and for severance payments and benefits. The restructuring liability is recorded in "Other accrued liabilities" and “Other long-term liabilities” on the consolidated balance sheets. During fiscal years 2017, 2016 and 2015, we recorded restructuring charges and related charges, net of reversals, of $8.9 million, $11.0 million and $9.8 million, respectively.

Fiscal year 2017

Pursuant to the WLAN Business acquisition from Zebra, we assumed a facility lease located at 6480 Via del Oro in San Jose, California (“Via del Oro”) and transferred our headquarters from Rio Robles Drive in San Jose, California (“Rio Robles”) to Via del Oro. We consolidated our existing workforce from our previous headquarters with employees assumed from Zebra to the Via del Oro site and exited the Rio Robles site on January 31, 2017. Due to our move from the Rio Robles facility and abandonment of all leasehold improvements, we accelerated the amortization of the remaining leasehold improvements for this site over the shortened service period such that the leasehold improvements were fully amortized on the cease-use date. We recorded accelerated amortization expense for the year ended June 30, 2017 of $2.6 million and it is reflected in "Restructuring and related charges, net of reversals" in the condensed consolidated statements of operations.

We entered into a sublease agreement related to our Rio Robles facility during the third quarter of fiscal 2017 for the remaining duration of the lease. The sublease resulted in adjustments to the prior estimates for the amount of sublease payments, timing of sublease activities and real estate commissions associated with the sublease. The net adjustments, including modifications to our future obligations for non-cancellable lease payments and related future subleasing income resulted in additional charges of $2.0 million during fiscal 2017. The excess facilities payments will continue through fiscal year 2023.

In anticipation of the acquisition of Avaya Networking on July 14, 2017 and our anticipated acquisition of the Brocade Data business, we reoccupied the majority of the previously exited space at our Salem, New Hampshire location during our fiscal fourth quarter to accommodate the growth in headcount and lab facility requirements. This action resulted in a reversal of prior restructuring expense accruals of $1.3 million

We also implemented a reduction-in-force which affected 90 employees. We recorded severance and benefits charges of $5.6 million during the year ended June 30, 2017. Cash payments of $3.8 million have been made with the balance of cash payments expected to be paid by the end of the second quarter of fiscal 2018.

Fiscal year 2016

During fiscal 2016, we incurred $11.0 million of restructuring charges. Excess facilities charges included accrued lease costs pertaining to the estimated future obligations for non-cancelable lease payments for excess facilities and contract termination charges of $5.4 million, acceleration of depreciation of leasehold improvements of $4.5 million, professional fees of $1.0 million and other expenses of $0.1 million.

Significant restructuring charges incurred during 2016, by location, included $1.8 million of charges for excess facilities pertaining to the estimated future obligations for non-cancelable lease payments at Rio Robles. This represented 39% of the San Jose leased space. We amended our facility lease at our North Carolina location and exited excess space while recording $4.1 million of charges, which included $3.1 million in accelerated depreciation of leasehold improvements. This action represented 36% of the North Carolina location lease space. We recorded $4.4 million of charges for excess facilities at our Salem location, which included $1.3 million in accelerated depreciation of leasehold improvements. This action represented 27% of the Salem lease space.

Fiscal year 2015

During the fourth quarter of fiscal 2015, we implemented a plan to reduce costs through targeted restructuring activities intended to reduce operating costs and realign our organization in the current competitive environment. We initiated a plan to reduce our worldwide headcount by more than 225 employees, primarily in sales and marketing as well as research and development, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions. We have expensed all costs associated with this initiative. The restructuring liability related to this initiative was fully paid as of June 30, 2016.

Amortization of Intangibles

During fiscal 2017, 2016 and 2015, we recorded $8.7 million, $17.0 million and $17.9 million, respectively, of amortization expenses in operating expenses primarily for certain intangibles related to the acquisition of Enterasys and the WLAN Business. The lower amortization expense in fiscal 2017 is due to the Enterasys intangible assets becoming fully amortized during fiscal 2017.

Interest Income

Interest income was $0.7 million, $0.1 million and $0.5 million in fiscal years 2017, 2016 and 2015, respectively, representing an increase of $0.6 million in fiscal 2017 from fiscal 2016, and a decrease of $0.4 million in fiscal 2016 from fiscal 2015. The increase in fiscal 2017 was due to higher cash balances and interest earned on notes receivable. The decrease in interest income in fiscal 2016 and 2015 was due to a decrease in the investment balances to fund debt reduction.

Interest Expense

We had $4.1 million, $3.1 million and $3.2 million of interest expense for fiscal 2017, 2016 and 2015, respectively. Interest expense in fiscal years 2017, 2016 and 2015 was primarily related to our Credit Facility. The increase in interest expense for fiscal 2017 is related to our increased borrowings to finance the WLAN Business acquisition in October 2016.

Other Income (Loss), net

We incurred other loss of less than $0.1 million in fiscal 2017, other income of $1.0 million in fiscal 2016, and other loss of $1.2 million in fiscal 2015. Other income (loss) in the respective periods was primarily due to the revaluation of certain assets and liabilities denominated in foreign currencies into U.S. Dollars.

Provision for Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to the impact of state taxes, foreign operations which are generally taxed at lower statutory rates and the full valuation of our deferred tax assets in the U.S. and certain foreign jurisdictions. For the fiscal years ended June 30, 2017, 2016 and 2015, we recorded income tax provisions of $4.3 million, $4.3 million and $4.8 million, respectively. The effective tax rates for fiscal years ended June 30, 2017, 2016 and 2015, were 103.9%, 15.7% and 7.2%, respectively.

For the fiscal years ended June 30, 2017, 2016 and 2015, the majority of our tax provision related to taxes on our foreign operations as well as state taxes due to the full valuation allowance on our U.S. and certain foreign deferred tax assets.

For a full reconciliation of our effective tax rate to the U.S. federal statutory rate of 35% and for further explanation of our provision for income taxes, see Note 9 to the consolidated financial statements.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 3 of Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period reported. By their nature, these estimates, assumptions and judgments are subject to an inherent degree of uncertainty. We base our estimates, assumptions and judgments on historical experience, market trends and other factors that are believed to be reasonable under the circumstances. Estimates, assumptions and judgments are reviewed on an ongoing basis and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results may differ from these estimates under different assumptions or conditions. We believe the critical accounting policies stated below, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We derive the majority of our revenue from sales of our networking equipment, with the remaining revenue generated from service fees relating to maintenance contracts, professional services, and training for our products. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price of the product is fixed or determinable, and the collection of the sales proceeds is reasonably assured. In instances where any of the criteria for revenue recognition are not met, we defer revenue until all criteria have been met.

Product revenue from our value-added resellers, non-stocking distributors and end-user customers is recognized at the time of shipment, provided that all of the foregoing revenue recognition requirements have been satisfied. We generally do not grant return privileges, except for defective products during the warranty period, nor do we grant pricing credits. Accordingly, we recognize revenue upon transfer of title and risk of loss to the customer, which is generally upon shipment. We maintain estimated accruals and allowances for sales incentives and other programs that we may make available to our partners, based on historical experience or applicable contractual terms. Sales taxes collected from customers are excluded from revenues. Shipping costs are included in cost of product revenues.

We also sell our products to distributors that stock inventory and sell to resellers. We defer recognition of revenue on all sales to our stocking distributors until the distributors have sold the products, as evidenced by sales data that the distributors provide to us. We grant stocking distributors certain price protection rights and the right to return a portion of unsold inventory for the purpose of stock rotation. The distributor-related deferred revenue and receivables are adjusted at the time of the stock rotation return or price reduction. We also provide stocking distributors with credits for changes in selling prices based on competitive conditions, and provide funding for our distributors and their resellers to perform marketing development activities. We maintain estimated accruals and allowances for these exposures based upon our contractual obligations. Our marketing development channel programs do not meet the criteria for recognizing the costs as marketing expenses and therefore these costs are accrued as a reduction to revenue in the same period that the products are sold.

Revenue from maintenance contracts is deferred and recognized ratably over the contractual service period, which is typically from one to two years. Professional service revenue is recognized upon delivery or completion of performance.

Our networking products are tangible products that contain software and non-software components that function together to deliver the tangible product's essential functionality. Our sales arrangements may contain multiple deliverables comprised of our tangible products, standalone software licenses, and maintenance offerings depending on the distribution sales channel through which the products are sold and the requirements of our customers. We recognize revenue for our multiple deliverable arrangements in accordance with the accounting standard for multiple deliverable revenue arrangements, which provides guidance on whether multiple deliverables exist, how deliverables in an arrangement should be separated, and how consideration should be allocated. The industry-specific software revenue recognition guidance does not apply to the sales of our tangible products. Software revenue guidance is applied to sales of our standalone software products, including software upgrades and software that is not essential to the functionality of the hardware with which it is sold.

Pursuant to the guidance of the accounting standard for multiple-deliverable revenue arrangements, we allocate the total arrangement consideration to each separable element of an arrangement based on the relative selling price of each element. We determine the standalone selling price for each element based on a selling price hierarchy. Under the selling price hierarchy, the selling price for each deliverable is based on our vendor-specific objective evidence ("VSOE") of selling price, which is determined by a substantial majority of our historical standalone sales transactions for a product or service falling within a reasonable range. If VSOE is not available due to a lack of standalone sales transactions or lack of pricing within a narrow range, then third party evidence ("TPE"), as determined by the standalone pricing of competitive vendor products in similar markets, is used. TPE typically is difficult to establish due to the proprietary differences of competitive products and difficulty in obtaining reliable competitive standalone pricing information. When neither VSOE nor TPE is available, we determine the best estimate of standalone selling price ("ESP") for a product or service by considering several factors including, but not limited to, the 12-month historical median sales price, sales channels, geography, gross margin consistency, competitive product pricing, and product life cycle. In consideration of all relevant pricing factors, we apply management judgment to determine the best estimate of selling price through consultation with and formal approval by our management for all products and services for which neither VSOE nor TPE is available. Generally, the standalone selling price of services is determined using VSOE and the standalone selling price of all other deliverables is determined by using ESP. We regularly review VSOE, TPE and ESP for all of our products and services and maintain internal controls over the establishment and updates of these estimates.

Pursuant to the software revenue recognition accounting standard, we continue to recognize revenue for software using the residual method for our sales of standalone software products and other software that is not essential to the functionality of the hardware with which it is sold. After allocation of the relative selling price to each element of the multiple deliverable arrangement, we recognize revenue in accordance with our policies for product, software, and maintenance revenue recognition.

We provide an allowance for sales returns based on our historical returns, analysis of credit memo data and our return policies. The allowance for sales returns was $0.5 million and $1.6 million as of June 30, 2017 and 2016, respectively, for estimated future returns that were recorded as a reduction of our accounts receivable. If the historical data that we use to calculate the estimated sales returns and allowances does not properly reflect future levels of product returns, these estimates will be revised, thus resulting in an impact on future net revenue. We estimate and adjust this allowance at each balance sheet date.

Goodwill

We assess goodwill for impairment annually during the fourth quarter of the fiscal year (which begins on April 1) or more frequently when an event occurs or circumstances change between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying value. We have determined that we have one reporting unit. To test goodwill for impairment, we have opted to bypass the qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value and proceed directly to the two-step goodwill impairment test. Under the two-step goodwill impairment test, we in the first step, compare the estimated fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value, no impairment loss is recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of the unit may be impaired. The amount, if any, of the impairment is then measured in the second step in which we determine the implied value of goodwill based on the allocation of the estimated fair value determined in the initial step to all assets and liabilities of the reporting unit.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2017 and determined there was no impairment as the fair value of the reporting unit exceeded its carrying value.

Business Combinations

We apply the acquisition method of accounting for business combinations. Under this method of accounting, all assets acquired and liabilities assumed are recorded at their respective fair values at the date of the completion of the transaction. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, intangibles and other asset lives, among other items. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, we may have been required to value the acquired assets at fair value measures that do not reflect its intended use of those assets. Use of different estimates and judgments could yield different results. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information that may be obtained from the management of the acquired company and are inherently uncertain. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Share-based Payments

We use the Black-Scholes option-pricing model to determine the fair value of option grants other than option grants, with market or performance conditions, options assumed as part of the Enterasys acquisition, and share purchase options under our Employee Stock Purchase Plan ("ESPP") on the date of grant with the weighted average assumptions. We use the Monte-Carlo simulation model to determine the fair value and the derived service period of option grants, with market, performance or service conditions or combinations of those conditions, on the date of grant. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination behavior. The expected term of purchase options under our ESPP represents the contractual life of the ESPP purchase period. The risk-free rate is based upon the estimated life of each option and ESPP award is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on the historical volatility of our stock. We do not currently pay cash dividends on our common stock and do not anticipate doing so in the foreseeable future. Accordingly, our expected dividend yield is zero. In fiscal 2016, our estimated forfeiture rates based on historical forfeiture experiences were 19% for executives and 13% for non-executive employees. Beginning in fiscal 2017, we no longer estimate forfeitures at the time of grant but rather record actual forfeitures at the time of separation. We use the straight-line method for expense attribution, and we only recognize expense for those shares expected to vest.

Restructuring Charges

We recognize a liability for exit and disposal activities when the liability is incurred. A liability for post-employment benefits, including severance, is recorded upon attainment of certain criteria including when payment is probable, the amount is reasonably estimable, and the obligation relates to rights that have vested or accumulated. Facilities consolidation charges are calculated using estimates and are based upon the remaining future lease commitments for vacated facilities from the date of facility consolidation, net of estimated future sublease income. The estimated costs of vacating these leased facilities are based on market information and trend analysis.

We continually evaluate the adequacy of the remaining liabilities under our restructuring initiatives. Although we believe that these estimates accurately reflect the costs of our restructuring plans, actual results may differ, thereby requiring us to record additional provisions or reverse a portion of such provision.

New Accounting Pronouncements

See Note 4 of the accompanying consolidated financial statements for a full description of new accounting pronouncements, including the respective expected dates of adoption and effects on results of operations and financial condition.

Liquidity and Capital Resources

The following summarizes information regarding our cash, investments, and working capital (in thousands):

	June 30, 2017	June 30, 2016
Cash and cash equivalent	$ 130,450	$ 94,122
Total cash and investments	$ 130,450	$ 94,122
Working capital	$ 69,145	$ 17,442

As of June 30, 2017, our principal sources of liquidity consisted of cash and cash equivalents of $130.5 million, accounts receivable, net of $120.8 million and availability of borrowings from the Revolving Facility of $39.1 million. We anticipate that our principal uses of cash for fiscal 2018 will include the acquisition of Avaya's fabric-based secure networking solutions and network security solutions business and our anticipated acquisition of Brocade's data center technology business, repayments of debt and related interest, purchase of finished goods inventory from our contract manufacturers, payroll, restructuring expenses and other operating expenses related to the development, marketing of our products and purchases of property and equipment. We believe that our $130.5 million of cash and cash equivalents at June 30, 2017, cash flows from operations along with the availability of additional borrowings from our Credit Facility, as amended, will be sufficient to fund our principal uses of cash for at least the next 12 months.

During the second quarter of fiscal 2017, we entered into an Amended and Restated Credit Agreement (the "Credit Facility") with Silicon Valley Bank, as administrative agent and collateral agent, and the financial institutions that are a party thereto as lenders ("Lenders"). The Credit Facility provided for a five-year $90.5 million term loan ("Term Loan") and a five-year $50.0 million revolving loan facility ("Revolver"), which included a $5.0 million swing line loan sub facility and a $10.0 million letter of credit sub facility. The Credit Facility among other things, amended and restated our previous credit facility. The borrowings under the Credit Facility during fiscal 2017 were used to acquire the WLAN Business as more fully described in Note 2. Business Combinations, in the Notes to Consolidated Financial Statements.

On July 14, 2017, the Company entered into the Second Amendment to the Amended and Restated Credit Agreement ("Second Amendment"), which amends the Amended and Restated Credit Agreement, dated as of October 28, 2016 (the "Credit Facility, as amended"), by and among the Company, as borrower, Silicon Valley Bank, as administrative agent and collateral agent, and Lenders. Among other things, the Second Amendment (i) increased the amount of the available borrowing under the Credit Facility from $140.5 million to $243.7 million, composed of (a) the Term Loan facilities in a principal amount of up to $183.7 million and (b) the Revolver in a principal amount of up to $60.0 million, (ii) extends the maturity date under the existing Term Loan and the termination date under the existing Revolver until July 2022, (iii) provides for an uncommitted additional incremental loan facility in a principal amount of up to $50.0 million ("Incremental Facility"), and (iv) joins certain additional banks, financial institutions and institutional lenders as Lenders pursuant to the terms of the Credit Facility, as amended. On July 14, 2017, the Company borrowed an additional $80.0 million under the Term Loan which was used to fund the purchase of the Avaya Networking business (see Note 14. Subsequent Events, in the Notes to Consolidated Financial Statements).

Key Components of Cash Flows and Liquidity

A summary of the sources and uses of cash and cash equivalents is as follows (in thousands):

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Net cash provided by operating activities	$ 59,283	$ 30,366	$ 37,423
Net cash (used in) provided by investing activities	(71,752)	(5,327)	21,598
Net cash provided by (used in) financing activities	48,708	(6,738)	(52,470)
Foreign currency effect on cash	89	(404)	(3,516)
Net increase in cash and cash equivalents	$ 36,328	$ 17,897	$ 3,035

Cash and cash equivalents were $130.5 million at June 30, 2017, representing an increase of $36.4 million from $94.1 million at June 30, 2016. Cash and cash equivalents increased primarily due to cash provided by operations of $59.3 million, and cash provided by financing activities of $48.7 million, offset by cash used in investing activities of $71.8 million.

Cash and cash equivalents were $94.1 million at June 30, 2016, representing an increase of $17.9 million from $76.2 million at June 30, 2015. Cash and cash equivalents increased primarily due to cash provided by operations of $30.4 million, offset by cash used in investing activities of $5.3 million and cash used in financing activities of $6.7 million.

Net Cash Provided by Operating Activities

Cash provided by operating activities during fiscal 2017 was $59.3 million, compared to cash provided by operating activities of $30.4 million in fiscal 2016, an increase of $28.9 million. Factors contributing to cash provided by operating activities for the year ended June 30, 2017 were decreases in inventory and prepaid expenses, and increases to accrued compensation and benefits, deferred revenues and other liabilities in addition to non-cash expenses such as amortization of intangibles, stock-based compensation, and depreciation. These amounts were partially offset by an increase in accounts receivables and our current year's net loss of $8.5 million.

Cash provided by operating activities during fiscal 2016 was $30.4 million, compared to $37.4 million in fiscal 2015, a decrease of $7.0 million. The net loss of $31.9 million was primarily offset by non-cash expenses such as amortization of intangibles, stock-based compensation, and depreciation. Other contributing factors to cash provided by operating activities for the year ended June 30, 2016 were decreases in accounts receivables and inventory as a source of cash offset by declines in the balance of our deferred revenues and accounts payable which decreased cash.

Net Cash (Used in) Provided by Investing Activities

Cash used in investing activities during fiscal 2017 was $71.8 million, was mainly due to our acquisition of the WLAN Business of $51.1 million, deposits for future acquisitions of $10.2 million and capital expenditures of $10.4 million.

Cash used in investing activities during fiscal 2016 totaled $5.3 million, was mainly due to capital expenditures.

Net cash Provided by (Used in) Financing Activities

Cash provided by financing activities during fiscal 2017 was $48.7 million due primarily to $48.2 million in borrowings of debt pursuant to our WLAN Business acquisition, $11.8 million in proceeds from the sale of our common stock, primarily through the exercise of stock options and our Employee Stock Purchase Plan, partially offset by repayments of debit of $10.0 million.

Cash flow used in financing activities during fiscal 2016 was $6.7 million mainly due to $26.4 million in repayments of debt, offset by borrowings of $15.0 million on the Revolving Facility for working capital requirements and proceeds from the sale of common stock of $4.6 million primarily through our Employee Stock Purchase Plan.

Contractual Obligations

The following summarizes our contractual obligations at June 30, 2017, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Total	Less than 1 Year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:					
Debt obligations	$ 93,712	$ 12,444	$ 38,463	$ 42,805	$ —
Interest on debt obligations	11,600	3,967	5,868	1,765	—
Non-cancellable inventory purchase commitments	83,234	83,234	—	—	—
Non-cancellable purchase commitments	21,474	4,974	10,500	6,000	—
Non-cancellable operating lease obligations	54,794	12,949	20,870	14,813	6,162
Other liabilities	880	196	391	293	—
Total contractual cash obligations	$ 265,694	$ 117,764	$ 76,092	$ 65,676	$ 6,162

Non-cancelable inventory purchase commitments represent the purchase of long lead-time component inventory that our contract manufacturers procure in accordance with our forecast. Inventory purchase commitments were $83.2 million as of June 30, 2017, an increase of $19.5 million from $63.7 million as of June 30, 2016.

Non-cancelable operating lease obligations represent base rents and operating expense obligations to landlords for facilities we occupy at various locations.

Other liabilities include our commitments towards debt related fees and specific arrangements other than inventory.

The amounts in the table above exclude immaterial income tax liabilities related to uncertain tax positions as we are unable to reasonably estimate the timing of the settlement.

We did not have any material commitments for capital expenditures as of June 30, 2017.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2017.

Capital Resources and Financial Condition

As of June 30, 2017, we had $130.5 million in cash and cash equivalents. We believe that our current cash, cash equivalents, cash available from future operations along with the availability of borrowings from our Credit Facility, as amended, will enable us to meet our working capital requirements for at least the next 12 months.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

The primary objective of our investment activities is to preserve principal while at the same time maximize the income we receive from our investments without significantly increasing risk. Some of the securities we have invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. To reduce/address this risk, we maintain our portfolio of cash equivalents in money market funds.

The valuation of our investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact its valuation include changes to credit ratings of the securities, discount rates and ongoing strength and quality of market credit and liquidity.

If the current market conditions deteriorate further, or the anticipated recovery in market values does not occur, we may be required to record impairment charges in future quarters.

The following table presents the amounts of our cash equivalents by range of expected maturity and weighted-average interest rates as of June 30, 2017. This table includes money market funds which generally are not considered subject to market risk. We did not have any short-term investments or marketable securities as of June 30, 2017 (dollars in thousands):

	Maturing in				
	Three months or less	Three months to one year	Greater than one year	Total	Fair Value
June 30, 2017					
Included in cash equivalents	$ 4,291	$ —	$ —	$ 4,291	$ 4,291
Weighted average interest rate	0.7%	—%	—%		

The following table presents hypothetical changes in the fair value of financial instruments held at June 30, 2017 that are sensitive to changes in interest rates (in thousands):

Unrealized gain given a decrease in interest rate of X bps		Fair value as of	Unrealized loss given an increase in interest rate of X bps	
(100 bps)	(50 bps)	June 30, 2017	100 bps	50 bps
$ —	$ —	$ 4,291	$ —	$ —

Debt

At certain points in time we are exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from our Credit Facilities, as amended, that we entered into on October 31, 2013. Our debt and Credit Facilities, as amended, are fully described in the Note 3 of our Notes to the Consolidated Financial Statements. At June 30, 2017 we had $93.7 million of debt outstanding, all of which was from our Credit Facilities, as amended. Through the end of our fiscal year, the average daily outstanding amount was $85.0 million with a high of $100.5 million and a low of $55.5 million.

The following table presents hypothetical changes in interest expense for the year ended June 30, 2017, on the outstanding Credit Facility, as amended, borrowings as of June 30, 2017, that are sensitive to changes in interest rates (in thousands):

Change in interest expense given a decrease in interest rate of X bps*		Average outstanding debt as of	Change in interest expense given an increase in interest rate of X bps	
(100 bps)	(50 bps)	June 30, 2017	100 bps	50 bps
$ (213)	$ (106)	$ 85,044	$ 213	$ 106

* Underlying interest rate was 1 % during fiscal 2017. The table above assumed the underlying interest rate did not decrease below 0%

Exchange Rate Sensitivity

A majority of our sales and our expenses are denominated in United States Dollars. While we conduct sales transactions and incur certain operating expenses in foreign currencies and expect to continue to do so, we do not anticipate that foreign exchange gains or losses will be significant, in part because of our foreign exchange risk management process discussed below.

Foreign Exchange Forward Contracts

We record all derivatives on the balance sheet at fair value. Changes in the fair value of derivatives are recognized in earnings as Other income (loss), net. From time to time, we enter into foreign exchange forward contracts to mitigate the effect of gains and losses generated by the foreign currency forecast transactions related to certain operating expenses and re-measurement of certain assets and liabilities denominated in foreign currencies. These derivatives do not qualify as hedges. Changes in the fair value of these foreign exchange forward contracts are offset largely by re-measurement of the underlying assets and liabilities. At June 30, 2017, we had foreign currency forward contracts with a notional value of $6.7 million outstanding. As June 30, 2016, we did not have any foreign currency forward contracts.

Foreign currency transaction gains and losses from operations were losses of $0.7 million and $1.0 million in fiscal years 2017 and 2015, respectively and gains of $1.3 million in fiscal 2016.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF EXTREME NETWORKS, INC.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Extreme Networks, Inc.:

We have audited the accompanying consolidated balance sheets of Extreme Networks, Inc. and subsidiaries (the Company) as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2017. We also have audited the Company's internal control over financial reporting as of June 30, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Extreme Networks, Inc. and subsidiaries as of June 30, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Extreme Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Raleigh, North Carolina
September 13, 2017

EXTREME NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	June 30, 2017	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 130,450	$ 94,122
Accounts receivable, net of allowances of $1,732 at June 30, 2017 and $3,257 at June 30, 2016	120,770	81,419
Inventories	45,880	40,989
Prepaid expenses and other current assets	27,867	12,438
Total current assets	324,967	228,968
Property and equipment, net	30,240	29,580
Intangible assets, net	25,337	19,762
Goodwill	80,216	70,877
Other assets	22,586	25,236
Total assets	$ 483,346	$ 374,423
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 12,280	$ 17,628
Accounts payable	31,587	30,711
Accrued compensation and benefits	42,662	27,145
Accrued warranty	10,007	9,600
Deferred revenue, net	79,048	72,934
Deferred distributors revenue, net of cost of sales to distributors	43,525	26,817
Other accrued liabilities	36,713	26,691
Total current liabilities	255,822	211,526
Deferred revenue, less current portion	25,293	21,926
Long-term debt, less current portion	80,422	37,446
Deferred income taxes	6,576	4,693
Other long-term liabilities	8,526	8,635
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Convertible preferred stock, $.001 par value, issuable in series, 2,000,000 shares authorized; none issued	—	—
Common stock, $.001 par value, 750,000,000 shares authorized; 110,924,508 shares issued and outstanding at June 30, 2017 and 104,942,665 shares issued and outstanding at June 30, 2016	111	105
Additional paid-in-capital	909,155	884,706
Accumulated other comprehensive loss	(2,302)	(2,874)
Accumulated deficit	(800,257)	(791,740)
Total stockholders' equity	106,707	90,197
Total liabilities and stockholders' equity	$ 483,346	$ 374,423

See accompanying notes to consolidated financial statements.

EXTREME NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Net revenues:			
Product	$ 451,459	$ 395,464	$ 418,046
Service	146,659	132,925	134,894
Total net revenues	598,118	528,389	552,940
Cost of revenues:			
Product	217,727	208,739	225,018
Service	55,906	48,862	48,185
Total cost of revenues	273,633	257,601	273,203
Gross profit:			
Product	233,732	186,725	193,028
Service	90,753	84,063	86,709
Total gross profit	324,485	270,788	279,737
Operating expenses:			
Research and development	93,724	78,721	93,447
Sales and marketing	162,927	150,806	169,299
General and administrative	37,864	37,675	42,092
Acquisition and integration costs	13,105	1,145	10,205
Restructuring and related charges, net of reversals	8,896	10,990	9,819
Amortization of intangibles	8,702	17,001	17,869
Total operating expenses	325,218	296,338	342,731
Operating loss	(733)	(25,550)	(62,994)
Interest income	689	113	541
Interest expense	(4,086)	(3,098)	(3,177)
Other income (loss)	(47)	987	(1,206)
Loss before income taxes	(4,177)	(27,548)	(66,836)
Provision for income taxes	4,340	4,336	4,807
Net loss	$ (8,517)	$ (31,884)	$ (71,643)
Basic and diluted net loss per share:			
Net loss per share - basic	$ (0.08)	$ (0.31)	$ (0.72)
Net loss per share - diluted	$ (0.08)	$ (0.31)	$ (0.72)
Shares used in per share calculation - basic	108,273	103,074	99,000
Shares used in per share calculation - diluted	108,273	103,074	99,000

See accompanying notes to consolidated financial statements.

EXTREME NETWORKS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Net loss:	$ (8,517)	$ (31,884)	$ (71,643)
Other comprehensive gain (loss), net of tax:			
Available for sale securities:			
Change in unrealized losses on available for sale securities, net of taxes	—	—	(26)
Net change in foreign currency translation adjustments	572	(1,583)	(826)
Other comprehensive gain (loss), net of tax:	572	(1,583)	(852)
Total comprehensive loss	$ (7,945)	$ (33,467)	$ (72,495)

See accompanying notes to consolidated financial statements.

EXTREME NETWORKS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock					
	Shares	Amount	Additional Paid-In-Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at June 30, 2014	96,980	$ 97	$ 845,267	$ (439)	$ (688,213)	$ 156,712
Net loss	—	—	—	—	(71,643)	(71,643)
Other comprehensive loss, net of tax:	—	—	—	(852)	—	(852)
Exercise of options to purchase common stock	447	—	1,392	—	—	1,392
Issuance of employees stock purchase plan	1,138	2	3,578	—	—	3,580
Issuance of restricted stock, net of tax	1,719	1	(2,756)	—	—	(2,755)
Share-based payments	—	—	17,801	—	—	17,801
Balance at June 30, 2015	100,284	$ 100	$ 865,282	$ (1,291)	$ (759,856)	$ 104,235
Net loss	—	—	—	—	(31,884)	(31,884)
Other comprehensive loss, net of tax:	—	—	—	(1,583)	—	(1,583)
Exercise of options to purchase common stock	382	—	1,012	—	—	1,012
Issuance of employees stock purchase plan	2,000	2	3,848	—	—	3,850
Issuance of restricted stock, net of tax	2,277	3	(228)	—	—	(225)
Share-based payments	—	—	14,792	—	—	14,792
Balance at June 30, 2016	104,943	$ 105	$ 884,706	$ (2,874)	$ (791,740)	$ 90,197
Net loss	—	—	—	—	(8,517)	(8,517)
Other comprehensive loss, net of tax:	—	—	—	572	—	572
Exercise of options to purchase common stock	2,348	2	9,327	—	—	9,329
Issuance of employees stock purchase plan	2,218	2	4,493	—	—	4,495
Issuance of restricted stock, net of tax	1,416	2	(2,004)	—	—	(2,002)
Share-based payments	—	—	12,633	—	—	12,633
Balance at June 30, 2017	110,925	$ 111	$ 909,155	$ (2,302)	$ (800,257)	$ 106,707

See accompanying notes to consolidated financial statements.

EXTREME NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Cash flows from operating activities:			
Net loss	$ (8,517)	$ (31,884)	$ (71,643)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	10,618	10,802	12,832
Amortization of intangible assets	15,722	32,370	35,951
Provision for doubtful accounts and allowance for returns	335	1,140	4,246
Stock-based compensation	12,633	14,792	17,801
Non-cash restructuring and related charges	1,031	4,463	—
Other non-cash charges	3,334	1,020	2,323
Changes in operating assets and liabilities, net			
Accounts receivable	(25,050)	10,178	27,681
Inventories	8,587	17,025	(904)
Prepaid expenses and other assets	8,018	100	(2,240)
Accounts payable	2,064	(9,562)	2,827
Accrued compensation and benefits	13,058	1,949	(1,482)
Deferred revenue	(4,677)	(4,922)	2,104
Deferred distributor revenue, net of cost of sales	16,708	(14,058)	8,883
Other current and long term liabilities	5,419	(3,047)	(956)
Net cash provided by operating activities	59,283	30,366	37,423
Cash flows from investing activities:			
Capital expenditures	(10,425)	(5,327)	(7,205)
Acquisition	(51,088)	—	—
Deposits related to future acquisition	(10,239)	—	—
Purchases of non-marketable equity investment	—	—	(3,000)
Proceeds from maturities of investments and marketable securities	—	—	23,321
Proceeds from sales of investments and marketable securities	—	—	9,051
Purchases of intangible assets	—	—	(569)
Net cash (used in) provided by investing activities	(71,752)	(5,327)	21,598
Cash flows from financing activities:			
Borrowings under Revolving Facility	—	15,000	24,000
Borrowings under Term Loan	48,250	—	—
Repayment of debt	(10,038)	(26,375)	(78,688)
Loan fees on borrowings	(1,326)	—	—
Proceeds from issuance of common stock	11,822	4,637	2,218
Net cash provided by (used in) financing activities	48,708	(6,738)	(52,470)
Foreign currency effect on cash	89	(404)	(3,516)
Net increase in cash and cash equivalents	36,328	17,897	3,035
Cash and cash equivalents at beginning of period	94,122	76,225	73,190
Cash and cash equivalents at end of period	$ 130,450	$ 94,122	$ 76,225
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 3,013	$ 2,613	$ 2,361
Cash paid for taxes, net	$ 2,514	$ 2,355	$ 1,582
Non-cash investing activities:			
Unpaid capital expenditures	$ 1,122	$ 741	$ 316

See accompanying notes to the consolidated financial statements.

1. Description of Business and Basis of Presentation

Extreme Networks, Inc., together with its subsidiaries (collectively referred to as "Extreme" or "the Company") is a leader in providing software-driven networking solutions for enterprise customers. The Company conducts its sales and marketing activities on a worldwide basis through distributors, resellers and the Company's field sales organization. Extreme was incorporated in California in 1996 and reincorporated in Delaware in 1999.

Fiscal Year

The Company uses a fiscal calendar year ending on June 30. All references herein to "fiscal 2017" or "2017"; "fiscal 2016" or "2016"; "fiscal 2015" or "2015" represent the fiscal years ending 2017, 2016 and 2015, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of Extreme Networks and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated.

The Company predominantly uses the United States Dollar as its functional currency. The functional currency for certain of its foreign subsidiaries is the local currency. For those subsidiaries that operate in a local currency functional environment, all assets and liabilities are translated to United States Dollars at current month end rates of exchange; and revenue and expenses are translated using the monthly average rate.

Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used for, but are not limited to, the accounting for the allowances for doubtful accounts and sales returns, determining the fair value of acquired assets and assumed liabilities, estimated selling prices, inventory valuation and purchase commitments, depreciation and amortization, impairment of long-lived assets including goodwill, warranty accruals, restructuring liabilities, measurement of share-based compensation costs and income taxes. Actual results could differ materially from these estimates.

2. Business Combinations

On October 28, 2016, the Company completed the acquisition of the wireless local area network ("WLAN") business ("WLAN Business") from Zebra Technologies Corporation ("Zebra"). Under the terms of the purchase agreement, the Company acquired customers, employees, technology and other assets as well as assumed certain contracts and other liabilities of the WLAN Business, for an initial purchase price of $51.1 million. Subsequent to year end, Zebra agreed to pay $1.6 million as a final settlement regarding all outstanding working capital claims of the Company, thereby reducing the net cash consideration to $49.5 million. The $1.6 million is included in "Prepaid expenses and other current assets" in the consolidated balance sheet as of June 30, 2017.

The acquisition has been accounted for using the acquisition method of accounting. The purchase price allocation as of the Acquisition Date is set forth in the table below and reflects fair values. The fair values were determined through established and generally accepted valuation techniques, including work performed by third-party valuation specialists. All valuations were considered finalized as of June 30, 2017.

The following table below summarizes the final allocation as of June 30, 2017, of the tangible and identifiable intangible assets acquired and liabilities assumed:

	Preliminary Allocation as of October 26, 2016	Adjustments		Final Allocation as of June 30, 2017
Receivables, net	$ 17,818	$ (3,182)	(a)	$ 14,636
Inventory	12,408	1,185	(b)	13,593
Other current assets	808	—		808
Property and equipment	1,780	1,379	(c)	3,159
Identifiable intangible assets	20,500	(200)	(d)	20,300
In-process research and development	1,600	(200)	(d)	1,400
Other assets	7,634	—		7,634
Goodwill	9,836	(497)		9,339
Deferred revenue	(13,533)	(626)	(e)	(14,159)
Other liabilities	(7,763)	562	(f)	(7,201)
Total purchase price allocation	$ 51,088	$ (1,579)		$ 49,509

The purchase price has been allocated based on the fair value of assets acquired and liabilities assumed as of the acquisition date. The fair value of working capital related items, such as other current assets and accrued liabilities, approximated their book values at the date of acquisition. Inventories were valued at fair value using the net realizable value approach. The fair value of property and equipment was determined using a cost approach. The fair value of the acquired deferred revenue was estimated using the cost build-up approach. The cost build-up approach determines fair value using estimates of the costs required to provide the contracted deliverables plus an assumed profit. The total costs including the assumed profit were adjusted to present value using a discount rate considered appropriate. The resulting fair value approximates the amount that the Company would be required to pay a third party to assume the obligation. Valuations of the intangible assets were valued using income approaches based on projections provided by management, which we consider to be Level 3 inputs.

The changes during the period in the table above is as follows: a) obtainment of information on accounts receivable and related reserves of matters that existed as of the acquisition date; b) additional receipts of products that existed as of the acquisition date; c) additional fixed assets acquired in India as of the acquisition date; d) revised net realizable value based on finalization of valuation; e) additional maintenance contracts identified and transferred from Zebra to the Company that existed as of the acquisition date; f) additional employee benefits assumed that existed as of the acquisition date.

The following table presents details of the identifiable intangible assets acquired as part of the acquisition (in thousands):

Intangible Assets	Estimated Useful Life (in years)	Amount
Developed technology	6	$ 14,400
Customer relationships	4	3,300
Trademarks	5	2,600
Total identifiable intangible assets		$ 20,300

The amortization for the developed technology is recorded in “Cost of revenues” for product and the amortization for the remaining intangibles is recorded in “Amortization of intangibles” on the condensed consolidated statement of operations. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of the WLAN Business. The Company anticipates both the goodwill and intangible assets to be fully deductible for tax purposes.

The Company also has an indefinite lived asset of $1.4 million which represents the fair value of in-process research and development activities. Once the related research and development efforts are completed, the Company will determine whether the asset will continue to be an indefinite lived asset or become a finite lived asset and apply the appropriate accounting accordingly.

The results of operations of the WLAN Business are included in the consolidated results of operations beginning October 28, 2016. The WLAN Business revenue for fiscal 2017 was $86.0 million and has been incorporated into the revenue of the Company. The associated expenses of the WLAN Business have been incorporated with the results of operations of the Company as a product line and, therefore, stand-alone operating results are not available. The Company incurred $2.1 million of acquisition and $6.6 million of integration-related expenses during the year ended June 30, 2017 included in "Acquisition and integration costs" on the consolidated statements of operations. The costs, which the Company expensed as incurred, consist primarily of professional fees to financial and legal advisors and Information Technology consultants and companies.

Pro forma financial information

The following unaudited pro forma results of operations are presented as though the acquisition of the WLAN Business had occurred as of the beginning of the earliest period presented after giving effect to purchase accounting adjustments relating to inventories, deferred revenue, depreciation and amortization on acquired property and equipment and intangibles, acquisition costs, interest income and expense and related tax effects.

The pro forma results of operations are not necessarily indicative of the combined results that would have occurred had the acquisition been consummated as of the earliest period presented, nor are they necessarily indicative of future operating results. The unaudited pro forma results do not include the impact of synergies, nor any potential impacts on current or future market conditions which could alter the unaudited pro forma results.

The unaudited pro forma financial information for the year ended June 30, 2017, combines the results of Extreme for the year ended June 30, 2017, which include the results of the WLAN Business subsequent to the acquisition date, and the historical results of the WLAN Business for the four months ended October 28, 2016.

The unaudited pro forma financial information for the year ended June 30, 2016, combines the historical results of Extreme for that period, with the historical results of the WLAN Business for the year ended June 30, 2016.

The following table summarizes the unaudited pro forma financial information (in thousands, except per share amounts):

	Year Ended June 30, 2017	Year Ended June 30, 2016
Net revenues	$ 641,390	$ 628,079
Net income (loss)	$ 7,380	$ (62,281)
Net earnings (loss) per share - basic	$ 0.07	$ (0.60)
Net earnings (loss) per share - diluted	$ 0.07	$ (0.60)
Shares used in per share calculation - basic	108,273	103,074
Shares used in per share calculation - diluted	111,472	103,074

3. Summary of Significant Accounting Policies

Revenue Recognition

The Company's revenue is primarily derived from sales of networking products, which are tangible products containing software and non-software components that function together to deliver the tangible product's essential functionality. In addition to tangible products, the Company's sales arrangements may include other deliverables such as standalone software licenses, or service offerings. For multiple deliverable arrangements, the Company recognizes revenue in accordance with the accounting standard for multiple deliverable revenue arrangements, which provides guidance on whether multiple deliverables exist, how deliverables in an arrangement should be separated, and how consideration should be allocated. Software revenue recognition guidance is applied to the sales of the Company's standalone software products, including software upgrades and software that is not essential to the functionality of the hardware with which it is sold.

Pursuant to the guidance of the accounting standard for multiple deliverable revenue arrangements, when the Company's sales arrangements contain multiple elements, such as products, software licenses, maintenance agreements, or professional services, the Company determines the standalone selling price for each element based on a selling price hierarchy. The application of the multiple deliverable revenue accounting standard does not change the units of accounting for the Company's multiple element arrangements. Under the selling price hierarchy, the selling price for each deliverable is based on the Company's vendor-specific objective evidence (“VSOE”), which is determined by a substantial majority of the Company's historical standalone sales transactions for a product or service falling within a narrow range. If VSOE is not available due to a lack of standalone sales transactions or lack of pricing within a narrow range, then third party evidence (“TPE”), as determined by the standalone pricing of competitive vendor products in similar markets, is used, if available. TPE typically is difficult to establish due to the proprietary differences of competitive products and difficulty in obtaining reliable competitive standalone pricing information. When neither VSOE nor TPE is available, the Company determines its best estimate of standalone selling price (“ESP”) for a product or service and does so by considering several factors including, but not limited to, the 12-month historical median sales price, sales channel, geography, gross margin objective, competitive product pricing, and product life cycle. In consideration of all relevant pricing factors, the Company applies management judgment to determine the Company's best estimate of selling price through consultation with and formal approval by the Company's management for all products and services for which neither VSOE nor TPE is available. Generally, the standalone selling price of services is determined using VSOE and the standalone selling price of other deliverables is determined by using ESP. The Company regularly reviews VSOE, TPE and ESP for all of its products and services and maintains internal controls over the establishment and updates of these estimates. After allocation of the relative selling price to each element of the arrangement, the Company recognizes revenue in accordance with the Company's policies for product, software, and service revenue recognition

Pursuant to the software revenue recognition accounting standard, the Company recognizes revenue for standalone software products (including optional software upgrades and other software that is not essential to the functionality of the hardware with which it is sold) using the residual method, as VSOE has been established for undelivered elements (typically post contract support).

The Company derives the majority of its revenue from sales of its networking equipment, with the remaining revenue generated from service fees relating to maintenance contracts, professional services, and training for its products. The Company generally recognizes product revenue from its value-added resellers, non-stocking distributors and end-user customers at the time of shipment, provided that persuasive evidence of an arrangement exists, delivery has occurred, the price of the product is fixed or determinable, and collection of the sales proceeds is reasonably assured. In instances where the criteria for revenue recognition are not met, revenue is deferred until all criteria have been met. Sales taxes collected from customers are excluded from revenues.

The Company sells its products and maintenance contracts to partners in two distribution channels, or tiers. The first tier consists of a limited number of independent distributors that stock its products and sell primarily to resellers. The Company defers recognition of revenue on all sales to its stocking distributors until the distributors sell the product, as evidenced by “sales-out” reports that the distributors provide. The Company grants these distributors the right to return a portion of unsold inventory for the purpose of stock rotation and certain price protection rights. The distributor-related deferred revenue and receivables are adjusted at the time of the stock rotation return or price reduction. The Company also provides distributors with credits for changes in selling prices based on competitive conditions, and allows distributors to participate in cooperative marketing programs (See *Deferred Distributors Revenue, Net of Cost of Sales to Distributors,* below in this footnote for additional information). The Company maintains estimated accruals and allowances for these exposures based upon the Company's historical experience. In connection with cooperative advertising programs, if the Company does not meet the criteria for recognizing the expense as marketing expense the costs are recorded as a reduction to revenue in the same period that the related revenue is recorded.

The second tier of the distribution channel consists of a non-stocking distributors and value-added resellers that sell directly to end-users. For product sales to non-stocking distributors and value-added resellers, the Company does not grant return privileges, except for defective products during the warranty period, nor does the Company grant pricing credits. Accordingly, the Company recognizes revenue upon transfer of title and risk of loss or damage, generally upon shipment. In connection with cooperative advertising programs and certain price protection rights that may occur under contractual arrangements with its resellers, if the Company does not meet the criteria for recognizing the expense as marketing expense, the costs are recorded as a reduction to revenue in the same period that the related revenue is recorded.

Allowance for Product Returns

The Company provides an allowance for product returns based on its historical returns, analysis of credit memo data and its return policies. The allowance includes the estimates for product allowances from end customers as well as stock rotations and other returns from the Company's stocking distributors for which it has billed the customer for the product but has yet to recognize revenue. The allowance for product returns is a reduction of accounts receivable. If the historical data that the Company uses to calculate the estimated product returns and allowances does not properly reflect future levels of product returns, these estimates will be revised, thus resulting in an impact on future net revenue. The allowance for product returns estimate is also impacted by the timing of the actual product return from the customer. The Company estimates and adjusts this allowance at each balance sheet date.

The following table is a summary of our allowance for product returns (in thousands).

Description	Balance at beginning of period	Additions	Deductions	Balance at end of period
Year Ended June 30, 2017:				
Allowance for product returns	$ 1,609	$ 3,658	$ (4,725)	$ 542
Year Ended June 30, 2016:				
Allowance for product returns	$ 1,080	$ 3,478	$ (2,949)	$ 1,609
Year Ended June 30, 2015:				
Allowance for product returns	$ 2,700	$ 3,306	$ (4,926)	$ 1,080

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts which reflects its best estimate of potentially uncollectible trade receivables. The allowance is based on both specific and general reserves. The Company continually monitors and evaluates the collectability of its trade receivables based on a combination of factors. It records specific allowances for bad debts in general and administrative expense when it becomes aware of a specific customer's inability to meet its financial obligation to the Company, such as in the case of bankruptcy filings or deterioration of financial position. Estimates are used in determining the allowances for all other customers based on factors such as current trends in the length of time the receivables are past due and historical collection experience. The Company mitigates some collection risk by requiring most of its customers in the Asia-Pacific region, excluding Japan and Australia, to pay cash in advance or secure letters of credit when placing an order with the Company.

The following table is a summary of the allowance for doubtful accounts (in thousands).

Description	Balance at beginning of period	Charges to bad debt expenses	Deductions (1)	Balance at end of period
Year Ended June 30, 2017:				
Allowance for doubtful accounts	$ 1,648	$ 323	$ (781)	$ 1,190
Year Ended June 30, 2016:				
Allowance for doubtful accounts	$ 1,316	$ 834	$ (502)	$ 1,648
Year Ended June 30, 2015:				
Allowance for doubtful accounts	$ 918	$ 940	$ (542)	$ 1,316

(1) Uncollectible accounts written off, net of recoveries

Business Combinations

The Company applies the acquisition method of accounting for business combinations. Under this method of accounting, all assets acquired and liabilities assumed are recorded at their respective fair values at the date of the completion of the transaction. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, intangibles and other asset lives, among other items. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, the Company may have been required to value the acquired assets at fair value measures that do not reflect its intended use of those assets. Use of different estimates and judgments could yield different results.

Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Although the Company believes the assumptions and estimates it has made are reasonable and appropriate, they are based in part on historical experience and information that may be obtained from the management of the acquired company and are inherently uncertain. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations.

Concentrations

The Company may be subject to concentration of credit risk as a result of certain financial instruments consisting of accounts receivable and short-term investments. The Company does not invest an amount exceeding 10% of its combined cash or cash equivalents in the securities of any one obligor or maker, except for obligations of the United States government, obligations of United States government agencies and money market accounts.

The Company performs ongoing credit evaluations of its customers and generally does not require collateral in exchange for credit.

The following table sets forth major customers accounting for 10% or more of our net revenue:

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Tech Data Corporation	15%	17%	15%
Jenne Corporation	15%	14%	*
Westcon Group Inc.	11%	14%	15%

* Less than 10% of net revenue

The following table sets forth major customers accounting for 10% or more of our accounts receivable balance:

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Tech Data Corporation	18%	11%	*
Jenne Corporation	12%	*	*
Westcon Group Inc.	11%	19%	27%

* Less than 10% of accounts receivable

Cash and Cash Equivalents

The following is a summary of Cash and cash equivalents (in thousands):

	June 30, 2017	June 30, 2016
Cash	$ 126,159	$ 89,847
Cash equivalents (consisting of available-sale-securities)	4,291	4,275
Total cash and cash equivalents	$ 130,450	$ 94,122

Available-for-Sale Securities

The following is a summary of available-for-sale securities (in thousands):

	Amortized Cost	Fair Value	Unrealized Holding Gains	Unrealized Holding Losses
June 30, 2017				
Money market funds	$ 4,291	$ 4,291	$ —	$ —
	$ 4,291	$ 4,291	$ —	$ —
Classified as:				
Cash equivalents	$ 4,291	$ 4,291	$ —	$ —
	$ 4,291	$ 4,291	$ —	$ —
June 30, 2016				
Money market funds	$ 4,275	$ 4,275	$ —	$ —
	$ 4,275	$ 4,275	$ —	$ —
Classified as:				
Cash equivalents	$ 4,275	$ 4,275	$ —	$ —
	$ 4,275	$ 4,275	$ —	$ —

The Company did not have any available-for sale investments in debt securities at June 30, 2017 or 2016.

The Company considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Investments with maturities of greater than three months, but less than one year at the balance sheet date are classified as Short-term Investments. Investments with maturities of greater than one year at balance sheet date are classified as Marketable Securities. The Company diversifies its investments by limiting its holdings with any individual issuer except for direct obligations of the United States government, securities issued by agencies of the United States government and money market funds.

Investments include available-for-sale investment-grade debt securities that the Company carries at fair value. The Company accumulates unrealized gains and losses on the Company's available-for-sale debt securities, net of tax, in accumulated other comprehensive income in the stockholders' equity section of its balance sheets. Such an unrealized gain or loss does not reduce net income for the applicable accounting period. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) the Company intends to sell the instrument, (2) it is more likely than not that the Company will be required to sell the instrument before recovery of its amortized cost basis, or (3) the Company does not expect to recover the entire amortized cost basis of the instrument (that is, a credit loss exists). If the Company intends to sell or it is more likely than not that the Company will be required to sell the available-for-sale debt instrument before recovery of its amortized cost basis, the Company recognizes an other-than-temporary impairment in earnings equal to the entire difference between the debt instruments' amortized cost basis and its fair value. For available-for-sale debt instruments that are considered other-than-temporarily impaired due to the existence of a credit loss, if the Company does not intend to sell and it is not more likely than not that the Company will be required to sell the instrument before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), the Company separates the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the debt instrument's amortized cost basis and the present value of its expected future cash flows. The remaining difference between the debt instrument's fair value and the present value of future expected cash flows is due to factors that are not credit related and is recognized in other comprehensive income.

The Company determines the basis of the cost of a security sold or the amount reclassified out of accumulated other comprehensive income into earnings using the specific identification method. Realized gains or losses recognized on the sale of investments were not significant for fiscal 2015. As of June 30, 2017 and 2016, the Company did not hold any investment securities.

Fair Value of Financial Instruments

A three-tier fair value hierarchy is utilized to prioritize the inputs used in measuring fair value. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels are defined as follows:

- Level 1 Inputs - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs - quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and
- Level 3 Inputs - unobservable inputs reflecting the Company's own assumptions in measuring the asset or liability at fair value.

The Company did not hold any financial liabilities that required measurement at fair value on a recurring basis. The following table presents the Company’s fair value hierarchy for its financial assets measured at fair value on a recurring basis (in thousands):

June 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Money market funds	$ 4,291	$ —	$ —	$ 4,291
Investment in non-marketable equity	—	—	3,000	3,000
Total	$ 4,291	$ —	$ 3,000	$ 7,291

June 30, 2016	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Money market funds	$ 4,275	$ —	$ —	$ 4,275
Investment in non-marketable equity	—	—	3,000	3,000
Total	$ 4,275	$ —	$ 3,000	$ 7,275

Level 2 investments: The Company includes U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, and state, municipal and provincial obligations for which quoted prices are available as Level 2. There were no transfers of assets or liabilities between Level 1 and Level 2 during the fiscal years 2017 or 2016

The fair value of the derivative instruments under our foreign currency contracts is estimated based on valuations provided by alternative pricing sources supported by observable inputs which is considered Level 2. Due to the short duration until maturity of the derivative instruments, the fair value approximates the carrying amount of the Company's contacts of $27 thousand.

The fair value of the borrowings under the Credit Facility is estimated based on valuations provided by alternative pricing sources supported by observable inputs which are considered Level 2. The carrying amount and estimated fair value of the Company's total long-term indebtedness, including current portion was $93.7 million and $55.5 million as of June 30, 2017 and 2016, respectively.

Level 3 investments: Certain of the Company's assets, including intangible assets and goodwill are measured at fair value on a non-recurring basis if impairment is indicated. The Company reflects a non-marketable equity investment as Level 3 in the fair value hierarchy as it is based on unobservable inputs that market participants would use in pricing this asset due to the absence of recent comparable market transactions and inherent lack of liquidity. During fiscal 2015, the Company purchased a $3.0 million equity interest in a company that operates in the enterprise software platform industry. The Company did not entered into any other transactions with the entity during fiscal 2017. Subsequent to the year end, this entity was sold to a third party. The Company will recognized a gain on the investment of approximately $3.7 million in the first quarter of fiscal year 2018. There were no transfers of assets or liabilities between Level 2 and Level 3 during the fiscal years 2017 or 2016. There were no impairments recorded for the fiscal years 2017 or 2016.

Inventory Valuation

The Company's inventory balance as of June 30, 2017 and 2016 was $45.9 million and $41.0 million, respectively. The Company values its inventory at lower of cost or market. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. The Company has established inventory allowances when conditions exist that suggest that inventory may be in excess of anticipated demand based upon assumptions about future demand or is obsolete. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. Any written down or obsolete inventory subsequently sold has not had a material impact on gross margin for any of the periods disclosed.

The following is a summary of our inventory by category (in thousands).

	June 30, 2017	June 30, 2016
Finished goods	$ 45,090	$ 38,751
Raw materials	790	2,238
Total Inventory	$ 45,880	$ 40,989

Long-Lived Assets

Long-lived assets include (a) property and equipment, (b) goodwill and intangible assets, and (c) other assets. Property and equipment and definite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets or asset groups may not be recoverable. If such facts and circumstances exist, the Company assesses the recoverability of these assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets.

Goodwill and indefinite-lived intangible assets are generated as a result of business combinations. The Company's indefinite-lived intangible assets are comprised of acquired in-process research and development ("IPR&D"), which is treated as indefinite until the completion or abandonment of the associated research and development effort. During the development period, the Company conducts an IPR&D impairment test annually and whenever events or changes in facts and circumstances indicate that it is more likely than not that the IPR&D is impaired. Events which might indicate impairment include, but are not limited to, adverse cost factors, deteriorating financial performance, strategic decisions made in response to economic, market, and competitive conditions, the impact of the economic environment on us and our customer base, and/or other relevant events such as changes in management, key personnel, litigations, or customers. Management did not identify any triggering events for any periods presented.

The Company evaluates goodwill for impairment on an annual basis (on the first day of its fourth fiscal quarter) or whenever events occur or facts and circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. An impairment loss is recognized to the extent that the carrying amount of goodwill exceeds the asset's implied fair value. Based on the results of the goodwill impairment analyses, the Company determined that no impairment charge needed to be recorded for any periods presented.

Other assets consist primarily of service parts and long term deposits. The Company reduces the carrying value of service parts to net realizable value based on expected quantities needed to satisfy contractual service requirements of customers.

(a) Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of one to four years are used for computer equipment and software. Estimated useful lives of three to seven years are used for office equipment, furniture and fixtures. Depreciation and amortization of leasehold improvements is computed using the lesser of the useful life or lease terms (ranging from two to ten years). Property and equipment consist of the following (in thousands):

	June 30, 2017	June 30, 2016
Computer equipment	$ 34,716	$ 34,657
Purchased software	11,785	5,574
Office equipment, furniture and fixtures	10,852	10,385
Leasehold improvements	23,046	19,342
Total property and equipment	80,399	69,958
Less: accumulated depreciation and amortization	(50,159)	(40,378)
Property and equipment, net	$ 30,240	$ 29,580

We recognized depreciation expense of $10.6 million, $10.8 million, and $12.8 million related to property and equipment during the years ended June 30, 2017, 2016, and 2015, respectively.

(b) Goodwill and Intangibles

As part of the acquisition of WLAN Business, the Company acquired $9.3 million in goodwill which has been allocated to the Company's only reportable segment, the development and marketing of network infrastructure equipment.

The following table reflects the changes in the carrying amount of goodwill (in thousands):

	June 30, 2017
Balance as of June 30, 2016	$ 70,877
Additions due to acquisition	9,339
Balance at end of period	$ 80,216

The following tables summarize the components of gross and net intangible asset balances (in thousands, except years):

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2017				
Developed technology	5.3 years	$ 55,400	$ 42,689	$ 12,711
Customer relationships	3.3 years	40,300	37,567	2,733
Maintenance contracts	1.3 years	17,000	12,467	4,533
Trademarks	4.3 years	5,100	2,846	2,254
License agreements	6.4 years	2,445	1,120	1,325
Other intangibles	2.7 years	1,382	1,001	381
Total intangibles, net with finite lives		121,627	97,690	23,937
In-process research and development, with indefinite life		1,400	—	1,400
Total intangibles, net		$ 123,027	$ 97,690	$ 25,337

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2016				
Developed technology	0.2 years	$ 48,000	$ 43,028	$ 4,972
Customer relationships	0.3 years	37,000	32,889	4,111
Maintenance contracts	2.3 years	17,000	9,067	7,933
Trademarks	0.3 years	2,500	2,222	278
License agreements	9.7 years	3,413	1,473	1,940
Other intangibles	3.7 years	1,428	900	528
Total intangibles, net		$ 109,341	$ 89,579	$ 19,762

The following table summarizes the amortization expense of intangibles for the periods presented (in thousands):

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Amortization in "Cost of revenues: Product"	$ 7,020	$ 15,369	$ 18,082
Amortization of intangibles	8,702	17,001	17,869
Total amortization	$ 15,722	$ 32,370	$ 35,951

The amortization expense that is recognized in "Cost of revenues: Product" is comprised of amortization for developed technology, license agreements and other intangibles.

The estimated future amortization expense to be recorded for each of the respective future fiscal years is as follows (in thousands):

For the fiscal year ending:	
2018	$ 7,620
2019	5,292
2020	4,061
2021	3,266
2022	2,594
Thereafter,	1,104
Total	$ 23,937

(c) Other Assets

Other assets primarily consist of service parts and long term deposits. The Company holds service parts to support customers who have purchased service contracts with a hardware replacement element, as well as to support our warranty program. The Company held service parts of $10.1 million and $16.0 million as of June 30, 2017 and 2016, respectively.

Deferred Revenue, Net

Deferred revenue, net represents amounts for (i) deferred maintenance revenue and (ii) deferred product revenue net of the related cost of revenue and other (professional services and training) when the revenue recognition criteria have not been met. The following table summarizes deferred revenue (in thousands):

	June 30, 2017	June 30, 2016
Deferred maintenance	$ 97,310	$ 83,419
Deferred product and other revenue	7,031	11,441
Total deferred revenue, net	104,341	94,860
Less: current portion	79,048	72,934
Non-current deferred revenue, net	$ 25,293	$ 21,926

The Company offers for sale to its customers, renewable support arrangements, including extended warranty contracts that range generally from one to five years. Deferred support revenue is included within deferred revenue, net within the maintenance revenue category above. The change in the Company's deferred maintenance revenue balance in relation to these arrangements was as follows (in thousands):

	Year Ended	
	June 30, 2017	June 30, 2016
Balance beginning of period	$ 83,419	$ 87,441
Deferred maintenance assumed due to acquisition	14,159	—
New maintenance arrangements	125,542	110,192
Recognition of maintenance revenue	(125,810)	(114,214)
Balance end of period	97,310	83,419
Less: current portion	72,017	61,493
Non-current deferred revenue	$ 25,293	$ 21,926

Deferred Distributors Revenue, Net of Cost of Sales to Distributors

At the time of shipment to distributors, the Company records a trade receivable at the contractual discount to list selling price since there is a legally enforceable obligation from the distributor to pay on a current basis for product delivered. The Company relieves inventory for the carrying value of goods shipped since legal title has passed to the distributor, and the Company records deferred revenue and deferred cost of sales in "Deferred distributors revenue, net of cost of sales to distributors" in the liability section of its consolidated balance sheets. Deferred distributors revenue, net of cost of sales to distributors effectively represents the gross margin on the sale to the distributor; however, the amount of gross margin the Company recognizes in future periods will frequently be less than the originally recorded deferred distributors revenue, net of cost of sales to distributors as a result of price concessions negotiated at time of sell-through to end customers. The Company sells each item in its product catalog to all of its distributors worldwide at contractually discounted prices. However, distributors resell the Company's products to end customers at a very broad range of individually negotiated price points based on customer, product, quantity, geography, and other competitive conditions which results in the Company remitting back to the distributors a portion of their original purchase price after the resale transaction is completed. Thus, a portion of the deferred revenue balance represents a portion of distributors' original purchase price that will be remitted back to the distributors in the future. The wide range and variability of negotiated price credits granted to distributors does not allow the Company to accurately estimate the portion of the balance in the deferred revenue that will be remitted to the distributors. Therefore, the Company does not reduce deferred revenue by anticipated future price credits; instead, price credits are recorded against revenue when incurred, which is generally at the time the distributor sells the product.

The following table summarizes deferred distributors revenue, net of cost of sales to distributors (in thousands):

	June 30, 2017	June 30, 2016
Deferred distributors revenue	$ 55,335	$ 35,138
Deferred cost of sales to distributors	(11,810)	(8,321)
Deferred distributors revenue, net of cost of sales to distributors	$ 43,525	$ 26,817

Debt

The Company's debt is comprised of the following (in thousands):

	June 30, 2017	June 30, 2016
Current portion of long-term debt:		
Term Loan	$ 12,444	$ 17,875
Less: unamortized debt issuance costs	(164)	(247)
Current portion of long-term debt	$ 12,280	$ 17,628
Long-term debt, less current portion:		
Term Loan	$ 71,268	$ 27,625
Revolving Facility	10,000	10,000
Less: unamortized debt issuance costs	(846)	(179)
Total long-term debt, less current portion	80,422	37,446
Total debt	$ 92,702	$ 55,074

The Company's debt repayment schedule by period is as follows, excluding unamortized debt issuance costs (in thousands):

For the fiscal year ending:	
2018	$ 12,444
2019	16,969
2020	21,494
2021	26,019
2022	16,786
Total	$ 93,712

During the second quarter of fiscal 2017, the Company entered into an Amended and Restated Credit Agreement (the "Credit Facility") with Silicon Valley Bank, as administrative agent and collateral agent, and the financial institutions that are a party thereto as lenders ("Lenders"). The Credit Facility provided for a five-year $90.5 million term loan ("Term Loan") and a five-year $50.0 million revolving loan facility ("Revolver"), which included a $5.0 million swing line loan sub facility and a $10.0 million letter of credit sub facility. The Credit Facility among other things, amended and restated the Company's previous credit facility. The borrowings under the Credit Facility during fiscal 2017 were used to acquire the WLAN Business as more fully described in Note 2.

The Credit Facility was amended on March 2, 2017, by Amendment One to such agreement, in anticipation of the acquisition of specified assets and liabilities of Avaya, Inc. ("Avaya") as more fully described in the Form 8-K filed on that date.

On July 14, 2017, the Company entered into the Second Amendment to the Amended and Restated Credit Agreement (“Second Amendment”), which amended the Amended and Restated Credit Agreement, dated as of October 28, 2016 (the “Credit Facility, as amended”), by and among the Company, as borrower, Silicon Valley Bank, as administrative agent and collateral agent, and Lenders. Among other things, the Second Amendment (i) increased the amount of the available borrowing under the Credit Facility from $140.5 million to $243.7 million, composed of (a) the Term Loan in a principal amount of up to $183.7 million and (b) the Revolver in a principal amount of up to $60.0 million, (ii) extends the maturity date under the existing Term Loan and the termination date under the existing Revolver, (iii) provides for an uncommitted additional incremental loan facility in the principal amount of up to $50.0 million (“Incremental Facility”), and (iv) joins certain additional banks, financial institutions and institutional lenders as Lenders pursuant to the terms of the Credit Facility, as amended. On July 14, 2017, the Company borrowed an additional $80.0 million under the Term Loan which was used to fund the purchase of the Avaya Networking business (see Note 14).

Borrowings under the Term Loan bear interest, at our option, at a rate equal to either the LIBOR rate (subject to a 0.0% LIBOR floor), plus an applicable margin (currently 3.25% per annum) or the adjusted base rate, plus an applicable margin (currently 1.25% per annum). Borrowings under the Revolver bear interest, at the Company’s option, at a rate equal to either the LIBOR rate, plus an applicable margin (currently 3.25% per annum) or the adjusted base rate, plus an applicable margin (currently 1.25% per annum based). The Revolver has a commitment fee payable on the undrawn amount ranging from 0.375% to 0.50% per annum.

If not repaid earlier, the borrowings on the Revolver shall be repaid on the termination date. The Credit Facility, as amended is secured by substantially all of the Company’s assets and is jointly and severally guaranteed by the Company and certain of its subsidiaries.

The Credit Facility contains financial covenants that require the Company to maintain a minimum Consolidated Fixed Charge Coverage Ratio and a Consolidated Quick Ratio and a maximum Consolidated Leverage Ratio as well as several other financial and non-financial covenants and restrictions that limit the Company’s ability to incur additional indebtedness, create liens upon any of its property, merge, consolidate or sell all or substantially all of its assets, etc. These covenants, are subject to certain exceptions.

The Credit Facility also includes customary events of default, including failure to pay principal, interest or fees when due, failure to comply with covenants, if any representation or warranty made by the Company is false or misleading in any material respect, certain insolvency or receivership events affecting the Company and its subsidiaries, the occurrence of certain material judgments, the occurrence of certain ERISA events, the invalidity of the loan documents or a change in control of the Company. The amounts outstanding under the Credit Facility may be accelerated upon certain events of default.

Financing costs incurred in connection with obtaining long-term financing are deferred and amortized over the term of the related indebtedness or credit agreement. During the year ended June 30, 2017, in conjunction with the amending of the Credit Facility, as noted above, the Company incurred $1.3 million of deferred financing costs.

Amortization of deferred financing costs is included in "Interest expense" in the consolidated statements of operations, totaled $0.5 million, $0.5 million and $0.4 million in fiscal years 2017, 2016 and 2015, respectively.

The Company had $39.1 million of availability under the Revolver as of June 30, 2017. The Company had $0.9 million of outstanding letters of credit as of June 30, 2017 and 2016.

Guarantees and Product Warranties

Networking products may contain undetected hardware or software errors when new products or new versions or updates of existing products are released to the marketplace. In the past, we had experienced such errors in connection with products and product updates. The Company’s standard hardware warranty period is typically 12 months from the date of shipment to end-users and 90 days for software. For certain access products, the Company offers a limited lifetime hardware warranty commencing on the date of shipment from the Company and ending five (5) years following the Company’s announcement of the end of sale of such product. Upon shipment of products to its customers, the Company estimates expenses for the cost to repair or replace products that may be returned under warranty and accrue a liability in cost of product revenue for this amount. The determination of the Company’s warranty requirements is based on actual historical experience with the product or product family, estimates of repair and replacement costs and any product warranty problems that are identified after shipment. The Company estimates and adjusts these accruals at each balance sheet date in accordance with changes in these factors.

Upon issuance of a standard product warranty, the Company discloses and recognizes a liability for the obligations it assumes under the product warranty. The following table summarizes the activity related to the Company's product warranty liability during the following periods (in thousands):

	Year Ended	
	June 30, 2017	June 30, 2016
Balance beginning of period	$ 9,600	$ 8,676
Warranties assumed due to acquisition	2,034	—
New warranties issued	6,015	8,176
Warranty expenditures	(7,642)	(7,252)
Balance end of period	$ 10,007	$ 9,600

In the normal course of business to facilitate sales of its products, the Company indemnifies its resellers and end-user customers with respect to certain matters. The Company has agreed to hold the customer harmless against losses arising from a breach of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. It is not possible to estimate the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material impact on its operating results or financial position.

Advertising

Cooperative advertising expenses are recorded as marketing expenses to the extent that an advertising benefit separate from the revenue transaction can be identified and the cash paid does not exceed the fair value of that advertising benefit received. Cooperative advertising obligations with customers are accrued and the costs expensed at the time the related revenue is recognized. If the Company does not meet the criteria for recognizing such cooperative advertising obligations as marketing expense, the costs are recorded as a reduction of revenue. All other advertising costs are expensed as incurred. Advertising expenses were $0.4 million, $0.3 million and $0.5 million in fiscal years 2017, 2016 and 2015, respectively.

Income Taxes

We account for income taxes utilizing the liability method. Deferred income taxes are recorded to reflect consequences on future years of differences between financial reporting and the tax basis of assets and liabilities measured using the enacted statutory tax rates and tax laws applicable to the periods in which differences are expected to affect taxable earnings. A valuation allowance is recognized to the extent that it is more likely than not that the tax benefits will not be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes. For additional discussion, see Note 9. Income Taxes.

4. Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09 (Topic 606)—Revenue from Contracts with Customers ("ASU 2014-09") which provides a new five-step model for revenue recognition. This ASU affects all contracts that the Company enters into with customers to transfer goods and services or for the transfer of nonfinancial assets. This ASU will supersede the revenue recognition requirements in Topic 605, and most industry specific guidance. This ASU also supersedes the cost guidance included in Subtopic 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts and provides new cost guidance under Sub Topic 340-40.

The standard's core principle is that revenue is recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. As a result, the Company will use additional judgments and estimates under the new revenue standard. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of the new revenue standard from December 15, 2016 to December 15, 2017, with early adoption permitted as of annual reporting periods beginning after December 15, 2016. Accordingly, the ASU will be effective for the Company beginning fiscal year 2018. In addition, in March 2016, the FASB issued ASU No. 2016-08 (Topic 606) Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”), which clarifies the principal-versus-agent guidance in Topic 606 and requires an entity to determine whether the nature of its promise to provide goods or services to a customer is performed in a principal or agent capacity and to recognize revenue in a gross or net manner based on its principal/agent designation. In April 2016, the FASB also issued ASU No. 2016-10 (Topic 606) Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing (“ASU 2016-10”), which amends the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB also issued ASU No. 2016-12 (Topic 606) Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients (“ASU 2016-12”), which amends the revenue guidance to clarify measurement and presentation as well as to include some practical expedients and policy elections. There are two transition methods available under the new standard, either cumulative effect or retrospective. There are optional practical expedients which may be applied under both methods. ASU 2016-08, ASU 2016-10, and ASU 2016-12 must be adopted concurrently with the adoption of ASU 2014-09.

We will be utilizing the full retrospective method of adoption for Topic 606 applied to those contracts for which all (or substantially all) of the revenue was not previously recognized in accordance with revenue guidance that is in effect before that date. This method will require the restatement of each prior reporting period presented. The most significant impact of the standard to the Company relates to our accounting for distributor and reseller revenues from a primarily “sell-through” model, where revenue is not recognized until inventory is sold from our distribution channel to their customer, to “sell-in” as revenue will be recognized upon transfer of control to our customers, including distributors. We continue to evaluate certain product return estimates for determining the transaction price and the standalone selling price of certain performance obligations, such as standalone software where historically we have recognized revenue on the residual method, and certain return estimates. Adoption of the new standard will result in a reduction in accounts receivable for the estimated returns and rebates payable upon sell-through and a decrease in deferred distributor revenue as a result of recognizing revenue upon transfer of control.

The table below presents the estimated impact to our Consolidated Statements of Operations line items for the fiscal periods ended (in thousands):

	June 30, 2017	June 30, 2016 *
Net Revenue	$8,000 – $14,000	$(6,500) – $(12,500)
Gross profit	$5,500 – $11,500	$(3,500) – $(9,500)
Operating income (loss)	$6,000 – $12,000	$(2,500) – $(8,500)

* Excludes the financial impact of pre-fiscal 2016 amounts which will be reflected in the retained earnings.

We do not anticipate the new standard to modify our current business practices nor do we expect to have an impact on our debt covenants. As we implement the new standard, we will develop internal controls to ensure that we adequately evaluate our portfolio of contracts under the five-step model and accurately restate our prior-period operating results under ASU 2014-09. This guidance will become effective for the Company beginning with its fiscal year 2018.

In March 2016, the FASB issued ASU No. 2016-06 (Topic 815), *Derivatives and Hedging– Contingent Put and Call Options in Debt Instruments* (“ASU 2016-06”), which will reduce diversity of practice in identifying embedded derivatives in debt instruments. ASU 2016-06 clarifies that the nature of an exercise contingency is not subject to the “clearly and closely” criteria for purposes of assessing whether the call or put option must be separated from the debt instrument and accounted for separately as a derivative. The adoption of this guidance will not have a material effect on our financial statements. This guidance will be effective for the Company beginning with its fiscal year 2018.

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2017-09, Compensation—Stock Compensation (Topic 718) - Scope of Modification Accounting ("ASU 2017-09") which amends the scope of modification accounting for share-based payment arrangements and provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The guidance is effective prospectively for fiscal years beginning after December 15, 2017, and interim periods within that reporting period. Early adoption is permitted, including adoption in any interim period. We do not expect the adoption of this guidance to have a material effect on our financial statements. This guidance will be effective for the Company beginning with its fiscal year 2019.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures. This guidance will become effective for the Company beginning with its fiscal year 2019.

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842), *Leases* ("ASU 2016-02") which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve month term, these arrangements must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures. This guidance will become effective for the Company beginning with its fiscal year 2020.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03 - *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 requires retrospective adoption and will be effect for annual and interim periods in fiscal years beginning after December 15, 2015. Adoption of this standard did not have a material impact on our financial statements and footnote disclosures.

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09 (Topic 718), *Compensation – Stock Compensation* ("ASU 2016-09") which identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance did not have a material impact on the results of operations or cash flows.

5. Commitments and Contingencies

Leases

The Company currently leases its current headquarters, research and development facilities and office spaces for its various United States and international operations. Certain leases contain rent escalation clauses and renewal options. As part of the Company's existing leased facilities, the Company has received lease incentives which take the form of a fixed allowance towards lease improvements on the respective facility. The Company used the allowance to make leasehold improvements which are being depreciated over the useful life of the assets or the lease term, whichever is shorter. The offsetting lease incentives liability is being amortized on a straight-line basis over the term of the lease as an offset to rent expense.

Future annual minimum lease payments under all non-cancelable operating leases having initial or remaining lease terms in excess of one year at June 30, 2017, were as follows (in thousands):

For the fiscal year ending:	Future Lease Payments
2018	$ 12,949
2019	11,883
2020	8,988
2021	7,680
2022	7,132
Thereafter	6,162
Total minimum payments	$ 54,794

Rent expense was $9.4 million, $8.5 million and $11.1 million in fiscal years 2017, 2016 and 2015, respectively.

Purchase Commitments

The Company currently has arrangements with contract manufacturers and suppliers for the manufacture of its products. The arrangements allow them to procure long lead-time component inventory based upon a rolling production forecast provided by the Company. The Company is obligated to the purchase of long lead-time component inventory that its contract manufacturer procures in accordance with the forecast, unless the Company gives notice of order cancellation outside of applicable component lead-times. As of June 30, 2017, the Company had non-cancelable commitments to purchase $83.2 million of such inventory, which will be received and consumed during the first half of fiscal 2018

Legal Proceedings

The Company may from time to time be party to litigation arising in the course of its business, including, without limitation, allegations relating to commercial transactions, business relationships or intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Litigation in general, and intellectual property and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings are difficult to predict.

In accordance with applicable accounting guidance, the Company records accruals for certain of its outstanding legal proceedings, investigations or claims when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. The Company evaluates, at least on a quarterly basis, developments in legal proceedings, investigations or claims that could affect the amount of any accrual, as well as any developments that would cause a loss contingency to become both probable and reasonably estimable. When a loss contingency is not both probable and reasonably estimable, the Company does not record a loss accrual. However, if the loss (or an additional loss in excess of any prior accrual) is at least a reasonable possibility and material, then the Company would disclose an estimate of the possible loss or range of loss, if such estimate can be made, or disclose that an estimate cannot be made. The assessment whether a loss is probable or a reasonable possibility, and whether the loss or a range of loss is estimable, involves a series of complex judgments about future events. Even if a loss is reasonably possible, the Company may not be able to estimate a range of possible loss, particularly where (i) the damages sought are substantial or indeterminate, (ii) the proceedings are in the early stages, or (iii) the matters involve novel or unsettled legal theories or a large number of parties. In such cases, there is considerable uncertainty regarding the ultimate resolution of such matters, including the amount of any possible loss, fine or penalty. Accordingly, for current proceedings, except as noted below, the Company presently is unable to estimate any reasonably possible loss or range of possible loss. However, an adverse resolution of one or more of such matters could have a material adverse effect on the Company's results of operations in a particular quarter or fiscal year.

Brazilian Tax Assessment Matters

Certain Brazilian tax authorities have made tax assessments against our Brazilian subsidiary, Enterasys Networks do Brasil Ltda. (“Enterasys Brasil”), based on an alleged underpayment of taxes. The tax authorities also are seeking interest and penalties with respect to such claims (collectively, the “ICMS Tax Assessments”). The State of Sao Paolo, Brazil denied Enterasys Brasil the use of certain tax credits granted by the State of Espirito Santo, Brazil under the terms of the FUNDAP program for the tax years of 2002 through 2009. The value of the ICMS tax credits disallowed by the Sao Paolo Tax Administration is BRL 3.4 million (US $1.0 million), excluding interest and penalties.

On January 10, 2014, Enterasys Brasil filed a lawsuit to overturn or reduce the ICMS Tax Assessments. As part of this lawsuit, Enterasys Brasil requested a stay of execution, so that no tax foreclosure could be filed and no guarantee would be required until the court issued its final ruling. On or about October 6, 2014, the court granted a preliminary injunction staying any execution on the assessment, but requiring that Enterasys Brasil deposit the assessed amount with the court. Enterasys Brasil appealed this ruling and, on or about January 28, 2015, the appellate court ruled that no cash deposit (or guarantee) was required. The lawsuit remains ongoing. With accrued interest and penalties totaling BRL 18.4 million (US $5.6 million), the disputed assessment is 21.9 million BRL (US $6.7 million) as of June 30, 2017. If the Sao Paolo Tax Administration were to prevail in the lawsuit, the court also could order Enterasys Brasil to pay attorneys' fees ranging from BRL 1.2 million (US $0.4 million) to BRL 1.8 million (US $0.5 million); if Enterasys Brasil elected to pay voluntarily the full assessment amount (including accrued interest and penalties), attorneys' fees would be BRL 4.4 million (US $1.3 million). All currency conversions in this Legal Proceedings section are as of June 30, 2017.

On or about June 18, 2014, the State of San Paolo notified Enterasys Brasil that it intended to audit its records for tax years 2012 and 2013. In addition, Enterasys Brasil received a similar notice in December 2015 with respect to an audit by the State of San Paolo of tax years 2011-2014. The audits covered the same or very similar issues as the ICMS Tax Assessments for tax years 2002-2009; however, Enterasys Brasil had changed its ICMS procedures effective May 2009. This audit was recently completed, and in March 2017, Enterasys Brasil paid BRL 0.2 million (US $0.1 million) in expenses related to the audit.

Based on the currently available information, the Company believes the ultimate outcome of the above assessments will not have a material adverse effect on the Company's financial position or overall results of operations. The Company believes that the ICMS Tax Assessments against Enterasys Brasil are without merit, and Enterasys Brasil is defending the claims vigorously. However, due to the complexities and uncertainty surrounding the judicial process in Brazil and the nature of the claims asserted, the Company is unable to determine the likelihood of an unfavorable outcome against Enterasys Brasil, which recorded an accrual of BRL 9.4 million (US $2.9 million) as of the date the Company acquired Enterasys Networks, as such matter relates to the period before the acquisition.

The Company made a demand on April 11, 2014 for a defense from, and indemnification by, the former equity holder of Enterasys Networks, Inc. ("Seller") in connection with the ICMS Tax Assessments. Seller agreed to assume the defense of the ICMS Tax Assessments on May 20, 2014. In addition, through the settlement of and indemnification-related lawsuit with the Seller on June 18, 2015, Seller agreed to continue to defend the Company with respect to the ICMS Tax Assessments and to indemnify the Company for losses related thereto subject to certain conditions. In addition, the Seller agreed to indemnify the Company in connection with tax assessments up to a specified cap related to the 2012 and 2013 tax years subject to certain conditions. These conditions include the offsetting of foreign income tax benefits realized by the Company in connection with the acquisition of Enterasys. Based upon current projections of the foreign income tax benefits to be realized, the Company does not anticipate that any amounts under the indemnification will be due from the Seller in connection with either the ICMS Tax Assessments or the expenses related to the audit.

In re Extreme Networks, Inc. Securities Litigation

On October 23 and 29, 2015, putative class action complaints alleging violations of securities laws were filed in the U.S. District Court for the Northern District of California against the Company and three of its former officers (Charles W. Berger, Kenneth B. Arola, and John T. Kurtzweil). Subsequently, the cases were consolidated (*In re Extreme Networks, Inc. Securities Litigation*, No. 3:15-CY-04883-BLF). Plaintiffs allege that defendants violated the securities laws by disseminating materially false and misleading statements and concealing material adverse facts regarding the Company's financial condition, business operations and growth prospects. Plaintiffs seek unspecified damages on behalf of a purported class of investors who purchased the Company's common stock from September 12, 2013 through April 9, 2015. On June 28, 2016, the Court appointed a lead plaintiff. On September 26, 2016, the lead plaintiff filed a consolidated complaint. On November 10, 2016, defendants filed a motion to dismiss, which the Court granted with leave to amend on April 27, 2017. On June 2, 2017, the lead plaintiff filed an amended complaint, which, on July 10, 2017, defendants again moved to dismiss. Defendants' motion to dismiss currently is scheduled to be heard on December 14, 2017. The Company believes plaintiffs' claims are without merit and intends to defend them vigorously.

On February 18, 2016, a shareholder derivative case was filed in the Superior Court of California, Santa Clara County (*Shaffer v. Kispert et al.*, No. 16 CV 291726). The complaint names current and former officers and directors as defendants, and seeks recovery on behalf of the Company based on substantially the same allegations as the securities class action litigation described above. The parties have agreed to stay the case pending further activities in the securities class action litigation, and the court signed a stipulation and order to that effect.

Plectrum LLC v. Extreme Networks, Inc. Patent Infringement Suit

On February 2, 2017, Plectrum LLC (“Plectrum”) sued the Company in the U.S. District Court for the Eastern District of Texas (*Plectrum LLC v. Extreme Networks, Inc.*, No. 4:17-CV-0079). The complaint asserted infringement of U.S. Patent Nos. 5,978,951, 6,205,149, and 6,751,677 based on the Company’s manufacture, use, sale, and/or offer for sale of its S-Series and Summit Series Switch products. Plectrum sought an injunction and unspecified damages. On June 24, 2017, the Court dismissed the case with prejudice after the parties advised that they had resolved the matter.

XR Communications, LLC d/b/a Vivato Technologies v. Extreme Networks, Inc. Patent Infringement Suit

On April 19, 2017, XR Communications, LLC (“XR”) (d/b/a Vivato Technologies) sued the Company in the Central District of California (*XR Communications, LLC, dba Vivato Technologies v. Extreme Networks, Inc.*, No. 2:17-cv-2953-AG). The operative Second Amended Complaint asserts infringement of U.S. Patent Nos. 7,062,296, 7,729,728, and 6,611,231 based on the Company’s manufacture, use, sale, offer for sale, and/or importation into the United States of certain access points and routers supporting multi-user, multiple-input, multiple-output technology. XR seeks unspecified damages, on-going royalties, pre- and post-judgment interest, and attorneys’ fees (but no injunction). On July 24, 2017, the Company filed its answer. The Company believes the claims are without merit and intends to defend them vigorously.

Indemnification Obligations

Subject to certain limitations, the Company may be obligated to indemnify its current and former directors, officers and employees. These obligations arise under the terms of its certificate of incorporation, its bylaws, applicable contracts, and applicable law. The obligation to indemnify, where applicable, generally means that the Company is required to pay or reimburse, and in certain circumstances the Company has paid or reimbursed, the individuals' reasonable legal expenses and possibly damages and other liabilities incurred in connection with certain legal matters. For example, the Company currently is paying or reimbursing legal expenses being incurred by certain current and former officers and directors in connection with the shareholder litigation described above. The Company also procures Directors and Officers insurance to help cover its defense and/or indemnification costs, although its ability to recover such costs through insurance is uncertain. While it is not possible to estimate the maximum potential amount that could be owed under these indemnification agreements due to the Company’s limited history with prior indemnification claims, indemnification (including defense) costs could, in the future, have a material adverse effect on the Company’s consolidated financial position, results of operations and cash flows. As of June 30, 2017, the Company had no outstanding indemnification claims.

6. Stockholders’ Equity

Preferred Stock

In April 2001, in connection with the entering into of the Company's Rights Agreement, the Company authorized the issuance of preferred stock. The preferred stock may be issued from time to time in one or more series. The Board of Directors is authorized to provide for the rights, preferences and privileges of the shares of each series and any qualifications, limitations or restrictions on these shares. As of June 30, 2017, no shares of preferred stock were outstanding.

Stockholders’ Rights Agreement

On April 26, 2012, the Company entered into an Amended and Restated Rights Agreement between the Company and Computershare Shareholder Services LLC as the rights agent (the “Restated Rights Plan”). The Restated Rights Plan governs the terms of each right (“Right”) that has been issued with respect to each share of Common Stock of Extreme Networks. Each Right initially represents the right to purchase one one-thousandth of a share of our Preferred Stock. The Restated Rights Plan replaces in its entirety the Rights Agreement, dated as of April 27, 2001, as subsequently amended, between us and Mellon Investor Services LLC (the “Prior Rights Plan”).

The Board adopted the Restated Rights Plan to preserve the value of our deferred tax assets, including our net operating loss carry forwards, with respect to our ability to fully use its tax benefits to offset future income which may be limited if we experience an “ownership change” for purposes of Section 382 of the Internal Revenue Code of 1986 as a result of ordinary buying and selling of our common stock. Following its review of the terms of the plan, the Board decided it was necessary and in the best interests of us and our stockholders to enter into the Restated Rights Plan. The Restated Rights Plan incorporates the Prior Rights Plan and the amendments thereto into a single agreement and extended the term of the Prior Rights Plan to April 30, 2013. Each year since 2013 our Board and shareholders have approved an amendment providing for a one year extension of the term of the Restated Rights Plan. Our Board of Directors unanimously approved an amendment to the Restated Rights Plan on May 9, 2017 to extend the Restated Rights Plan through May 31, 2018, subject to ratification by a majority of the stockholders of the Company at the next annual shareholders meeting, expected to be held on November 9, 2017.

Shares Reserved for Issuance

The following are shares reserved for issuance (in thousands):

	June 30, 2017	June 30, 2016
2014 Employee Stock Purchase Plan	7,785	10,001
Employee stock options and awards outstanding	9,726	10,609
2013 Employee Plan shares available for grant	7,629	5,401
Total shares reserved for issuance	25,140	26,011

The following table summarizes the transfer of shares between the respective plans for the periods presented (in thousands):

	2005 Plan	2013 Plan	Total
Shares available at June 30, 2014	—	8,762	8,762
Granted	—	(7,060)	(7,060)
Canceled	1,537	2,211	3,748
Transferred	(1,537)	1,537	—
Shares available at June 30, 2015	—	5,450	5,450
Granted	—	(5,141)	(5,141)
Canceled	5,803	—	5,803
Transferred	(5,092)	5,092	—
Retired	(711)	—	(711)
Shares available at June 30, 2016	—	5,401	5,401
Additional shares authorized	—	8,300	8,300
Granted	—	(7,865)	(7,865)
Canceled	—	1,793	1,793
Shares available at June 30, 2017	—	7,629	7,629

7. Employee Benefit Plans (including Share-based Compensation)

As of June 30, 2017, the Company has the following share-based compensation plans:

2013 Equity Incentive Plan

The 2013 Equity Incentive Plan (the “2013 Plan”) was approved by stockholders on November 20, 2013. The 2013 Plan replaced the 2005 Equity Incentive Plan (the "2005 Plan"). Under the 2013 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, and other share-based or cash-based awards to employees and consultants. The 2013 Plan also authorizes the grant of awards of stock options, stock appreciation rights, restricted stock and restricted stock units to non-employee members of the Board of Directors and deferred compensation awards to officers, directors and certain management or highly compensated employees. The 2013 Plan authorizes the issuance of 9,000,000 shares of the Company’s common stock. In addition, up to 12,709,153 shares subject to stock options and awards available for issuance under the 2005 Plan may be transferred to the 2013 Stock Plan and would be added to the number of shares available for future grant under the 2013 Plan. The 2013 Plan includes provisions upon the granting of certain awards defined by the 2013 Plan as Full Value Awards in which the shares available for grant under the 2013 Plan are decremented 1.5 shares for each such award granted. Upon forfeiture or cancellation of unvested awards, the same ratio is applied in returning shares to the 2013 Plan for future issuance as was applied upon granting. During the fiscal year ended June 30, 2017, an additional 8,300,000 shares were authorized and made available for grant under the 2013 Plan. As of June 30, 2017, total options and awards to acquire 7,994,086 shares were outstanding under the 2013 Plan and 7,628,980 shares are available for grant under the 2013 Plan. Options granted under this plan have a contractual term of seven years.

Enterasys 2013 Stock Plan

Pursuant to the acquisition of Enterasys on October 31, 2013, the Company assumed the Enterasys 2013 Stock Plan (the "Enterasys Plan"). As of June 30, 2017, total options and awards to acquire 1,282,691 shares were outstanding under the Enterasys Plan. Options granted under this plan have a contractual term of seven years. If a participant terminates employment prior to the vesting dates, the non-vested shares will be forfeited and retired in the Enterasys Plan. No future grants may be made from the Enterasys Plan.

2005 Equity Incentive Plan

The 2005 Plan was adopted by the Company’s Board of Directors on October 20, 2005, and approved by stockholders on December 2, 2005. The 2005 Plan replaced the Amended 1996 Stock Option Plan (the “1996 Plan”), the 2000 Non-statutory Stock Option Plan and the 2001 Non-statutory Stock Option Plan. The 2005 Plan includes provisions upon the granting of certain awards defined by the 2005 Plan as Full Value Awards in which the shares available for grant under the 2005 Plan are decremented 1.5 shares for each such award granted. Upon forfeiture or cancellation of unvested awards, the same ratio is applied in returning shares to the 2005 Plan for future issuance as was applied upon granting. Effective November 20, 2013, the 2005 Plan was replaced with the 2013 Plan, and, as of June 30, 2017, total options and awards to acquire 449,062 shares were outstanding under the 2005 Plan. No future grants may be made from the 2005 Plan, however, outstanding options and awards forfeited or canceled were allowed to be transferred to the 2013 Plan until December 2, 2015, at which time, no further shares may be transferred. There were a total of 6,628,643 shares transferred to the 2013 Plan.

Amended 1996 Stock Option Plan

The 1996 Plan was originally adopted in September 1996, and provided for the grant of options for common stock to eligible participants. Effective December 2, 2005, the 1996 Plan was terminated, and, as of June 30, 2016, no options to acquire shares remain outstanding under the 1996 Plan. No future grants may be made from the 1996 Plan.

The following table summarizes stock option activity under all plans (shares and intrinsic value in thousands):

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2016	6,385	$ 4.10	3.70	$ 1,416
Granted	—	—		
Exercised	(2,348)	3.98		
Cancelled	(975)	4.48		
Options outstanding at June 30, 2017	3,062	$ 4.06	4.19	$ 15,868
Vested and expected to vest at June 30, 2017	3,062	$ 4.06	4.19	$ 15,868
Exercisable at June 30, 2017	2,299	$ 4.43	3.38	$ 11,017

The following table summarizes significant ranges of outstanding and exercisable options at June 30, 2017, (shares outstanding and exercisable, in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (000's)	Weighted-Average Remaining Contractual Life (In years)	Weighted-Average Exercise Price	Number Exercisable (000's)	Weighted-Average Exercise Price
$1.69 – $2.05	99	1.32	$ 2.02	99	$ 2.02
$2.51 – $2.51	947	6.74	$ 2.51	332	$ 2.51
$2.94 – $3.54	345	2.35	$ 3.34	295	$ 3.32
$3.55 – $3.87	113	3.00	$ 3.69	102	$ 3.70
$4.18 – $4.18	26	3.08	$ 4.18	26	$ 4.18
$4.25 – $4.25	31	0.30	$ 4.25	32	$ 4.25
$5.21 – $5.21	43	4.13	$ 5.21	31	$ 5.21
$5.30 – $5.30	1,271	3.33	$ 5.30	1,242	$ 5.30
$5.67 – $5.67	172	3.61	$ 5.67	127	$ 5.67
$6.15 – $6.15	15	3.20	$ 6.15	13	$ 6.15
$1.69 – $6.15	3,062	4.19	$ 4.06	2,299	$ 4.43

The total intrinsic value of options exercised in fiscal years 2017, 2016 and 2015 was $5.7 million, $0.2 million and $0.4 million, respectively.

There were no stock options granted in fiscal 2017. The weighted-average grant-date per share fair value of stock options granted in fiscal years 2016 and 2015, was $1.59 and $1.75, respectively. As of June 30, 2017, there was $0.4 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 1.3 years.

The average fair-value and the average derived service period on the grant-date for the performance-based stock option awards with market conditions, granted in fiscal 2015, was $1.21 and 1.9 years respectively.

Stock Awards

Stock awards may be granted under the 2013 Plan on terms approved by the Compensation Committee of the Board of Directors. Stock awards generally provide for the issuance of restricted stock units ("RSU's"), including performance or market-based restricted stock units ("PSU") which vest over a fixed period of time or based upon the satisfaction of certain performance criteria. The Company recognizes compensation expense on the awards over the vesting period based on the award's intrinsic value as of the date of grant.

During fiscal years 2017, 2016 and 2015, the Company began expensing PSU's with market or performance based conditions to senior executive officers that had been granted during fiscal years 2017, 2016 and 2015. The Company uses a Monte-Carlo simulation model to determine the fair value and the derived service period of PSU's, with market or performance conditions or combinations of those conditions with a service condition, on the date of grant.

The following table summarizes stock award activity (shares and market value in thousands):

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Fair Market Value
Non-vested stock awards outstanding at June 30, 2016	4,224	$ 3.36	
Granted	5,045	5.26	
Vested	(1,721)	3.80	
Cancelled	(884)	3.47	
Non-vested stock awards outstanding at June 30, 2017	6,664	$ 4.66	$ 61,440

The aggregate fair value, as of the respective vesting dates of RSUs vested during the fiscal years ended June 30, 2017, 2016 and 2015 was $9.1 million, $8.6 million and $8.9 million, respectively.

For the fiscal years ended June 30, 2017, 2016 and 2015, the Company withheld an aggregate of 361,369 shares, 118,129 shares and 826,943 shares, respectively, upon the vesting of RSUs, based upon the closing share price on the vesting date as settlement of the employees' minimum statutory obligation for the applicable income and other employment taxes.

For fiscal years 2017, 2016 and 2015, the Company remitted cash of $2.0 million, $0.2 million and $2.8 million, respectively, to the appropriate taxing authorities on behalf of the employees. The payment of the taxes by the Company reduced the number of shares that would have been issued on the vesting date and was recorded as a reduction of additional paid-in capital in the consolidated balance sheet and as a reduction of "Proceeds for issuance of common stock" in the financing activity within the consolidated statements of cash flows.

As of June 30, 2017, there were $25.1 million in unrecognized compensation costs related to non-vested stock awards. This cost is expected to be recognized over a weighted-average period of 1.9 years

Performance Grant Activity

The following table summarizes PSU's with market or performance based conditions granted and the number of awards that have satisfied the relevant market or performance criteria in each period (in thousands):

	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015
Performance awards granted	2,106	695	615
Performance awards earned	839	582	—

2014 Employee Stock Purchase Plan

In August 27, 2014, the Board of Directors approved the adoption of Extreme Network's 2014 Employee Stock Purchase Plan (the "2014 ESPP"). On November 12, 2014, the stockholders approved the 2014 ESPP with the maximum number of shares of common stock that may be issued under the plan of 12,000,000 shares. The 2014 ESPP replaced the 1999 Employee Stock Purchase Plan. The 2014 ESPP allows eligible employees to acquire shares of the Company's common stock through periodic payroll deductions of up to 15% of total compensation, subject to the terms of the specific offering periods outstanding. Each purchase period has a maximum duration of six (6) months. The price at which the common stock may be purchased is 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period or on the last day of the respective purchase period. The 2014 ESPP currently has offerings periods of either 6 months or 24 months, commonly referred to as "look back periods". As of June 30, 2017, there have been 4,215,122 shares issued under the 2014 ESPP.

Effective with the offering period beginning on February 1, 2016, the Company amended the 2014 ESPP to increase the maximum shares issuable for each purchase period from 1,000,000 shares to 1,500,000 shares. Effective with the offering period beginning on August 1, 2016, the Company amended the 2014 ESPP so that all future offering periods are limited to six months and to make certain other changes to the 2014 ESPP including adding new contribution limits for each offering period. Existing open offering periods prior to the effective date of the changes were unaffected by the amendments to the 2014 ESPP.

1999 Employee Stock Purchase Plan

In January 1999, the Board of Directors approved the adoption of Extreme Network's 1999 Employee Stock Purchase Plan (the "1999 ESPP"). On December 2, 2005, the stockholders approved an amendment to the 1999 ESPP to increase the maximum number of shares of common stock that may be issued under the plan by 5,000,000 to a total of 12,000,000 shares. The 1999 ESPP was replaced by the 2014 ESPP. The 1999 ESPP allowed eligible employees to acquire shares of the Company's common stock through periodic payroll deductions of up to 15% of total compensation. The price at which the common stock could be purchased was 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period or on the last day of the respective purchase period. Through June 30, 2015, 11,933,618 shares were purchased under the 1999 ESPP. All remaining shares available under the 1999 ESPP have been retired.

Share Based Compensation Expense

Share-based compensation expense recognized in the financial statements by line item caption is as follows (in thousands):

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Cost of product revenue	$ 333	$ 882	$ 1,067
Cost of service revenue	589	1,041	1,068
Research and development	3,312	4,559	5,365
Sales and marketing	4,253	4,633	5,170
General and administrative	4,146	3,677	5,131
Total share-based compensation expense	$ 12,633	$ 14,792	$ 17,801

The amount of stock based compensation expense capitalized in inventory has been immaterial for each of the periods presented.

The Company uses the straight-line method for expense attribution. Beginning in fiscal 2017, the Company no longer estimates forfeitures, but rather recognizes expense for those shares expected to vest and recognizes forfeitures when they occur. The Company's estimated forfeiture rate in fiscal 2016 based on the Company's historical forfeiture experience was 13% for non-executives and 19% for executives.

The fair value of each stock option grant under the Company's 2013 Plan and 2005 Plan is estimated on the date of grant using the Black-Scholes-Merton option valuation model with the weighted average assumptions noted in the following table. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination behavior. The risk-free rate is based upon the estimated life of the option and is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on a blended rate of the implied volatilities from traded options on the Company's stock and historical volatility on the Company's stock.

Under the 2013 Plan the Company uses a Monte-Carlo simulation model to determine the fair value and the derived service period of stock option grants, with market, performance or service conditions or combinations of those conditions, on the date of grant.

The fair value of each share purchase option under the Company's 2014 ESPP is estimated on the date of grant using the Black-Scholes-Merton option valuation model with the weighted average assumptions noted in the following table. The expected term of the 2014 ESPP. The risk-free rate is based upon the estimated life and is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on the historical volatility on the Company's stock.

The weighted-average estimated per share fair value of shares purchased under the 2014 ESPP and 1999 ESPP in fiscal years 2017, 2016 and 2015, was $1.24, $0.92 and $0.90, respectively.

	Stock Option Plan Year Ended		Employee Stock Purchase Plan Year Ended		
	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
Expected life	4.00 years	4.23 years	0.49 years	1.21years	0.66 years
Risk-free interest rate	1.78%	1.17%	0.40%	0.33%	0.10%
Volatility	52%	50%	38%	58%	59%
Dividend yield	—%	—%	—%	—%	—%

401(k) Plan

The Company provides a tax-qualified employee savings and retirement plan, commonly known as a 401(k) plan (the "Plan"), which covers the Company's eligible employees. Pursuant to the Plan, employees may elect to reduce their current compensation up to the IRS annual contribution limit of $18,000 for calendar year 2017. Employees age 50 or over may elect to contribute an additional $6,000. The amount contributed to the Plan is on a pre-tax basis.

The Company provides for discretionary matching contributions as determined by the Board of Directors for each calendar year. All matching contributions vest immediately. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors each year. The program during fiscal 2017 is to match $0.50 for every Dollar contributed by the employee up to the first 2.5% of pay. The Company's matching contributions to the Plan totaled $1.4 million, $1.2 million and $1.1 million, for fiscal years 2017, 2016 and 2015, respectively. No discretionary contributions were made in fiscal years 2017, 2016 or 2015.

8. Common Stock Repurchases and Retirement

Common Stock Repurchases

On September 28, 2012, the Company's Board of Directors approved a share repurchase program for a maximum of $75 million which were to be purchased over a three year period. On October 1, 2015 the repurchase program ended. No shares were repurchased during the years ended June 30, 2016 or 2015.

9. Income Taxes

Income before income taxes is as follows (in thousands):

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Domestic	$ (10,953)	$ (31,700)	$ (72,176)
Foreign	6,776	4,152	5,340
Total	$ (4,177)	$ (27,548)	$ (66,836)

The provision for income taxes for fiscal years 2017, 2016 and 2015 consisted of the following (in thousands):

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Current:			
Federal	$ (155)	$ 727	$ 476
State	168	75	13
Foreign	2,332	1,793	2,447
Total current	2,345	2,595	2,936
Deferred:			
Federal	3,063	1,659	1,507
State	99	108	103
Foreign	(1,167)	(26)	261
Total deferred	1,995	1,741	1,871
Provision for income taxes	$ 4,340	$ 4,336	$ 4,807

The difference between the provision for income taxes and the amount computed by applying the federal statutory income tax rate (35 percent) to income before taxes is explained below (in thousands):

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Tax at federal statutory rate	$ (1,461)	$ (9,642)	$ (23,392)
State income tax, net of federal benefit	168	75	13
Change in valuation allowance	5,616	7,898	24,408
Research and development credits	(1,355)	(1,364)	(303)
Foreign earnings taxed at other than U.S. rates	(492)	1,678	(1,113)
Stock based compensation	(573)	3,564	2,298
Goodwill amortization	1,795	1,672	1,690
Nondeductible officer compensation	470	77	—
Nondeductible meals and entertainment	391	289	341
AMT credit monetization	(155)	—	—
Other	(64)	89	865
Provision for income taxes	$ 4,340	$ 4,336	$ 4,807

Significant components of the Company’s deferred tax assets are as follows (in thousands):

	June 30, 2017	2016	2015
Deferred tax assets:			
Net operating loss carry-forwards	$ 109,170	$ 108,563	$ 114,151
Tax credit carry-forwards	34,444	32,730	30,824
Depreciation	1,312	—	—
Intangible amortization	32,919	28,480	17,978
Deferred revenue (net)	10,612	7,955	7,811
Warrant amortization	—	—	1,355
Inventory write-downs	11,111	6,207	6,048
Other allowances and accruals	13,002	10,568	8,645
Stock based compensation	3,545	4,048	6,783
Other	4,270	4,275	5,902
Total deferred tax assets	220,385	202,826	199,497
Valuation allowance	(219,403)	(201,405)	(197,576)
Total net deferred tax assets	982	1,421	1,921
Deferred tax liabilities:			
Depreciation	—	(343)	(707)
Goodwill amortization	(6,254)	(4,459)	(2,787)
Foreign exchange gain	—	—	—
Deferred tax liability on foreign withholdings	(321)	(235)	(194)
Total deferred tax liabilities	(6,575)	(5,037)	(3,688)
Net deferred tax assets (liabilities)	$ (5,593)	$ (3,616)	$ (1,767)
Recorded as:			
Net current deferred tax assets	$ —	$ —	$ 760
Net non-current deferred tax assets	982	1,077	452
Net non-current deferred tax liabilities	(6,575)	(4,693)	(2,979)
Net deferred tax assets (liabilities)	$ (5,593)	$ (3,616)	$ (1,767)

The Company's global valuation allowance increased by $18.0 million in the fiscal year ended June 30, 2017 and $3.8 million in the fiscal year ended June 30, 2016. The Company has provided a full valuation allowance against all of its U.S. federal and state deferred tax assets, as well as valuation allowances against non-U.S. deferred tax assets in Australia, Brazil, Japan and Singapore. The valuation allowance is determined by assessing both negative and positive available evidence to assess whether it is more likely than not that the deferred tax assets will be recoverable. The Company's inconsistent earnings in recent periods, including a cumulative loss over the last three years, coupled with its difficulty in forecasting future revenue trends as well as the cyclical nature of the Company's business provides sufficient negative evidence to require a full valuation allowance against its U.S. federal and state net deferred tax assets. The valuation allowance is evaluated periodically and can be reversed partially or in full if business results and the economic environment have sufficiently improved to support realization of the Company's deferred tax assets.

As of June 30, 2017, the Company had net operating loss carry-forwards for U.S. federal and state tax purposes of $291.3 million and $93.7 million, respectively. As of June 30, 2017, the Company also had foreign net operating loss carry-forwards in Ireland, Australia, Brazil and Japan of $46.7 million, $9.8 million, $7.3 million and $0.3 million, respectively. As of June 30, 2017, the Company also had federal and state tax credit carry-forwards of $23.8 million and $16.4 million, respectively. These credit carry-forwards consist of research and development tax credits as well as foreign tax credits with a small portion representing Alternative Minimum Tax Credits. The U.S. federal net operating loss carry-forwards of $291.3 million will begin to expire in the fiscal year ending June 30, 2021 and state net operating losses of $93.7 million began to partially expire in the fiscal year ending June 30, 2017. The foreign net operating losses can generally be carried forward indefinitely. Federal research and development tax credits of $15.5 million will expire beginning in fiscal 2019, if not utilized and foreign tax credits of $8.1 million will expire beginning in fiscal 2021. North Carolina state research and development tax credits of $0.9 million will expire beginning in the fiscal year ending June 30, 2023, if not utilized. California state research and development tax credits of $15.5 million do not expire and can be carried forward indefinitely.

As of January 2016, the Company performed an Internal Revenue Code section 382 analysis with respect to its net operating loss and credit carry-forwards to determine whether a potential ownership change had occurred that would place a limitation on the annual utilization of tax attributes. It was determined that no ownership change had occurred during the fiscal year ended June 30, 2016, however, it is possible a subsequent ownership change could limit the utilization of the Company's tax attributes.

As of June 30, 2017, the Company intends to indefinitely reinvest the earnings of approximately $11.5 million of certain foreign corporations. The unrecognized deferred tax liability associated with these earnings is approximately $0.2 million.

The Company conducts business globally and as a result, most of its subsidiaries file income tax returns in various domestic and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world. Its major tax jurisdictions are the U.S., Ireland, Brazil, India, California, New Hampshire and North Carolina. As of June 30, 2017, the Company is not currently under examination by any federal, state or foreign tax authority with respect to income taxes.

In general, the Company's U.S. federal income tax returns are subject to examination by tax authorities for fiscal years 2001 forward due to net operating losses and the Company's state income tax returns are subject to examination for fiscal years 2000 forward due to net operating losses.

During the fiscal year ended June 30, 2014, the Company acquired the stock of Enterasys Networks, Inc. and as such they became a wholly owned subsidiary of Extreme Networks. With respect to this acquisition, the Company made an election under Internal Revenue Code section 338(h)(10) to treat the acquisition as an asset purchase from a tax perspective. Under this election the tax basis of all assets is effectively reset to that of fair market value and therefore the transaction did not result in the recording of an opening net deferred tax position as the Company's tax basis in the acquired assets equaled its book basis. The resulting intangible assets and goodwill are being amortized for tax purposes over 15 years.

During the fiscal year ended June 30, 2017, the Company acquired certain networking assets from Zebra Technologies. For tax purposes, the resulting intangible assets and goodwill from this acquisition are also being amortized over 15 years.

As of June 30, 2017, the Company had $18.9 million of unrecognized tax benefits. If fully recognized in the future, there would be no impact to the effective tax rate, and $18.9 million would result in adjustments to deferred tax assets and corresponding adjustments to the valuation allowance. The Company does not reasonably expect the amount of unrealized tax benefits to decrease during the next twelve months. The increase for fiscal year 2017 relates substantially to previously unrecorded foreign net operating losses.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows (in thousands):

Balance at June 30, 2014	$ 11,600
Decrease related to prior year tax positions	(225)
Increase related to prior year tax positions	288
Increase related to current year tax positions	254
Lapse of statute of limitations	(158)
Settlements with tax authorities	(400)
Balance at June 30, 2015	11,359
Increase related to prior year tax positions	174
Lapse of statute of limitations	120
Balance at June 30, 2016	11,653
Increase related to prior year tax positions	7,180
Increase related to current year tax positions	233
Lapse of statute of limitations	(153)
Balance at June 30, 2017	$ 18,913

Estimated interest and penalties related to the underpayment of income taxes are classified as a component of tax expense in the consolidated statement of operations and totaled less than $0.1 million for each of the fiscal years 2017, 2016 and 2015.

10. Disclosure about Segments of an Enterprise and Geographic Areas

We conduct business globally and are primarily managed on a geographic theater basis. Our chief operating decision maker ("CODM"), who is our CEO, reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the CODM with respect to the allocation of resources and performance.

The Company operates in one segment, the development and marketing of network infrastructure equipment. Revenue is attributed to a geographical area based on the location of the customers. The Company operates in three geographic theaters: Americas, which includes the United States, Canada, Mexico, Central America and South America; EMEA, which includes Europe, Russia, Middle East and Africa; and APAC which includes Asia Pacific, China, South Asia and Japan.

The Company attributes revenues to geographic regions based on the customer's ship-to location. Information regarding geographic areas is as follows (in thousands):

	Year Ended		
Net Revenues:	June 30, 2017	June 30, 2016	June 30, 2015
Americas:			
United States	$ 303,617	$ 237,933	$ 238,748
Other	24,530	44,455	31,931
Total Americas	328,147	282,388	270,679
EMEA:			
Germany	81,001	65,799	67,316
Other	135,014	130,789	156,052
Total EMEA	216,015	196,588	223,368
APAC:	53,956	49,413	58,893
Total net revenues	$ 598,118	$ 528,389	$ 552,940

The Company's long-lived assets are attributed to the geographic regions as follows (in thousands):

Long Lived Assets:	June 30, 2017	June 30, 2016	June 30, 2015
Americas	$ 64,890	$ 57,851	$ 87,071
EMEA	8,998	14,234	29,610
APAC	4,275	2,493	3,108
Total long lived assets	$ 78,163	$ 74,578	$ 119,789

11. Net Loss Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period, less shares subject to repurchase, and excludes any dilutive effects of options, warrants and unvested restricted stock. Dilutive earnings per share is calculated by dividing net income by the weighted average number of common shares used in the basic earnings per share calculation plus the dilutive effect of shares subject to options, warrants and unvested restricted stock. The following table presents the calculation of basic and diluted net loss per share (in thousands, except per share data):

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Net loss	$ (8,517)	$ (31,884)	$ (71,643)
Weighted-average shares used in per share calculation - basic and diluted	108,273	103,074	99,000
Net loss per share - basic and diluted	$ (0.08)	$ (0.31)	$ (0.72)

Potentially dilutive common shares from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding restricted stock units, and the assumed issuance of common stock under the ESPP. Weighted stock options outstanding with an exercise price higher than the Company's average stock price for the periods presented are excluded from the calculation of diluted net loss per share since the effect of including them would have been anti-dilutive due to the net loss position of the Company during the periods presented.

The following securities were excluded from the computation of outstanding diluted earnings per common share because they would have been anti-dilutive (in thousands):

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Options to purchase common stock	—	6,937	7,542
Restricted stock units	220	353	133
Employee Stock Purchase Plan shares	—	—	185
Total shares excluded	220	7,290	7,675

12. Foreign Exchange Forward Contracts

The Company uses derivative financial instruments to manage exposures to foreign currency. The Company's objective for holding derivatives is to use the most effective methods to minimize the impact of these exposures. The Company does not enter into derivatives for speculative or trading purposes. The Company records all derivatives on the balance sheet as "Other accrued liabilities" at fair value. Changes in the fair value of derivatives are recognized in earnings as "Other income (loss)". The Company enters into foreign exchange forward contracts to mitigate the effect of gains and losses generated by foreign currency transactions related to certain operating expenses and re-measurement of certain assets and liabilities denominated in foreign currencies. Cash flows from such hedges are classified as operating activities.

At June 30, 2017, forward foreign currency contracts had a notional principal amount of $6.7 million. These contracts have maturities of less than 60 days. Changes in the fair value of these foreign exchange forward contracts are offset largely by remeasurement of the underlying assets and liabilities. At June 30, 2016, the Company did not have any forward foreign currency contracts outstanding.

Foreign currency transaction gains and losses from operations were losses of $0.7 million and $1.0 million in fiscal 2017 and 2015, respectively and gains of $1.3 million in fiscal 2016.

13. Restructuring Charges

As of June 30, 2017, restructuring liabilities were $4.1 million and consisted of obligations pertaining to the estimated future obligations for non-cancelable lease payments and severance and benefits obligations. The restructuring liability of $4.1 million is recorded in "Other accrued liabilities" and "Other long-term liabilities" in the consolidated balance sheets. During fiscal years 2017, 2016 and 2015, the Company recorded restructuring charges, net of reversals, of $8.9 million, $11.0 million and $9.8 million, respectively. The charges are reflected in "Restructuring and related charges, net of reversals" in the consolidated statements of operations.

Fiscal year 2017

Pursuant with the WLAN Business acquisition from Zebra, the Company assumed a facility lease located at 6480 Via del Oro in San Jose, California ("Via del Oro") and transferred the Company's headquarters from Rio Robles Drive in San Jose, California ("Rio Robles") to Via del Oro. The Company consolidated its existing workforce with employees assumed from Zebra at the Via del Oro site and exited the Rio Robles site on January 31, 2017. Due to the Company's move from the Rio Robles facility and abandonment of all leasehold improvements, it accelerated the amortization of the remaining leasehold improvements balance for this site over the shortened service period such that the leasehold improvements were fully amortized on the cease-use date. The Company recorded accelerated amortization expense for the year ended June 30, 2017 of $2.6 million and it is reflected in "Restructuring and related charges, net of reversals" in the condensed consolidated statements of operations.

The Company entered into a sublease agreement for its Rio Robles facility during the third quarter of fiscal 2017. The sublease is for the remaining duration of the Company's lease. The sublease resulted in adjustments to the prior estimates for the amount of sublease payments, timing of sublease activities and real estate commissions associated with the sublease. The net adjustments, including modifications to its future obligations for non-cancellable lease payments and related future subleasing income resulted in additional charges of $2.0 million during fiscal 2017. The excess facilities payments will continue through fiscal year 2023.

In anticipation of the acquisition of Avaya Networking (see Note 14), the Company reoccupied the majority of its exited space at its Salem New Hampshire location during its fiscal fourth quarter to accommodate the growth in headcount and lab facility requirements. This action resulted in a reversal of prior accruals of $1.3 million.

In conjunction with the consolidation actions noted above, the Company announced a reduction-in-force affecting 90 employees. The Company recorded $5.6 million in severance and benefits charges, net during the year ended June 30, 2017. Cash payments of $3.8 million were made during the year and the balance of cash payments are expected to be paid by the end of the second quarter of fiscal 2018.

Fiscal year 2016

During fiscal 2016, the Company continued its initiative to realign its operations by abandoning excess facilities, primarily in San Jose, California; Salem, New Hampshire; Morrisville, North Carolina and other smaller leased locations. The abandoned facilities represented approximately 32% of the floor space in the aggregate at these locations and included general office and warehouse space.

In conjunction with the exiting of facilities noted above, we incurred $11.0 million of restructuring charges. Excess facilities charges included accrued lease costs pertaining to the estimated future obligations for non-cancelable lease payments for excess facilities and contract termination charges of $5.4 million, acceleration of depreciation of leasehold improvements of $4.5 million, professional fees of $1.0 million and other of $0.1 million.

Significant restructuring charges incurred during 2016, by location, included $1.8 million of charges for excess facilities pertaining to the estimated future obligations for non-cancelable lease payments at Rio Robles. This represented 39% of the San Jose leased space. The Company amended its facility lease at its North Carolina location and exited excess space while recording $4.1 million of charges, which included $3.1 million in accelerated depreciation of leasehold improvements. This action represented 36% of the North Carolina location lease space. The Company recorded $4.4 million of charges for excess facilities at its Salem location, which included $1.3 million in accelerated depreciation of leasehold improvements. This action represented 27% of the Salem lease space.

Fiscal year 2015

During the fourth quarter of fiscal 2015, the Company reduced costs through targeted restructuring activities intended to reduce operating costs and realign our organization in the current competitive environment. We initiated a plan to reduce worldwide headcount by more than 225 employees, primarily in sales and marketing, as well as research and development, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions. The Company recorded $9.7 million of charges associated with this initiative. The restructuring liability related to this initiative was fully paid as of June 30, 2016.

Restructuring liabilities consist of (in thousands):

	Excess Facilities	Severance Benefits	Other	Total
Balance as of June 30, 2014	$ 322	$ —	$ —	$ 322
Period charges	—	9,694	125	9,819
Period payments	(322)	(3,957)	(8)	(4,287)
Balance as of June 30, 2015	—	5,737	117	5,854
Period charges	10,811	668	237	11,716
Period reversals	(18)	(618)	(90)	(726)
Non cash adjustments	(4,463)	—	—	(4,463)
Period payments	(1,686)	(5,787)	(264)	(7,737)
Balance as of June 30, 2016	4,644	—	—	4,644
Period charges	1,951	5,728	2,663	10,342
Period reversals	(1,337)	(109)	—	(1,446)
Non cash adjustments	—	—	(2,578)	(2,578)
Period payments	(3,074)	(3,766)	—	(6,840)
Balance as of June 30, 2017	$ 2,184	$ 1,853	$ 85	$ 4,122
Less: current portion included in Other accrued liabilities				2,394
Restructuring accrual included in Other long-term liabilities				$ 1,728

14. Subsequent Event

Avaya Acquisition

On July 14, 2017, (the "Closing") the Company completed its acquisition of Avaya's fabric-based secure networking solutions and network security solutions business ("Avaya Networking"), that had been announced on March 7, 2017. Upon the terms and subject to the conditions of the asset purchase agreement, the Company will acquire customers, employees, technology and other assets of Avaya Networking, as well as assume certain contracts and other liabilities of Avaya Networking, for a purchase price of $100.0 million, subject to adjustments set forth in the Purchase Agreement related to net working capital, deferred revenue, certain assumed lease obligations and certain assumed pension obligations for transferring employees of Avaya Networking. Pursuant to certain ancillary agreements, Avaya will also provide the Company with access to specified technology related to Avaya Networking, as well as transition services for a period of time following the Closing of the transaction. As a condition of the agreement, the Company had made deposits of $10.2 million in the third quarter of fiscal 2017, which were applied to the purchase price upon Closing. The deposit is included in "Prepaid and other current assets" in the consolidated balance sheet as of June 30, 2017.

The acquisition will be accounted for using the acquisition method of accounting whereby the acquired assets and liabilities of Avaya Networking will be recorded at their respective fair values and added to those of the Company including an amount for goodwill representing the difference between the acquisition consideration and the fair value of the identifiable net assets. Results of operations of Avaya Networking will be included in the operations of the Company beginning with the Closing. As of the date of the filing of this Form 10-K, the initial purchase price allocation has not been prepared as there has not been sufficient time to complete the related activities

During the fiscal year ended June 30, 2017, the Company recognized transaction costs of $2.2 million which is included in "Acquisition and integration costs" in the accompanying condensed consolidated statements of operations.

Borrowing Facility

In connection with the Closing noted above, the Company entered into the Second Amendment to the Amended and Restated Credit Agreement (“Second Amendment”), which amended the Amended and Restated Credit Agreement, dated as of October 28, 2016 (the “Credit Facility, as amended”), by and among the Company, as borrower, Silicon Valley Bank, as administrative agent and collateral agent, and Lenders. Among other things, the Second Amendment (i) increased the amount of the available borrowing under the Credit Facility from $140.5 million to $243.7 million, composed of (a) the Term Loan in a principal amount of up to $183.7 million and (b) the Revolver in a principal amount of up to $60.0 million, (ii) extends the maturity date under the existing Term Loan and the termination date under the existing Revolver until July 2022, (iii) provides for an uncommitted additional incremental loan facility in a principal amount of up to $50.0 million (“Incremental Facility”), and (iv) joins certain additional banks, financial institutions and institutional lenders as Lenders pursuant to the terms of the Credit Facility, as amended. On July 14, 2017, the Company borrowed an additional $80.0 million under the Term Loan which was used to fund the purchase of the Avaya Networking business.

Borrowings under the Amended Term Loan bear interest, at our option, at a rate equal to either the LIBOR rate (subject to a 0.0% LIBOR floor), plus an applicable margin (currently 3.25% per annum) or the adjusted base rate, plus an applicable margin (currently 1.25% per annum). Borrowings under the Revolving Loan bear interest, at the Company’s option, at a rate equal to either the LIBOR rate, plus an applicable margin (currently 3.25% per annum) or the adjusted base rate, plus an applicable margin (currently 1.25% per annum based). The Revolving Loan has a commitment fee payable on the undrawn amount ranging from 0.375% to 0.50% per annum.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 as amended, such as this Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to reasonably assure that such information is accumulated and communicated to our management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further because of changes in conditions, the effectiveness of internal control may vary over time.

We assessed the effectiveness of our internal control over financial reporting as of June 30, 2017. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013).

Based on our assessment using those criteria, we concluded that, as of June 30, 2017, our internal control over financial reporting is effective.

Our independent registered public accounting firm, KPMG LLP, has audited the financial statements included in this Annual Report on Form 10-K and has issued its report on our internal control over financial reporting as of June 30, 2017.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our controls and procedures are designed to provide reasonable assurance that our control system's objective will be met and our CEO and CFO have concluded that our disclosure controls and procedures are effective at the reasonable assurance level. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within Extreme Networks have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events. Projections of any evaluation of the effectiveness of controls in future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Notwithstanding these limitations, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our CEO and CFO have concluded that our disclosure controls and procedures are, in fact, effective at the "reasonable assurance" level.

Item 9B. Other Information

None.

PART III

Certain information required by Part III is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for our 2017 Annual Meeting of Stockholders (the “Proxy Statement”) not later than 120 days after the end of the fiscal year covered by this report, and certain information therein is incorporated in this report by reference.

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this section for our directors is incorporated by reference from the information in the section entitled “Proposal 1 – Election of Directors” in the Proxy Statement. The information required by this section for our executive officers is incorporated by reference from the information in the section entitled “Executive Compensation and Other Matters” in the Proxy Statement.

Item 405 of Regulation S-K calls for disclosure of any known late filing or failure by an insider to file a report required by Section 16 of the Exchange Act. This disclosure is contained in the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement and is incorporated herein by reference.

Information with respect to Item 406 of Regulation S-K is incorporated by reference to the information contained in the section captioned “Code of Ethics and Corporate Governance Materials” in the Proxy Statement.

Item 11. *Executive Compensation*

The information required by this section is incorporated by reference from the information in the sections entitled “Directors’ Compensation”, “Executive Compensation and Other Matters” and “Report of the Compensation Committee” in the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this section is incorporated by reference from the information in the section entitled “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

The information required by this section regarding securities authorized for issuance under equity compensation plans is incorporated by reference from the information in the section entitled “Equity Compensation Plan Information” in the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this section is incorporated by reference from the information in the section titled “Certain Relationships and Related Transactions” in the Proxy Statement.

Item 14. *Principal Accounting Fees and Services*

The information required by this section is incorporated by reference from the information in the section titled “Principal Accountant Fees and Services” in the Proxy Statement.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

- **The following documents are filed as a part of this Form 10-K:**

  (1) Financial Statements:

Reference is made to the Index to Consolidated Financial Statements of Extreme Networks, Inc. under Item 8 in Part II of this Form 10-K.

All required schedules are omitted because either they are not applicable or the required information is shown in the financial statements or notes thereto.

- Exhibits:

Incorporated herein by reference is a list of the Exhibits contained in the Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on September 13, 2017.

EXTREME NETWORKS, INC.
(Registrant)

By: /s/ B. DREW DAVIES
B. Drew Davies
Executive Vice President, Chief Financial Officer,
(Principal Accounting Officer)
September 13, 2017

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints B. Drew Davies, his true and lawful attorneys-in-fact, with full power of substitution, for him in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/s/ JOHN C. SHOEMAKER	/s/ EDWARD B. MEYERCORD III
John C. Shoemaker **Chairman of the Board** **September 13, 2017**	**Edward B. Meyercord III** **President and Chief Executive Officer, Director** **(Principal Executive Officer)** **September 13, 2017**
/s/ B. DREW DAVIES	/s/ CHARLES CARINALLI
B. Drew Davies **Executive Vice President, Chief Financial Officer** **(Principal Accounting Officer)** September 13, 2017	**Charles Carinalli** **Director** **September 13, 2017**
/s/ KATHLEEN M. HOLMGREN	/s/ EDWARD H. KENNEDY
Kathleen M. Holmgren **Director** **September 13, 2017**	**Edward H. Kennedy** **Director** **September 13, 2017**
/s/ RAJ KHANNA	
Raj Khanna **Director** **September 13, 2017**	

EXHIBIT INDEX

The exhibits listed below are required by Item 601 of Regulation S-K. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K has been identified.

		Incorporated by Reference			
Exhibit Number	Description of Document	Form	Filing Date	Number	Provided Herewith
2.1	Stock Purchase Agreement, dated September 12, 2013 between Enterprise Network Holdings, Inc. and Extreme Networks, Inc.	8-K	9/13/2013	2.1	
2.2†	Asset Purchase Agreement, dated as of September 13, 2016, by and between Extreme Networks, Inc. and Zebra Technologies Corporation.	8-K	9/15/2016	2.1	
2.3	Amendment No. 1 dated October 28, 2016 to the Asset Purchase Agreement, dated as of September 13, 2016, by and between Extreme Networks, Inc. and Zebra Technologies Corporation.	10-Q	2/2/2017	2.1	
2.4	Asset Purchase Agreement, dated March 7, 2017, by and between Extreme Networks, Inc. and Avaya, Inc.	8-K	3/7/2017	2.1	
2.5	Amendment No. 1, dated April 3, 2017, to the Asset Purchase Agreement, dated March 7, 2017, by and between Extreme Networks, Inc. and Avaya, Inc.	10-Q	5/4/2017	2.2	
2.6†	Asset Purchase Agreement, dated as of March 29, 2017, by and among LSI Corporation, Extreme Networks, Inc. and, solely for the purposes set forth therein, Broadcom Corporation.	8-K	3/30/2017	2.1	
3.1	Amended and Restated Certificate of Incorporation of Extreme Networks, Inc.	8-K	12/17/2010	3.2	
3.2	Amended and Restated Bylaws of Extreme Networks, Inc.	8-K	3/31/2011	3.1	
3.3	Certificate of Designation, Preferences and Rights of the Terms of the Series A Preferred Stock.	10-K	9/26/2001	3.7	
4.1	Amended and Restated Rights Agreement dated April 26, 2012 between Extreme Networks, Inc. and Computershare Shareowner Services LLC.	8-K	4/30/2012	4.1	
4.2	Amendment No. 2 to the Amended and Restated Rights Agreement effective April 30, 2014.	8-K	5/20/2014	4.1	
4.3	Amendment No. 3 to the Amended and Restated Rights Agreement effective May 14, 2015.	8-K	5/19/2015	4.1	
4.4	Amendment No. 4 to the Amended and Restated Rights Agreement effective May 5, 2016.	8-K	5/9/2016	4.1	
4.5	Amendment No. 5 to the Amended and Restated Rights Agreement effective May 31, 2017.	8-K	6/5/2017	4.1	
10.1	Form of Indemnification Agreement for directors and officers.	8-K	10/24/2011	99.1	
10.2*	2000 Nonstatutory Stock Option Plan.	10-K	9/24/2000	10.7	
10.3*	2001 Nonstatutory Stock Option Plan.	Schedule TO	10/31/2001	(d)(9)	
10.4	Lease Agreement by and between RDU Center III LLC and Extreme Networks, Inc. dated October 15, 2012.	8-K	10/19/2012	10.1	
10.5	First Amendment to Lease Agreement by and between RDU Center III LLC and Extreme Networks, Inc. dated December 31, 2012.	8-K	1/7/2013	10.1	
10.6	Office Space Lease Agreement by and between W3 Ridge Rio Robles Property LLC and Extreme Networks, Inc., dated December 31, 2012.	8-K	1/7/2013	10.2	
10.7	Credit Agreement, dated as of October 31, 2013, among Extreme Networks Inc., as borrower, Silicon Valley Bank, as administrative agent and collateral agent, Bank of America, N.A. and PNC Bank, National Association as co-syndication agents and the lenders party thereto.	8-K	11/1/2013	10.1	
10.8*	Enterasys Networks, Inc. 2013 Stock Plan.	S-8	11/22/2013	99.1	

10.9*	Offer Letter executed May 2, 2014, between Extreme Networks, Inc. and Ken Arola.	8-K	5/8/2014	10.1	
10.10	Second Amendment to the Credit Agreement dated November 18, 2014, among Extreme Networks, Inc., a Delaware Corporation, the Lenders party thereto and Silicon Valley Bank, as the Issuing Lender and Swingline Lender and Administrative Agent.	8-K	11/20/2014	10.1	
10.11*	Extreme Networks, Inc. 2014 Employee Stock Purchase Plan as amended and restated June 2016.	10-K	9/6/2016	10.11	
10.12*	Extreme Networks, Inc. 2014 Employee Stock Purchase Plan as amended and restated November 2015.	10-K	9/6/2016	10.12	
10.13*	Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-K/A	10/07/2015	10.18	
10.14*	Form of market based restricted stock units award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-Q	1/30/2015	99.1	
10.15*	Form of restricted stock unit award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-K	9/6/2016	10.15	
10.16*	Form of performance based restricted stock unit award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-K	9/6/2016	10.16	
10.17*	Form of option award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-K	9/6/2016	10.17	
10.18*	Form of restricted stock unit award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-Q	11/2/2016	10.1	
10.19*	Form of performance based restricted stock unit award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-Q	11/2/2016	10.2	
10.20*	Form of option award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-Q	11/2/2016	10.3	
10.21*	Form of performance stock unit under Extreme Networks, Inc. 2013 Equity Incentive Plan.				X
10.22*	Offer Letter, executed April 30, 2015, between Extreme Networks, Inc. and Edward B. Meyercord.	8-K	5/4/2015	10.1	
10.23	Third Amendment to the Credit Agreement and First Amendment to Guarantee and Collateral Agreement dated June 26, 2015, among Extreme Networks, Inc., a Delaware Corporation, the Lenders party thereto and Silicon Valley Bank, as the Issuing Lender and Swingline Lender and Administrative Agent.	8-K	6/30/2015	10.1	
10.24	Second Amendment to Lease Agreement by and between TDC Blue II, LLC and Extreme Networks, Inc. dated December 17, 2015.	10-Q	2/2/2016	10.1	
10.25*	Promotion Letter between Robert Gault and Extreme Networks, Inc. dated June 2, 2015.	10-Q	4/29/2016	10.2	
10.26*	Supplemental Letter between Robert Gault and Extreme Networks, Inc. dated August 4, 2015.	10-Q	4/29/2016	10.3	
10.27*	Offer Letter, executed May 15, 2016, between Extreme Networks, Inc. and Drew Davies.	8-K	5/19/2016	10.1	
10.28*	Separation Agreement and Release of Claims, executed May 18, 2016, between Extreme Networks, Inc. and Kenneth Arola.	8-K	5/19/2016	10.2	
10.29*	Extreme Networks, Inc. Executive Change in Control Severance Plan Amended and Restated May 4, 2016.	10-K	9/6/2016	10.25	
10.30*	Agreement to Participate in the Extreme Networks, Inc. Executive Change in Control Severance Plan as Amended and Restated May 4, 2016.	10-K	9/6/2016	10.26	
10.31*	Extreme Networks, Inc. Executive Change in Control Severance Plan Amended and Restated November 1, 2016.	10-Q	11/2/2016	10.5	
10.32*	Amended and Restated Offer Letter, executed August 31, 2016, between Extreme Networks, Inc. and Edward B. Meyercord.	10-K	9/6/2016	10.27	

10.33*	Summary of FY18 Executive Officer Compensation Arrangements.				X
10.34*	Extreme Networks, Inc. 2005 Equity Incentive Plan.	8-K	10/23/2009	99.3	
10.35*	Form of Option Agreement Under the Extreme Networks, Inc. 2005 Equity Incentive Plan.	10-K	9/6/2016	10.30	
10.36	Debt Commitment Letter, dated as of September 13, 2016, by and between Extreme Networks, Inc. and Silicon Valley Bank.	8-K	9/15/2016	10.1	
10.37	Amended and Restated Credit Agreement, dated as of October 28, 2016, by and among the Company, as borrower, the several banks and other financial institutions or entities party thereto as lenders, and Silicon Valley Bank, as administrative agent and collateral agent.	10-Q	11/2/2016	10.4	
10.38	First Amendment to the Amended and Restated Credit Agreement, dated as of March 2, 2017, by and among the Company, as borrower, the several banks and other financial institutions or entities party thereto as lenders, and Silicon Valley Bank, as administrative agent and collateral agent.	10-Q	5/4/2017	10.1	
10.39	Second Amendment to the Amended and Restated Credit Agreement, dated as of July 14, 2017, by and among the Company, as borrower, the several banks and other financial institutions or entities party thereto as lenders, and Silicon Valley Bank, as administrative agent and collateral agent.	8-K	7/18/2017	10.1	
10.40	Sublease Agreement, dated February 3, 2017, by and between the Company as sub-landlord and Yangtze Memory Technologies, Inc. as sub-tenant.	10-Q	5/4/2017	10.2	
10.41	Lease for property at 6480 Via Del Oro, San Jose, California, dated August 24, 1998 between Sobrato Land Holding, a California limited partnership ("SLH") and Symbol Technologies, Inc., a Delaware corporation ("Symbol"), as amended by a First Amendment to Lease and Second Amendment to Lease both dated August 13, 1999 between SLH and Symbol, a Joinder signed by Motorola, Inc., a Delaware corporation ("Motorola") dated effective as of January 9, 2007, a Third Amendment to Lease dated April 8, 2008 between SLH, as the landlord, and Symbol and Motorola as the tenant, and a Fourth Amendment to Lease dated November 22, 2011 between Landlord, as the landlord, and Symbol and Motorola, as the tenant and assigned to Extreme Networks Inc. on October 28, 2016.				X
10.42*	Form of 2017 restricted stock unit award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.				X
21.1	Subsidiaries of Registrant.				X
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.				X
24.1	Power of Attorney (see the signature page of this Form 10-K).				X
31.1	Section 302 Certification of Chief Executive Officer.				X
31.2	Section 302 Certification of Chief Financial Officer.				X
32.1**	Section 906 Certification of Chief Executive Officer.				X
32.2**	Section 906 Certification of Chief Financial Officer.				X

* Indicates management or board of directors contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended; are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended; and otherwise are not subject to liability under these sections.

Exhibit 10.21

EXTREME NETWORKS, INC.
NOTICE OF GRANT OF PERFORMANCE STOCK UNITS
(For U.S. Participants)

Extreme Networks, Inc. (the *"**Company**"*) has granted to the Participant an award (the *"**Award**"*) of certain units pursuant to the Extreme Networks, Inc. 2013 Equity Incentive Plan (the *"**Plan**"*), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock on the terms and conditions set forth herein and in the Performance Stock Units Agreement attached hereto (the "***Award Agreement***") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Award Agreement.

Participant: %%FIRST_NAME%-% %%LAST_NAME%-% **Employee ID:** %%EMPLOYEE_IDENTIFIER%-%

Date of Grant: %%OPTION_DATE%-%

Target Number of Units: %%TOTAL_SHARES_GRANTED%-%, subject to adjustment as provided by the Award Agreement.

Target Number of Stock Price Units: One half of the Target Number of Units shall be "***Stock Price Units***" and shall be earned and vest based on the price of the Stock, as set forth below.

Target Number of TSR Units: One half of the Target Number of Units shall be "***TSR Units***" and shall be earned and vest based on the Company's relative total stockholder return, as set forth below.

Performance Period: Subject to Section 8.1 of the Award Agreement, the period beginning May 4, 2017 and ending May 4, 2020.

Earned Units:

Stock Price Units: The number of Stock Price Units that become Earned Units, if any, shall be determined as follows:

- 1/3rd of the Target Number of Stock Price Units shall become Earned Units if the Company's Ending Average Stock Price is at least $8.96 but less than $11.63;
- 2/3^{rds} of the Target Number of Stock Price Units shall become Earned Units if the Company's Ending Average Stock Price is at least $11.63 but less than $13.15;
- 100% of the Target Number of Stock Price Units shall become Earned Units if the Company's Ending Average Stock Price is at least $13.15 but less than $16.56; and
- 1 and 1/3^{rds} times the Target Number of Stock Price Units shall become Earned Units if the Company's Ending Average Stock Price equals or exceeds $16.56.

For the purposes of this Award Agreement, the Company's "***Ending Average Stock Price***" shall mean the average adjusted closing stock price of the Stock for the 90 calendar days ending as of the last day of the Performance Period.

TSR Units: The number of TSR Units that become Earned Units, if any, shall equal the product of the Target Number of TSR Units and the "***Performance Multiplier***", calculated in accordance with Appendix A.

Vested Units: Except as provided in the Award Agreement or a Superseding Agreement and provided that the Participant's Service has not terminated prior to the Certification Date (as defined in the Award Agreement), the Earned Units for the Performance Period (if any) shall become Vested Units on the Certification Date. Except as provided in the Award Agreement, any Units that do not become Vested Units on the Certification Date shall be forfeited and cancelled for no consideration.

Settlement Date: Except as otherwise provided by the Award Agreement, for each Vested Unit, the day of, or as soon as practicable following, the Certification Date, but in any event no later than March 15, 2021.

Superseding Agreement:

By the Company's authorized signature below and the Participant's by electronic acceptance in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Award Agreement and the Plan, both of which are made a part of this document, and by the Superseding Agreement, if any. The Participant acknowledges that copies of the Plan, the Award Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Award Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EXTREME NETWORKS, INC.
6480 Via Del Oro
San Jose, California 95119

ATTACHMENTS: 2013 Equity Incentive Plan, as amended to the Date of Grant; Performance Stock Units Agreement and Plan Prospectus

EXTREME NETWORKS, INC.
PERFORMANCE STOCK UNITS AGREEMENT
(For U.S. Participants)

Extreme Networks, Inc. has granted to the Participant named in the *Notice of Grant of Performance Stock Units* (the *"**Grant Notice**"*) to which this Performance Stock Units Agreement (the *"**Agreement**"*) is attached an Award consisting of Performance Stock Units (each a *"**Unit**"*) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Extreme Networks, Inc. 2013 Equity Incentive Plan (the *"**Plan**"*), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the *"**Plan Prospectus**"*), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. **Definitions and Construction.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

(a) "***Average Closing Index Value***" means the average of the daily closing index values of the Benchmark Index for all trading days falling within an applicable 90 calendar day period described in Section 1.1(e).

(b) "***Average Per Share Closing Price***" means the average of the daily closing prices per share of Stock as reported on the securities exchange constituting the primary market for the Stock for all trading days falling within an applicable 90 calendar day period described in Section 1.1(d).

(c) "***Benchmark Index***" means the S&P Small Cap 600 Capped Information Technology (sector) index.

(d) "***Benchmark Index Total Return***" means the percentage point increase or decrease in (i) the Average Closing Index Value for the 90 calendar days ending on the last day of the Performance Period over (ii) the Average Closing Index Value for the 90 calendar days ending on the last day immediately preceding the first day of the Performance Period.

(e) ***"Company Total Stockholder Return***" means the percentage point increase or decrease in (i) the Average Per Share Closing Price for the 90 calendar days ending on the last day of the Performance Period over (ii) the Average Per Share Closing Price for the

90 calendar days ending on the last day immediately preceding the first day of the Performance Period.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **The Award.**

2.1 **Grant of Units.** The Company hereby grants to the Participant the Award set forth in the Grant Notice, which, depending on the extent to which a performance goal is attained during the Performance Period, may result in the Participant earning as little as zero (0) Units or as many as the Maximum Number of Units. Subject to the terms of this Agreement and the Plan, each Unit, to the extent it is earned and becomes a Vested Unit, represents a right to receive on the applicable Settlement Date one (1) share of Stock. Unless and until a Unit has been determined to be an Earned Unit and has vested and become a Vested Unit as set forth in the Grant Notice and this Agreement, the Participant will have no right to settlement of such Unit. Prior to settlement of any earned and vested Units, such Units will represent an unfunded and unsecured obligation of the Company.

2.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or shares of Stock issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Units.

3. **Committee Certification of Vested Units.**

3.1 **Certification of Ending Average Stock Price.** As soon as practicable following completion of the Performance Period, but no later than thirty (30) days following such completion except as provided in Section 8.1, the Committee shall determine and certify in writing the Ending Average Stock Price and the Performance Multiplier attained for the Performance Period and the resulting number of Units which have become Earned Units (the date of such certification being the "***Certification Date***").

3.2 **Adjustment for Leave of Absence or Part-Time Work**. Unless otherwise required by law or Company policy, if the Participant takes one or more unpaid leaves of absence in excess of thirty (30) days in the aggregate during the Performance Period, the number of Units which would otherwise become Earned Units for the Performance Period shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on an unpaid leave of absence. Unless otherwise required by law or Company policy, if the Participant commences working on a part-time basis during the Performance Period, the Committee may, in its discretion, reduce on a pro rata basis (reflecting the portion of the Performance Period worked by the Participant on a full-time equivalent basis) the number of Units which would otherwise become Earned Units for the Performance Period, or provide that the number of Units which would otherwise become Earned Units for the Performance Period shall be reduced as provided by the terms of an agreement between the Participant and the Company pertaining to the Participant's part-time schedule.

4. VESTING OF UNITS.

4.1 **Normal Vesting**. Except as otherwise provided by this Agreement, Earned Units shall vest and become Vested Units as provided in the Grant Notice.

4.2 **Effect of Termination of Service upon Vesting.** Except as provided by Section 4.4 or a Superseding Agreement, if any, if the Participant's Service terminates for any reason, all Units subject to the Award which have not become Vested Units as of the time of such termination of Service shall be subject to the Company Reacquisition Right (as defined by Section 5.1).

4.3 **Vesting Upon a Change in Control.** In the event of a Change in Control, the vesting of Earned Units shall be determined in accordance with Section 8.1.

4.4 **Vesting Upon Termination Upon a Change in Control.** In the event of the Participant's "Termination Upon a Change in Control" (as defined by the the Extreme Networks, Inc. Executive Change in Control Severance Plan, as amended or its successor (the "***Change in Control Plan***"), the vesting of Earned Units subject to a Time-Vesting Unit Award shall be determined in accordance with Section 8.2.

5. **COMPANY REACQUISITION RIGHT.**

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by Section 4.4 or a Superseding Agreement, if any, in the event that the Participant's Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units (***"Unvested Units")***, and the Participant shall not be entitled to any payment therefor (the ***"Company Reacquisition Right"***).

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 9, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

6. **<u>Settlement of the Award</u>.**

6.1 **Issuance of Shares of Stock.** Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit to be settled on such date one (1) share of Stock. The Settlement Date with respect to a Unit shall be the date on which such Unit becomes a Vested Unit as provided by the Grant Notice (an *"**Original Settlement Date**"*); provided, however, that if the Original Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the Vested Units would violate the Trading Compliance Policy of the Company, the Settlement Date for such Vested Units shall be deferred until the next day on which the sale of such shares would not violate the Trading Compliance Policy, but in any event on or before the 15th day of the third calendar month following calendar year of the Original Settlement Date. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 7 or the Company's Trading Compliance Policy.

6.2 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company's transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Award.

7. <u>**Tax Withholding**</u>.

7.1 **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of Units or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

7.2 **Assignment of Sale Proceeds.** Subject to compliance with applicable law and the Company's Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

7.3 **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

8. <u>**Effect of Change in Control**</u>.

In the event of a Change in Control, this Section 8 shall determine the treatment of the Units which have not otherwise become Vested Units.

8.1 Effect of Change in Control on Award. In the event of a Change in Control that occurs following the end of the Performance Period, the number of Earned Units shall, if not previously certified by the Committee in accordance with Section 3.1 and settled in accordance with Section 6, be determined and certified by the Committee in accordance with Section 3.1 and settled in accordance with Section 6 prior to the effective time of the Change in Control. In the event of a Change in Control that occurs prior to the end of the Performance Period, the Performance Period shall be deemed to end on the day immediately preceding the Change in Control (the "***Adjusted Performance Period***"), and the number of Earned Units and the vesting thereof shall be determined for the Adjusted Performance Period in accordance with the following:

(a) **Earned Units.** The Committee shall determine and certify in writing no later than the day immediately preceding the Change in Control the number of Earned Units for the Adjusted Performance Period, provided that:

(i) for the Stock Price Units, the Ending Average Stock Price shall be deemed to be the price per share of Stock to be paid to the holder thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per share of Stock on the last trading day of the Adjusted Performance Period as reported on the securities exchange constituting the primary market for the Stock) (the "***Transaction Price***"); and

(ii) for the TSR Units, (A) the Company Total Stockholder Return shall be determined as provided by Section 1.1, except that the Average Share Closing Price for the 90 calendar days ending on the last day of the Adjusted Performance Period shall be replaced with the Transaction Price and (B) the Benchmark Index Total Return shall be determined as provided by Section 1.1, except that the Average Closing Index Value shall be determined for the 90 calendar days ending on the last market trading day of the Adjusted Performance Period.

Immediately following the Committee's determination pursuant to this Section 8.1(a), all Units subject to the Award which are not Earned Units (the "***Unearned Units***") shall terminate and the Award, to the extent of the Unearned Units, shall cease to be outstanding.

(b) **Vested Units.** As of the last day of the Adjusted Performance Period and provided that the Participant's Service has not terminated prior to such date, except as otherwise provided by a Superseding Agreement, a portion of the Earned Units determined in accordance with Section 8.1(a) shall become Vested Units (the "***Accelerated Units***"), with such portion determined by multiplying the total number of Earned Units by a fraction, the numerator of which equals the number of days contained in the Adjusted Performance Period and the denominator of which equals the number of days contained in the original Performance Period determined without regard to this Section. The Accelerated Units shall be settled in accordance Section 6 immediately prior to the effective time of the Change in Control.

(c) **Unvested Units.** Except as otherwise provided by Section 8.2, with respect to each Adjusted Performance Period, that portion of the Earned Units determined in accordance with Section 8.1(a) in excess of the number of Accelerated Units (such excess portion, a "***Time-Vesting Unit Award***") shall become Vested Units in equal monthly installments determined from the effective date of the Change in Control (each of which shall be a "Vesting Date" for this purpose) over the remainder of the original Performance Period determined without regard to this Section, provided that the Participant's Service has not terminated prior to the applicable Vesting Date. The Units subject to the Time-Vesting Unit Award which become Vested Units shall be settled on the applicable Settlement Date in accordance with Section 6, provided that payment for each Vested Unit shall be made in the amount and in the form of the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock). For the purposes of this Section 8.1(c), the Settlement Date shall occur upon or as soon as practicable following the applicable Vesting Date, but in any event no later than the 15th day of the third calendar month following the end of the calendar year in which the Vesting Date occurs.

8.2 Involuntary Termination Following Change in Control. This Section 8.2 shall apply only if the Participant is a participant in the Change in Control Plan. In the event that the Participant's Service terminates due to "Termination Upon a Change in Control" (as such term or similar term is defined by the Change in Control Plan), then the vesting of each Time-Vesting Unit Award determined in accordance with Section 8.1(c) shall be accelerated, and the Units subject to such Time-Vesting Unit Award shall become Vested Units to the extent provided by the Change in Control Plan and the Participant's Participation Agreement in such plan effective as of the date of the Participant's termination of Service. Consistent with Section 8.1(a) and notwithstanding any provision of the Change in Control Plan or such Participation Agreement to the contrary, the provisions of the Change in Control Plan shall not apply to the Unearned Units, with respect to which the Award will have ceased to be outstanding as of the Change in Control. The Vested Units determined in accordance with this Section 8.2 shall be settled in accordance with Section 6, treating the date of the Participant's termination of Service as the Vesting Date, provided that payment for each Vested Unit shall be made in the amount and in the form of the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock). For the purposes of this Section 8.2, the Settlement Date shall occur upon or as soon as practicable following the Vesting Date, but in any event no later than the 15th day of the third calendar month following the end of the calendar year in which the Vesting Date occurs.

9. **Adjustments for Changes in Capital Structure.**

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

10. **<u>Rights as a Stockholder, Director, Employee or Consultant</u>.**

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

11. **<u>Legends</u>.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

12. **<u>Compliance with Section 409A</u>.**

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

12.1 **Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the *"**Section 409A Regulations**"*) shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the *"**Delayed Payment Date**"*) which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

12.2 **Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

12.3 **Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

12.4 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

13. **Miscellaneous Provisions.**

13.1 **Administration**. All questions of interpretation concerning the Grant Notice, this Award Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

13.2 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

13.3 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

13.4 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

13.5 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

13.6 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) ***Description of Electronic Delivery.*** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) ***Consent to Electronic Delivery.*** The Participant acknowledges that the Participant has read Section 13.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 13.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 13.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 13.6(a).

13.7 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with the Change in Control Plan and the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

13.8 **Applicable Law.** This Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

13.9 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

APPENDIX A

TSR UNITS
ILLUSTRATION OF PERFORMANCE MULTIPLIER
AND RESULTING NUMBER OF EARNED UNITS

Percentage Point Difference of Company Total Stockholder Return Over/Under the Benchmark Index Total Return	Performance Differential (Percentage Point Difference of Company Total Stockholder Return Over/Under the Sum of the Benchmark Index Total Return and 25 Percentage Points)	Performance Multiplier*	Earned Units (Per 1,000 Target TSR Units)
40%	15.0	130.0%	1,300
35%	10.0	130.0%	1,300
30%	5.0	115.0%	1,150
29%	4.0	112.0%	1,120
28%	3.0	109.0%	1,090
27%	2.0	106.0%	1,060
26%	1.0	103.0%	1,030
25.5%	0.5	101.5%	1,015
25.1%	0.1	100.3%	1,003
25%	0	100.0%	1,000
24.9%	-0.1	99.6%	996
24.5%	-0.5	98.0%	980
24%	-1.0	96.0%	960
23%	-2.0	92.0%	920
22%	-3.0	88.0%	880
21%	-4.0	84.0%	840
20%	-5.0	80.0%	800
15%	-10.0	60.0%	600
10%	-15.0	40.0%	400
5%	-20.0	20.0%	200
0%	-25.0	0.0%	0
-5%	-30.0	0.0%	0

*Notwithstanding the applicable performance multiplier as set forth above, for purposes of the calculation of Earned Units, in the event that the Company Total Stockholder Return is negative, the maximum number of TSR Units that shall become Earned Units shall not exceed the Target Number of TSR Units as set forth in the Award Agreement.

**Linear interpolation will be used to determine the Performance Multiplier for percentage point differences achieved between the values listed in the Percentage Point Difference of Company Total Stockholder Return Over/Under the Benchmark Index Total Return column, provided that the Performance Multiplier for a percentage point difference less than 0% shall be zero and in no event shall the Performance Multiplier be in excess of 130%.

ILLUSTRATIONS OF CALCULATION OF EARNED UNITS
PER 1,000 TARGET TSR UNITS

Company Total Stockholder Return Exceeds Target of Benchmark Index Total Return + 25%

Assumptions:		
Extreme Networks, Inc.:		
Average Per Share Closing Price (beginning)		$10.00
Average Per Share Closing Price (ending)		$15.00
S&P Small Cap 600 IT Index:		
Average Closing Index Value (beginning)		500.00
Average Closing Index Value (ending)		600.00
Computations:		
Company Total Stockholder Return	((15.00 / 10.00) - 1) x 100	50.0%
Benchmark Index Total Return	((600 / 500) - 1) x 100	20.0%
Performance Multiplier	100 + (3 x (50.0 – 20.0 – 25.0))	115.0%
Earned Units	1,000 x 115.0%	1,150

Company Total Stockholder Return Is Less Than Target of Benchmark Index Total Return + 25%

Assumptions:		
Extreme Networks, Inc.:		
Average Per Share Closing Price (beginning)		$10.00
Average Per Share Closing Price (ending)		$13.00
S&P Small Cap 600 IT Index:		
Average Closing Index Value (beginning)		500.00
Average Closing Index Value (ending)		600.00
Computations:		
Company Total Stockholder Return	((13 / 10.00) - 1) x 100	30.0%
Benchmark Index Total Return	((600 / 500) - 1) x 100	20.0%
Performance Multiplier	100 + (4 x (30.0 – 20.0 – 25.0)	40.0%
Earned Units	1,000 x 40.0%	400

Exhibit 10.33

Compensation Arrangements for FY 18 of Executive Officers of Extreme Networks, Inc.

Note: The following summary of compensation arrangements does not include all previously-reported compensation arrangements or awards granted under previously-disclosed incentive plans. Disclosures with respect to compensation for Named Executive Officers for the 2017 fiscal year will be included in the Company's definitive proxy statement for the Company's 2017 Annual Meeting of Stockholders, and disclosures with respect to compensation for Named Executive Officers for the 2018 fiscal year will be included in the Company's definitive proxy statement for the Company's 2018 Annual Meeting of Stockholders.

Compensation for Edward Meyercord (*Chief Executive Officer*)

Mr. Meyercord’s current annual base salary is $625,000. In addition, Mr. Meyercord will be eligible to participate in the Company's FY18 Extreme Incentive Plan (as described below) with a bonus target of 130% as a percentage of base salary. On August 23, 2017, Mr. Meyercord was granted 219,828 performance-based restricted stock unit awards and 142,552 service-based restricted stock unit awards under the Company's equity incentive plan as part of his fiscal year 2018 compensation.

Compensation for Benjamin Drew Davies (*Chief Financial Officer*)

Mr. Davies' current annual base salary is $400,000. In addition, Mr. Davies will be eligible to participate in the Company's FY18 Extreme Incentive Plan (as described below) with a bonus target of 65% as a percentage of base salary. On August 23, 2017, Mr. Davies was granted 48,491 performance-based restricted stock unit awards and 48,491 service-based restricted stock unit awards under the Company's equity incentive plan as part of his fiscal year 2018 compensation.

Compensation for Robert Gault

Mr. Gault’s current annual base salary is $410,000. In addition, Mr. Gault will be eligible to participate in the Company's FY18 Extreme Incentive Plan (as described below) with a bonus target of 100% as a percentage of base salary. On August 23, 2017, Mr. Gault was granted 48,491 performance-based restricted stock unit awards and 48,491 service-based restricted stock unit awards under the Company's equity incentive plan as part of his fiscal year 2018 compensation.

Extreme Incentive Plan FY18

On August 23, 2017, the Compensation Committee of the Board of Directors approved the Extreme Incentive Plan for fiscal 2018. The plan provides the company’s executive officers with the opportunity to earn cash bonuses based upon the achievement of pre-established performance goals. Total bonus opportunities will be based on achievement of semi-annual targets. Performance goals under the plan will be: revenue (25%) and operating income (25%) and non-GAAP operating income (50%). Actual payout opportunities for each semi-annual bonus payment will range from a threshold of 50% of target to a maximum of 150% of target. If the company fails to achieve the threshold level for any performance measure, no payout is awarded for that measure. For purposes of determining achievement of award opportunities, the Extreme Incentive Plan uses adjusted, non-GAAP measures.

Exhibit 10.41

10600 North De Anza Blvd.
Suite 200
Cupertino, CA 95014-2075

408.446.0700
Facsimile: 408.446.0583
www.sobrato.com

SOBRATO
DEVELOPMENT COMPANIES

Lease between
Sobrato Land Holdings and Symbol Technologies, Inc.

1. PARTIES: ***THIS LEASE***, is entered into on this _____ day of August, 1998, ("Effective Date") between SOBRATO LAND HOLDINGS, a California Limited Partnership, whose address is 10600 North De Anza Boulevard, Suite 200, Cupertino, CA 95014 and SYMBOL TECHNOLOGIES, INC., a Delaware Corporation, whose address is One Symbol Plaza, Holtsville, NY 11742-1300, hereinafter called respectively Landlord and Tenant.

2. PREMISES:

A. Premises and Project Defined: Landlord hereby leases to Tenant, and Tenant hires from Landlord those certain Premises with the appurtenances, situated in the City of San Jose, County of Santa Clara, State of California, consisting of a two story building to be constructed by Landlord consisting of 100,000 rentable square feet ("Building") (potentially expandable by Tenant as provided in Section 5.N below to 130,000 sf) including parking for approximately 350 cars (potentially expandable to 455 cars) in the location shown on Exhibit "A". The Premises are located within that certain Project which will consist of several additional buildings to be constructed by Landlord of similar design and quality to that constructed for Tenant on the ±23 acre site at the northwest corner of San Ignacio Avenue and Via Del Oro as outlined on Exhibit A together with all improvements located therein including but not limited to buildings, parking areas and structures, landscaping, loading docks, sidewalks, service areas and other facilities. Unless expressly provided otherwise, the term Premises as used herein shall include the Tenant Improvements (defined in Section 5.B) constructed by Tenant pursuant to Section 5.B. Tenant acknowledges Landlord's right to and hereby consents to construction of additional buildings within the Project and acknowledges Landlord may modify the building sizes and locations of the additional buildings from that shown in Exhibit "A".

B. Adjustment based on Final Square Footage: Upon Substantial Completion of the Building Shell, the Building shall be measured (from outside wall to outside wall including all areas covered by a structural roof), and if the actual square footage differs from the amount stated above, the Base Monthly Rent hereunder shall be adjusted to the product by multiplying One and 35/100 Dollars ($1.35) by the actual rentable square feet of the Building and the Work Allowance shall be adjusted to the product obtained by multiplying Thirty Two and No/100 dollars ($32.00) by the actual rentable square feet of the Building.

3. USE:

A. Permitted Uses: Tenant shall use the Premises only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord: Office, research and development, marketing, light manufacturing, ancillary storage and other incidental uses. Tenant shall use only the number of parking spaces allocated to Tenant. All trucks and delivery vehicles shall (i) be parked at the rear of the Building, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain on the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws.

B. Uses Prohibited: Tenant shall not commit or suffer to be committed on the Premises any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the Premises, nor allow any sale by auction or any other use of the Premises for an unlawful purpose. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the building or set any load on the floor in are designed, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises or in the soils surrounding the Building. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Premises outside of the Building and no unsightly operations or activities shall be permitted outside of the Building. Landlord agrees to incorporated this Section 2.B into the leases for all tenants within the Project.

C. Advertisements and Signs: Tenant will not place or permit to be placed, in, upon or about the Premises any signs not approved by the city or other governing authority. Tenant will not place or permit to be placed upon the Premises any signs, advertisements or notices without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Any sign placed on the Premises shall be removed by Tenant, at its sole cost, prior to the Expiration Date or promptly following the earlier termination of the lease, and Tenant shall repair, at its sole cost, any damage or injury to the Premises caused thereby, and if not so removed, then Landlord may have same so removed at Tenant's expense.

D. Covenants, Conditions and Restrictions: This Lease is subject to the effect of (i) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record; and (ii) any zoning laws of the city, county and state where the Building is situated (collectively referred to herein as "Restrictions") and Tenant will conform to and will not violate the terms of any such Restrictions.

4. TERM AND RENTAL:

A. Base Monthly Rent: The term ("Lease Term") shall be for one hundred twenty (120) months, commencing ninety (90) days following the date the Building Shell is deemed substantially watertight allowing Tenant to begin construction of its Tenant Improvements (the "Commencement Date") estimated to occur on May 1, 1999, and ending one hundred twenty (120) months thereafter, ("Expiration Date"). Notwithstanding the fact that the Lease Term begins on the Commencement Date, this Lease and all of the obligations of Landlord and Tenant shall be binding and in full force and effect from and after the Effective Date. In addition to all other sums payable by Tenant under this Lease, Tenant shall pay as base monthly rent ("Base Monthly Rent") for the Premises, subject to increase pursuant to Sections 4.B and 7.B in the amount of One Hundred Thirty Five Thousand and No/100 Dollars ($135,000.00). Base Monthly Rent shall be due in advance on or before the first day of each calendar month during the Lease Term. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and without prior notice or demand, at the address specified in Section 1 of this Lease or at such place or places as may be designated in writing by Landlord during the Lease Term. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment. Concurrently with Tenant's execution of this Lease, Tenant shall pay to Landlord the sum of One Hundred Thirty Five Thousand and No/100 Dollars ($135,000.00) as prepaid rent for the first month of the Lease.

B. Rental Adjustment: Beginning twelve (12) months after the Commencement Date, and every twelve (12) months thereafter, the then-payable Base Monthly Rent shall be increased by the amount of Five Thousand and No/100 Dollars ($5,000.00).

C. Late Charges: Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant shall not be received by Landlord or its designee within ten (10) days after the rent is due, Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and attorneys fees and costs. If any rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate specified in Section 19.J following the date such amount became due until paid. Acceptance by Landlord of such late charge shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Monthly Rent, then the Base Monthly Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary.

D. Security Deposit: Concurrently with Tenant's execution of this Lease, Tenant has deposited with Landlord the sum of One Hundred Thirty Five Thousand and No/100 Dollars ($135,000.00) ("Security "Deposit"). Landlord shall not be deemed a trustee of the Security Deposit, may use the Security Deposit in business, and shall not be required to segregate it from its general accounts. Tenant shall not be entitled to interest on the Security Deposit. If Tenant defaults with respect to any provisions of the Lease, including but not limited to the provisions relating to payment of Base Monthly Rent or other charges, Landlord may, to the extent reasonably necessary to remedy Tenant's default, use any or all of the Security Deposit towards payment of the following: (i) Base Monthly Rent or other charges in default; (ii) any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default including, but not limited to.

Tenant's failure to restore or clean the Premises following vacation thereof; and (iii) any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after receipt of written demand from Landlord, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its full original amount, and shall pay to Landlord such other sums as necessary to reimburse Landlord for any sums paid by Landlord. If Tenant shall default more than three (3) times in any twelve (12) month period, irrespective of whether or not such default is cured, then the Security Deposit shall, within ten (10) days after receipt of written demand by Landlord, be increased by Tenant to an amount equal to three (3) times the Base Monthly Rent. Tenant waives the provisions of California Civil Code Section 1950.7, and all other provisions of law now in force or that become in force after the date of execution of this Lease, that provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant, or to clean the Premises. Landlord and Tenant agree that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other foreseeable or unforeseeable loss or damage caused by the act or omission of Tenant or Tenant's agents, employees, contractors and invitees ("Tenant's Agents"). Tenant may not assign or encumber the Security Deposit without the consent of Landlord. Any attempt to do so shall be void and shall not be binding on Landlord. If Tenant performs every provision of this Lease to be performed by Tenant, the Security Deposit shall be returned to Tenant within thirty (30) days after the Expiration Date and surrender of the Premises to Landlord, less any amount deducted in accordance with this Section, together with Landlord's written notice itemizing the amounts and purposes for such deduction. In the event of termination of Landlord's interest in this Lease, Landlord may deliver or credit the Security Deposit to Landlord's successor in interest in the Premises and thereupon be relieved of further responsibility with respect to the Security Deposit.

Landlord agrees that in lieu of a cash security deposit, Tenant may deposit a letter of credit in a form reasonably acceptable to Landlord. Landlord shall be entitled to draw against the letter of credit at any time provided only that Landlord certifies to the issuer of the letter of credit that Tenant is in default under the Lease. Tenant shall keep the letter of credit in effect during the entire Lease Term, as the same may be extended, plus a period of four (4) weeks after expiration of the Lease Term. At least thirty (30) days prior to expiration of any letter of credit, the term thereof shall be renewed or extended for a period of at least three hundred sixty (360) days. Tenant's failure to so renew or extend the letter of credit shall be a material default of this Lease by Tenant. In the event Landlord draws against the letter of credit, Tenant shall replenish the existing letter of credit or cause a new letter of credit to be issued such that the aggregate amount of letters of credit available to Landlord at all times during the Lease Term is the amount of the security deposit originally required.

5. CONSTRUCTION:

A. Building Shell Construction: Landlord shall cause the shell of the Building ("Building Shell") to be constructed by independent contractors to be employed by and under the supervision of Landlord's affiliated construction company, Sobrato Construction Corporation ("General Contractor"), in accordance with the preliminary plans and specifications prepared by Arctec ("Architect") and approved by Landlord and Tenant, attached hereto as Exhibit "B-1". Based upon the preliminary plans, Landlord shall develop final Building Shell plans and guideline specifications by September 1, 1998 which shall be generally consistent with the preliminary plans and shall be attached upon completion as Exhibit "B-2" ("Shell Plans and Specifications"). Landlord shall pay for all costs and expenses associated with the construction of the Building Shell. The Building Shell shall include those items set forth in the attached Exhibit "C" ("Building Shell Definition").

B. Tenant Improvement Plans: Tenant, at Tenant's sole cost and expense, shall hire an architect to prepare plans and outline specifications to be attached as Exhibit "D" ("Tenant Improvement Plans and Specifications") with respect to the construction of improvements to the interior premises ("Tenant Improvements"). Such plans shall be completed for all aspects of the work by October 1, 1998 with all detail necessary for submittal to the city and for construction and shall include any information required by the relevant agencies regarding Tenant's use of Hazardous Materials if applicable. The Tenant Improvements shall consist of all items not included within the scope of the Building Shell Definition. The Tenant Improvement Plans shall provide for a minimum buildout in all areas of the Premises consisting of: (i) fire sprinklers, (ii) floorcoverings, (iii) t-bar suspended ceiling (iv) distribution of the HVAC system, (v) 2 x 4 drop-in florescent lighting, and (vi) any other work required by the City of San Jose necessary to obtain a Certificate of Occupancy, which work shall be completed within ninety (90) days following the Commencement Date. Landlord agrees to the installation of an antenna on the roof of the Building similar to the type and size described in Exhibit E to the Lease. The Tenant Improvement Plans and Specifications shall be prepared in sufficient detail to allow a general contractor to be selected by Tenant and reasonably approved by Landlord ("Tenant's Contractor") to construct the Tenant Improvements. Tenant shall cause Tenant's Contractor to construct the Tenant Improvements in accordance with all Tenant Improvement Plans and Specifications. As an inducement to Tenant to enter into this Lease, Landlord has agreed to provide Tenant a work allowance to be utilized by Tenant for the construction of Tenant Improvements ("Base Work Allowance") in the amount of Three Million Two Hundred Thousand and No/100 Dollars ($3,200,000.00). The Base Work Allowance shall be paid by Landlord to Tenant as payments become due to Tenant's Contractor pursuant to Section 5.F below. The Tenant Improvements shall not be removed or altered by Tenant without the prior written consent of Landlord as provided in Section 7. Tenant shall have the right to depreciate and claim and collect any investment tax credits in the Tenant Improvements during the Lease Term. Upon expiration of the Lease Term or any earlier termination of the Lease, the Tenant Improvements shall become the property of Landlord and shall remain upon and be surrendered with the Premises, and title thereto shall automatically vest in Landlord without any payment therefore.

C. Pricing:

i. Building Shell. Within ten (10) days after the Shell Plans and Specifications are completed, General Contractor shall submit to Tenant competitive bids from at least three (3) subcontractors for each aspect of the work in excess of Twenty Five Thousand and No/100 Dollars ($25,000.00) related to the Building Shell. General Contractor must utilize the low bid in each case unless Tenant approves General Contractor's use of another subcontractor, and the cost of the Building Shell shall be based upon construction expenses equal to the sum of (i) the bid amounts as approved by Tenant, (ii) a five percent (5%) contingency, and (iii) the general contractor fee specified in Section 5.H below. Upon Tenant's written approval of the contract bids, which approval shall not be unreasonably withheld or delayed, Landlord and Tenant shall be deemed to have given their respective approvals of the final Shell Plans and Specifications on which the cost estimate was made, and General Contractor shall proceed with the construction of the Building Shell in accordance with the terms of Section 5.G below. If Tenant does not specifically approve or disapprove the bids within seven (7) days of Tenant's receipt, Tenant shall be deemed to have approved the bids.

ii. Tenant Improvements. Within ten (10) days after completion of the Tenant Improvements Plans and Specifications, Tenant shall cause Tenant's Contractor to submit to Tenant competitive bids from at least three (3) subcontractors for each aspect of the work in excess of Twenty Five Thousand and No/100 Dollars ($25,000.00) related to the Tenant improvements. Tenant's Contractor must utilize the low bid in each case unless Tenant approves Tenant's Contractor's use of another subcontractor, and the cost of the Tenant Improvements shall be based upon construction expenses equal to (i) the bid amounts as approved by Tenant, (ii) a five percent (5%) contingency, and (iii) the general contractor fee ("Tenant Improvement Budget"). Upon Tenant's written approval of the Tenant Improvement Budget, which approval shall not be unreasonably withheld or delayed, Tenant shall be deemed to have given their respective approvals of the final Tenant Improvement Plans and Specifications on which the cost estimate was made, and Tenant's Contractor shall proceed with the construction of the Tenant Improvements in accordance with the terms of Section 5.G below. If Tenant does not specifically approve or disapprove the bids within seven (7) days of Tenant's receipt, Tenant shall be deemed to have approved the bids.

D. Change Orders: Tenant shall have the right to order changes in the manner and type of construction of the Tenant Improvements. Upon request and prior to Tenant's submitting any binding change order, Tenant shall cause Tenant's Contractor shall promptly provide Tenant with written statements of the cost to implement and the time delay and increased construction costs associated with any proposed change order, which statements shall be binding on Tenant's Contractor. If no time delay or increased construction cost amount is noted on the written statement, the parties agree that there shall be no adjustment to the construction cost or the Commencement Date associated with such change order. If ordered by Tenant, Tenant shall cause Tenant's Contractor to implement such change order and the cost of constructing the Tenant Improvements shall be increased or decreased in accordance with the cost statement previously delivered by Tenant's Contractor to Tenant for any such change order. In no event, however, shall Tenant have the right to eliminate the minimum buildout requirements specified in Section 5.B above.

E. Building Shell Costs: Landlord shall pay all costs associated with the Building Shell including all shell related permit fees, construction taxes and connection charges or fees.

F. Tenant Improvement Costs: Tenant shall pay all costs associated with the Tenant Improvements less the Work Allowance provided herein. The cost of Tenant Improvements shall consist of only the following to the extent actually paid by Tenant's Contractor in connection with the construction of Tenant Improvements: construction costs, all permit fees, construction taxes or other costs imposed by governmental authorities related to the Tenant Improvements, and the Tenant's Contractor's overhead and profit. During the course of construction of Tenant Improvements, Tenant shall cause Tenant's Contractor to deliver to Tenant not more than once each calendar month a written request for payment ("Progress Invoice") which shall include and be accompanied by Tenant's Contractor's certified statements setting forth the amount requested, certifying the percentage of completion of each item for which reimbursement is requested. Upon acceptance by Tenant, Tenant shall pay the amount due pursuant to the Progress Invoice to Tenant's Contractor, within fifteen (15) days after Tenant's receipt of the above items. One (1) business day following payment by Tenant, Landlord shall reimburse Tenant by wire transfer an amount equal to the product of (i) the Progress Invoice, and (ii) a fraction, the numerator of which is the amount of the Work Allowance and the denominator of which is the Tenant Improvement Budget, until such time as Landlord has expended the full amount of the Work Allowance. All costs for Tenant Improvements shall be fully documented to and verified by Tenant.

G. Construction: Landlord shall use its reasonable efforts to obtain a building permit from the City of San Jose as soon as possible after Tenant's approval of the Shell Plans and Specifications and "Substantially Complete" construction by April 1, 1999. The Building Shell shall be deemed substantially complete ("Substantially Complete" or "Substantial Completion") when the Building Shell has been substantially completed in accordance with the Shell Plans and Specifications, as evidenced by the completion of a final inspection or the issuance of a certificate of occupancy or its equivalent by the appropriate governmental authority for the Building Shell, and the issuance of a certificate by the Architect certifying that the Building Shell has been completed in accordance with the plans. Installation of (i) Tenant's data and phone cabling, (ii) Tenant's furniture, or (iii) the exterior landscaping shall not be required in order to deem the Premises Substantially Complete. Any prevention, delay or stoppage due to strikes, lockouts, inclement weather, labor disputes, inability to obtain labor, materials, fuel or reasonable substitutes therefor, governmental restrictions, regulations, controls, action or inaction, civil commotion, fire or other act of God, and another causes beyond the reasonable control of Landlord (except financial inability) shall extend the dates contained in this Section 5.G by a period equal to the period of any said prevention, delay or stoppage. If Landlord cannot obtain building permits or Substantially Complete construction by the dates set forth herein, this Lease shall not be void or voidable nor shall Landlord be liable for any loss or damage resulting therefrom.

H. This paragraph intentionally left blank

I. Tenant Delays: A "Tenant Delay" shall mean any delay in Substantial Completion of the Building as a result of any of the following: (i) Tenant's failure to complete or approve the Tenant Improvement Plans by the dates set forth in Section 5.B, (ii) Tenant's failure to approve the bids for construction by the dates set forth in Section 5.C.ii, (iii) changes to the plans requested by Tenant which delay the progress of the work, (iv) Tenant's request for materials components, or finishes which are not available in a commercially reasonable time given the anticipated Commencement Date, (v) Tenant's failure to pay, when due, any amounts requested to be paid by Tenant pursuant hereto, (vi) Tenant's request for more than one (1) rebidding of the cost of all or a portion of the work, and (vii) any errors or omissions in the Tenant Improvement Plans provided by Tenant's architect. Notwithstanding anything to the contrary set forth in this Lease, and regardless of the actual date the Premises are Substantially Complete, the Commencement Date shall be deemed to be the date the Commencement Date would have occurred if no Tenant Delay had occurred as reasonable determined by Landlord. In addition, if a Tenant Delay results in an increase in the cost of the labor or materials, Tenant shall pay the cost of such increases.

J. Insurance: General Contractor and Tenant's Contractor shall procure (as a cost of the Building Shell) a "Broad Form" liability insurance policy in the amount of Three Million Dollars ($3,000,000.00). Landlord shall also procure (as a cost of the Building Shell) builder's risk insurance for the full replacement cost of the Building Shell and Tenant Improvements while the Building and Tenant Improvements are under construction, up until the date that the fire insurance policy described in Section 9 is in full force and effect.

K. Punch List & Warranty: After the Building Shell are Substantially Complete, Landlord shall cause the General Contractor to immediately correct any construction defect or other "punch list" item which Tenant brings to General Contractor's attention. All such work shall be performed so as to reasonably minimize the interruption to Tenant and its activities on the Premises. General Contractor shall provide a standard contractor's warranty with respect to the Building Shell for one (1) year from the Commencement Date. Such warranty shall exclude routine maintenance, damage caused by Tenant's negligence or misuse, and acts of God.

L. Other Work by Tenant: All work not described in the Shell Plans and Specifications or Tenant Improvement Plans and Specifications, such as furniture, telephone equipment, telephone wiring and office equipment work, shall be furnished and installed by Tenant. Prior to Substantial Completion, Tenant shall be obligated to (i) provide active phone lines to any elevators, and (ii) contract with a firm to monitor the fire system. When the construction of the Building Shell has proceeded to the point where the work of installing the Tenant Improvements in the Premises can be commenced, General Contractor shall notify Tenant and shall permit Tenant and Tenant's Contractor access to the Premises before the Commencement Date for the purpose of installing the Tenant Improvements and Tenant's trade fixtures and equipment. Any such installation work by Tenant or Tenant's Contractor shall be undertaken upon the following conditions: (i) if the entry into the Premises by Tenant or Tenant's Contractor interferes with or delays General Contractor's work, Tenant shall cause the party responsible for such interference or delay to leave the Premises; and (ii) Tenant's Contractor shall use union labor prior to the completion of the Building Shell and its entry on the Premises shall not interfere with General Contractor's work.

M. Landlord's Failure to Complete Construction: Landlord shall use all reasonable efforts to prepare all plans and applications necessary to (i) submit for a site development permit with fourteen (14) days following the Effective Date and (ii) submit for a building permit within forty five (45) days following the Effective Date. Notwithstanding the foregoing, (i) if the Building Shell is not watertight on or before that date which is ninety (90) days following the date on which Landlord obtains a building permit from the City of San Jose allowing Landlord to begin construction of the Building Shell, Tenant shall be entitled to rental abatement following the Commencement Date in the amount of Four Thousand Five Hundred and No/100 Dollars ($4,500.00) for each day beyond said ninety (90) day period in which the Building Shell is not Substantially Complete. The above dates shall be extended one day for every day of delay in completion caused by Tenant Delays. The delay in the commencement of rent provided herein shall be the sole and exclusive remedy of Tenant with respect by the failure by Landlord to complete the Building Shell.

N. Expansion of the Building: Provided there remains vacant land uncommitted to a third party within the Project at the time of exercise, Tenant shall have the right at any time during the Lease Term, at Tenant's expense, to expand the Building by approximately 30,000 square feet in the location shown on Exhibit "A" (the "Building Addition"). Such work shall be governed by the provisions of Section 7 except that Landlord and Tenant agree that the Building Addition shall remain at the expiration or sooner termination of the Lease. In the event Tenant elects to exercise the forgoing option, the Base Monthly Rent shall increase on the date of exercise by Tenant by one twelfth (1/12) of the product of (i) thirteen percent (13%) and (ii) the fair market value of 67,000 square feet of land determined by agreement of the parties or by appraisal pursuant to the provisions of Sections 18.B and 18.C of this Lease. By way of example, if the fair market value of land is determined to be $15.00 psf, the rent would increase by 1/12 X (.13 X ($15 X 67,000)), or $10,887.50 per month.

6. ACCEPTANCE OF POSSESSION AND COVENANTS TO SURRENDER:

A. Delivery and Acceptance: On the Commencement Date, Landlord shall deliver and Tenant shall accept possession of the Premises and enter into occupancy of the Premises on the Commencement Date. Tenant acknowledges that it has had an opportunity to conduct, and has conducted, such inspections of the Premises as it deems necessary to evaluate its condition. Except as otherwise specifically provided herein, Tenant agrees to accept possession of the Premises in its then existing condition, subject to all Restrictions and without representation or warranty by Landlord except as provided in Section 5.K above. Tenant's taking possession of any part of the Premises shall be deemed to be an acceptance of any work of improvement done by Landlord in such part as complete and in accordance with the terms of this Lease except for "Punch List" type items of which Tenant has given Landlord written notice prior to the time Tenant takes possession. At the time Landlord delivers possession of the Premises to Tenant, Landlord and Tenant shall together execute an acceptance agreement. Landlord shall have no obligation to deliver possession, nor shall Tenant be entitled to take occupancy, of the Premises until such acceptance agreement has been executed. Within thirty (30) days after the Commencement Date, Tenant agrees to be in occupancy of at least fifty percent (50%) of the rentable square footage of the Premises.

B. Condition Upon Surrender: Tenant further agrees on the Expiration Date or on the sooner termination of this Lease, to surrender the Premises to Landlord in good condition and repair, normal wear and tear excepted. In this regard, "normal wear and tear" shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of the best standards for maintenance, repair replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. In any event, Tenant shall cause the following to be done prior to the Expiration Date or sooner termination of this Lease: (i) all interior walls shall be painted or cleaned so that they appear to be in good condition, (ii) all tiled floors shall be cleaned and waxed, (iii) all carpets shall be cleaned and shampooed, (iv) all broken, marred, stained or nonconforming acoustical ceiling tiles shall be replaced, (v) all cabling placed above the ceiling by Tenant or Tenant's contractors shall be removed, (vi) all windows shall be washed; (vii) the HVAC system shall be serviced by a reputable and licensed service firm and left in "good operating condition and repair" as so certified by such firm, (viii) the plumbing and electrical systems and lighting shall be placed in good order and repair (including replacement of any burned out, discolored or broken light bulbs, ballasts, or lenses. On or before the Expiration Date or sooner termination of this Lease, Tenant shall remove all its personal property and trade fixtures from the Premises. All property and fixtures not so removed shall be deemed as abandoned by Tenant. Except for those Alterations Landlord has previously agreed may remain in the Premises pursuant to Section 7 below, Tenant shall ascertain from Landlord within ninety (90) days before the Expiration Date whether Landlord desires to have the Premises or any parts thereof restored to their condition as of the Commencement Date, or to cause Tenant to surrender all Alterations (as defined in Section 7) in place to Landlord. If Landlord shall so require, Tenant shall, at Tenant's sole cost and expense, remove such Alterations as Landlord requires and shall repair and restore said Premises or such parts thereof before the Expiration Date. Such repair and restoration shall include causing the Premises to be brought into compliance with all applicable building codes and laws in effect at the time of the removal to extent such compliance is necessitated by the repair and restoration work.

C. Failure to Surrender: If the Premises are not surrendered at the Expiration Date or sooner termination of this Lease in the condition required by this Section 6, Tenant shall be deemed in a holdover tenancy pursuant to this Section 6.C and Tenant shall indemnify, defend, and hold Landlord harmless against loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay and costs incurred by Landlord in returning the Premises to the required condition, plus interest at the Agreed Interest Rate. Any holding over after the termination or Expiration Date with Landlord's express written consent, shall be construed as month-to-month tenancy, terminable on thirty (30) days written notice from either party, and Tenant shall pay as Base Monthly Rent to Landlord a rate equal to one hundred twenty five percent (125%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. Any holding over shall otherwise be on the terms and conditions herein specified, except those provisions relating to the Lease Term and any options to extend or renew, which provisions shall be of no further force and effect following the expiration of the applicable exercise period. If Tenant remains in possession of the Premises after expiration or earlier termination of this Lease without Landlord's consent, Tenant's continued possession shall be on the basis of a tenancy at sufferance and Tenant shall pay as rent during the holdover period an amount equal to one hundred fifty (150%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. This provision shall survive the termination or expiration of the Lease.

7. ALTERATIONS AND ADDITIONS:

A. Tenant's Alterations: Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("Alterations"), or any part thereof, without obtaining Landlord's prior written consent and delivering to Landlord the proposed architectural and structural plans for all such Alterations at least fifteen (15) days prior to the start of construction. If Landlord's consent is required, Tenant shall deliver to Landlord the proposed architectural and structural plans for the Alteration and Landlord shall have a period of ten (10) business days thereafter to grant its consent. Landlord shall indicate to Tenant at the time of Tenant's request, whether or not Landlord will require Tenant to remove such Alteration at the Expiration Date. If such Alterations affect the structure of the Building, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant's plans. After obtaining Landlord's consent, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits, and provides

Landlord reasonable security, in form reasonably approved by Landlord, to protect Landlord against mechanics' lien claims. Tenant agrees to provide Landlord (i) written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15" X 21") vellum as-built drawings, and (iii) a certificate of occupancy for the work upon completion of the Alterations. All Alterations shall be constructed in compliance with all applicable building codes and laws including, without limitation, the Americans with Disabilities Act of 1990. Any Alterations, except movable furniture and trade fixtures, shall become at once a part of the realty and belong to Landlord but shall nevertheless be subject to removal by Tenant as provided in Section 6 above. Alterations which are not deemed as trade fixtures include heating, lighting, electrical systems, air conditioning, walls, carpeting, or any other installation which has become an integral part of the Premises. All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense.

B. Free From Liens: Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for Tenant. In the event Tenant fails to discharge any such lien within ten (10) days after receiving notice of the filing, Landlord shall be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including attorney's fees shall be due from Tenant as additional rent.

C. Compliance With Governmental Regulations: The term Governmental Regulations shall include all federal, state, county, city or governmental agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Landlord shall be responsible, at Landlord's expense, to ensure that all construction performed prior to the Commencement Date by Landlord pursuant to Section 5 is in compliance with applicable Governmental Regulations. Tenant shall be responsible, at Tenant's expense, to ensure that all construction performed prior to the Commencement Date by Tenant's Contractor pursuant to Section 5 is in compliance with applicable Governmental Regulations. Thereafter, Tenant, at Tenant's sole expense shall make all repairs, replacements, alterations, or improvements needed to comply with all Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant. Notwithstanding the foregoing, if any improvement or alteration to the Premises is required as a result of any future laws or regulations affecting the Premises not related to Tenant's specific use of the Premises, and provided further said improvement or alteration is not required because of Alterations made by Tenant, the cost of such improvements shall be allocated between Landlord and Tenant such that Tenant shall pay to Landlord upon completion of such improvement, the portion of the cost thereof equal to the remaining number of years in the lease term divided by the anticipated useful life of such improvement.

8. MAINTENANCE OF PREMISES:

A. Landlord's Obligations: Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the foundation, exterior load bearing walls and roof structure of the Building Shell.

B. Tenant's Obligations: Tenant shall clean, maintain, repair and replace when necessary the Premises and every part thereof through regular inspections and servicing, including but not limited to: (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking, and skylights, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher equipment, (vii) all elevator equipment, and (viii) the roof membrane system. All wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements, normal wear and tear excepted. With respect to items (ii), (viii) and (ix) above, Tenant shall provide Landlord a copy of a service contract between Tenant and a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord.

C. Landlord and Tenant's Obligations Regarding Reimbursable Operating Costs/Audits: Notwithstanding the provisions of Sections 8, 9, 10 and 11 of this Lease, in the event Landlord pays any maintenance, or repair costs, taxes, insurance costs or utility costs in connection with the Premises or in connection with the Project which are not otherwise Landlord's obligation hereunder, Tenant agrees to reimburse Landlord Tenant's Allocable Share (as defined in Section 8.E below) of the expenses resulting from Landlord's payment of Reimbursable Operating Costs (as defined in Section 8.D below). Tenant agrees to pay its Allocable Share of the Reimbursable Operating Costs as additional rental within thirty (30) days of Tenant's receipt of a written invoice from Landlord. Tenant shall have the right to an annual audit, at Tenant's expense, in Landlord's offices the books, records, and supporting documents of Landlord to the extent necessary to determine the accuracy of such Reimbursable Operating Costs.

D. Reimbursable Operating Costs: For purposes of calculating Tenant's Allocable Share of Building and Project Costs, the term "Reimbursable Operating Costs" is defined as all costs and expenses of the nature hereinafter described which are incurred by Landlord in connection with ownership and operation of the Building or the Project in which the Premises are located, together with such additional facilities as may be determined by Landlord to be reasonably desirable or necessary to the ownership and operation of the Building and/or Project. All costs and expenses shall be determined in accordance with generally accepted accounting principles which shall be consistently applied (with accruals appropriate to Landlord's business), including but not limited to the following: (i) common area utilities, including water, power, telephone, heating, lighting, air conditioning, ventilating, and Building utilities to the extent not separately metered; (ii) common area maintenance and service agreements for the Building and/or Project and the equipment therein, including without limitation, common area janitorial services, alarm and security services, and maintenance of the sidewalks, landscaping, waterscape, parking areas, and driveways; (iii) insurance premiums and costs, including without limitation, the premiums and cost of fire, casualty and liability coverage and rental abatement and earthquake (if commercially available) insurance applicable to the Building or Project; (iv) repairs, replacements and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Tenant or other third parties, and repairs or alterations attributable solely to tenants of the Building or Project other than Tenant); and (v) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Building or Project, upon the occupancy of the Building or Project and including any substitute or additional charges which may be imposed during, or applicable to the Lease Term including real estate tax increases due to a sale, transfer or other change of ownership of the Building or Project, as such taxes are levied or appear on the City and County tax bills and assessment rolls. Landlord shall have no obligation to provide guard services or other security measures for the benefit of the Project unless requested to do so by the majority of the tenants in the Project. Tenant assumes all responsibility for the protection of Tenant and Tenant's Agents from acts of third parties; provided, however, that nothing contained herein shall prevent Landlord, at its sole option, from providing security measures for the Project. This is a "Net" Lease, meaning that Base Monthly Rent is paid to Landlord absolutely net of all costs and expenses. The provision for payment of Reimbursable Operating Costs by means of periodic payment of Tenant's Allocable Share of Building and/or Project Costs is intended to pass on to Tenant and reimburse Landlord for all costs of operating and managing the Building and/or Project.

E. Tenant's Allocable Share: For purposes of prorating Reimbursable Operating Costs which Tenant shall pay, Tenant's Allocable Share of Reimbursable Operating Costs shall be computed by multiplying the total Reimbursable Operating Costs by a fraction, the numerator of which is the rentable square footage of the Premises and the denominator of which is either the total rentable square footage of the Building if the service is allocable only to the Building, or the total square footage of the Project if the service is allocable to the entire Project. Tenant's obligation to share in Reimbursable Operating Costs shall be adjusted to reflect the Lease Commencement and Expiration dates and is subject to recalculation in the event of expansion of the Building or Project.

F. Waiver of Liability: Failure by Landlord to perform any defined services, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same as soon as reasonably possible, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent. Unless such failure is due to Landlord's negligence, Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

9. HAZARD INSURANCE:

A. Tenant's Use: Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of fire insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of reasonable fire and public liability insurance covering the Premises and appurtenances.

B. Landlord's Insurance: Landlord agrees to purchase and keep in force fire, extended coverage and earthquake insurance in an amount equal to the replacement cost of the Building (not including any Tenant Improvements or Alterations paid for by Tenant from sources other than the Work Allowance) as determined by Landlord's insurance company's appraisers. The earthquake and/or flood insurance shall contain reasonable deductibles which, in the case of earthquake and flood insurance may be up to 15% of the replacement value of the property. Additionally Landlord may maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, and (ii) rental lost insurance covering a twelve (12) month period. Tenant agrees to pay Landlord as additional rent, on demand, the full cost of said insurance as evidenced by insurance billings to Landlord, and in the event of damage covered by said insurance, the amount of any deductible under such policy. Payment shall be due to Landlord within ten (10) days after written invoice to Tenant. It is understood and agreed that Tenant's obligation under this Section will be prorated to reflect the Lease Commencement and Expiration Dates. Tenant may elect to provide the fire, extended coverage and earthquake insurance for the Building if Landlord is unable to obtain such coverage on as least a favorable basis as could be obtained by Tenant.

C. Tenant's Insurance: Tenant agrees, at its sole cost, to insure its personal property, Tenant Improvements (for which it has paid from sources other than the Work Allowance), and Alterations for their full replacement value (without depreciation) and to obtain worker's compensation and public liability and property damage insurance for occurrences within the Premises with a combined single limit of not less than Five Million Dollars ($5,000,000.00). Tenant's liability insurance shall be primary insurance and shall provide coverage on an "occurrence" rather than on a "claims made" basis. Tenant shall name Landlord and Landlord's lender as an additional insured and shall deliver a certificate of insurance and renewal certificates to Landlord. All such policies shall provide for thirty (30) days' prior written notice to Landlord of any cancellation, termination, or reduction in coverage. Notwithstanding the above, Landlord retains the right to have Tenant provide other forms of insurance which may be reasonably required to cover future risks.

D. Waiver: Landlord and Tenant hereby waive all rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, or to the Premises or its contents, which may arise from any risk covered by their respective insurance policies (or which would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above. The parties shall use their reasonable efforts to obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be.

10. TAXES: Tenant shall be liable for and shall pay as additional rental, prior to delinquency, the following: (i) all taxes and assessments levied against Tenant's personal property and trade or business fixtures; (ii) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Premises or upon the occupancy of the Premises, including any substitute or additional charges which may be imposed applicable to the Lease Term; and (iii) real estate tax increases due to an increase in assessed value resulting from a sale, transfer or other change of ownership of the Premises as it appears on the City and County tax bills during the Lease Term. Tenant's obligation under this Section shall be prorated to reflect the Lease Commencement and Expiration Dates. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or Buildings, Tenant shall pay and discharge its pro rata share of such tax or excise on rents or other tax before it becomes delinquent; except that this provision is not intended to cover net income taxes, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its pro rata share of such tax on behalf of Landlord, then at Landlord's sole election, Landlord may increase the Base Monthly Rent by the exact amount of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by or on behalf of Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to reimburse Landlord for its pro rata share of all costs incurred by Landlord in connection with such application or proceeding.

11. UTILITIES: Tenant shall pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish utilities to the Premises, and Tenant shall not be entitled to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease.

12. TOXIC WASTE AND ENVIRONMENTAL DAMAGE:

A. Tenant's Responsibility: Without the prior written consent of Landlord, Tenant shall not bring, use, or permit upon the Premises, or generate, create, release, emit, or dispose (nor permit any of the same) from the Premises any chemicals, toxic or hazardous gaseous, liquid or solid materials or waste, including without limitation, material or substance having characteristics of ignitability, corrosivity, reactivity, or toxicity or substances or materials which are listed on any of the Environmental Protection Agency's lists of hazardous wastes or which are identified in Division 22 Title 26 of the California Code of Regulations as the same may be amended from time to time or any wastes, materials or substances which are or may become regulated by or under the authority of any applicable local, state or federal laws, judgments, ordinances, orders, rules, regulations, codes or other governmental restrictions, guidelines or requirements. ("Hazardous Materials"). In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the toxic material to be brought onto the Premises, measures to be taken for storage and disposal thereof, safety measures to be employed to prevent pollution of the air, ground, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. In the event Landlord consents to Tenant's use of Hazardous Materials on the Premises, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal laws, ordinances or regulations and will provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits required for the use and handling Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises free from any Hazardous Materials arising from Tenant's bringing, using, permitting, generating, creating, releasing, emitting or disposing of Hazardous Materials; and (v) properly close the facility with regard to Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with Hazardous Materials and obtain a closure certificate from the local administering agency prior to the Expiration Date.

B. Tenant's Indemnity Regarding Hazardous Materials: Tenant shall, at its sole cost and expense, comply with all laws pertaining to, and shall with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and Landlord's shareholders, directors, officers, employees, partners, affiliates, and agents from, any claims, liabilities, costs or expenses incurred or suffered by Landlord arising from the bringing, using, permitting, generating, emitting or disposing of Hazardous Materials by Tenant during the Lease Term or the violation of any Governmental Regulation or environmental law, by Tenant or Tenant's Agents. Tenant's indemnification and hold harmless obligations include, without limitation, the following: (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other Federal, State, County or Municipal law, ordinance or regulation; (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) all costs of defending such claims; (iv) losses attributable to diminution in the value of the Premises or the Building; (v) loss or restriction of use of rentable space in the Building; (vi) adverse effect on the marketing of any space in the Building; and (vi) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including reasonable attorney, consultant, and expert fees and expenses) resulting from the release or violation. This indemnification shall survive the expiration or termination o this Lease.

C. Actual Release by Tenant: Tenant agrees to notify Landlord of any lawsuits or orders which relate to the remedying of or actual release of Hazardous Materials by Tenant or Tenant's Agents on or into the soils or ground water at or under the Premises. Tenant shall also provide Landlord all notices required by Section 25359.7(b) of the Health and Safety Code and all other notices required by law to be given to Landlord in connection with Hazardous Materials. Without limiting the foregoing, Tenant shall also deliver to Landlord, within twenty (20) days after receipt thereof, any written notices from any governmental agency alleging a material violation by Tenant or Tenant's Agents of, or material failure by Tenant or Tenant's Agents to comply with, any federal, state or local laws, regulations, ordinances or orders, the violation of which or failure to comply with poses a foreseeable and material risk of contamination of the ground water or injury to humans (other than injury solely to Tenant, Tenant's Agents and employees within the Building).

In the event of any release on or into the Premises or into the soil or ground water under the Premises, the Building or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and its Lender to attempt to eliminate and mitigate any financial exposure to such Lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Property has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under 12.B of this Lease to indemnify and hold Landlord harmless from any claims liabilities, costs or expenses incurred or suffered by Landlord. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps.

In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable law, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 12.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by mediation and/or arbitration pursuant to the provisions of Section 19.E of this Lease.

D. Environmental Monitoring: Landlord and its agents shall have the right to inspect, investigate, sample and monitor the Premises including any air, soil, water, ground water or other sampling or any other testing, digging, drilling or analysis to determine whether Tenant is complying with the terms of this Section 12. If Landlord discovers that Tenant is not in compliance with the terms of this Section 12, any such costs incurred by Landlord, including reasonable attorneys' and consultants' fees, shall be due and payable by Tenant to Landlord within thirty (30) days following Tenant's receipt of Landlord's written demand therefore.

13. TENANT'S DEFAULT: The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant: (i) Tenant's failure to pay any rent including additional rent or any other payment due under this Lease by the date such rent is due, (ii) the abandonment or vacation of the Premises by Tenant; (iii) Tenant's failure to observe and perform any other required provision of this Lease, where such failure continues for thirty (30) days after written notice from Landlord; (iv) Tenant's making of any general assignment for the benefit of creditors; (v) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed after the filing); (vi) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (vii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

A. Remedies: In the event of any such default by Tenant, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions, and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "rent", as used herein, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "worth at the time of award" shall be computed by allowing interest at a rate equal to the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum. As used in (iii) above, "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

B. Right to Re-enter: In the event of any such default by Tenant, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord in any manner permitted by law.

C. Abandonment: If Landlord does not elect to terminate this Lease as provided in Section 13.A or 13.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply and Landlord may from time to time, without terminating this Lease, either recover all rental as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. In the event that Landlord elects to so relet, rentals received by Landlord from such reletting shall be applied in the following order to: (i) the payment of any indebtedness other than Base Monthly Rent due hereunder from Tenant to Landlord; (ii) the payment of any cost of such reletting; (iii) the payment of the cost of any alterations and repairs to the Premises; and (iv) the payment of Base Monthly Rent due and unpaid hereunder. The residual rentals, if any, shall be held by Landlord and applied in payment of future Base Monthly Rent as the same may become due and payable hereunder. Landlord shall have no obligation to relet the Premises following a default if Landlord has other available space within the Building or Project. In the event the portion of rentals received from such reletting which is applied to the payment of rent hereunder during any month be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

D. Non-Waiver: Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand. Furthermore, the Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenants Tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver thereof by Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

E. Performance by Landlord: If Tenant fails to perform any obligation required under this Lease or by law or governmental regulation, Landlord in its sole discretion may, without notice, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate within ten (10) days of Landlord's written notice for such payment.

F. Habitual Default: The provisions of Section 13 notwithstanding, the parties agree that if Tenant shall have defaulted in the performance of any (but not necessarily the same) term or condition of this Lease for three or more times during any twelve (12) month period during the Lease Term, then such conduct shall, at the election of the Landlord, represent a separate event of default which cannot be cured by Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive defaults by Tenant, which work a hardship upon Landlord and deprive Landlord of Tenant's timely performance under this Lease.

14. LANDLORD'S LIABILITY:

A. Limitation on Landlord's Liability: In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("Mortgagee") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effectuate a cure. Tenant agrees that each of the Mortgagees to whom this Lease has been assigned is an expressed third-party beneficiary hereof.

B. Limitation on Tenant's Recourse: If Landlord is a corporation trust, partnership, joint venture, unincorporated association or other form of business entity: (i) the obligations of Landlord shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, owners, stockholders, or other principals or representatives except to the extent of their interest in the Premises. Tenant shall have recourse only to the interest of Landlord in the Premises or for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord: As a material part of the consideration rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises, from any cause arising at any time to the fullest extent permitted by law, and Tenant shall indemnify and hold Landlord exempt and harmless from any damage or injury to any person, or to the goods, wares and merchandise and all other personal property of any person, arising from the use of the Premises, Building, and/or Project by Tenant and Tenant's Agents or from the failure of Tenant to keep the Premises in good condition and repair as herein provided, except to the extent due to the negligence or willful misconduct of Landlord. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant and Tenant's Agents. Tenant will indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from any such claim or liability including Landlord's costs and expenses and reasonable attorney's fees incurred in defending such claims.

15. DESTRUCTION OF PREMISES:

A. Landlord's Obligation to Restore: In the event of a destruction of the Premises during the Lease Term Landlord shall repair the same to the approximate condition which existed prior to such destruction. Such destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent while repairs are being made, such proportionate reduction to be based upon the extent to which the repairs interfere with Tenant's business in the Premises, as reasonably determined by Landlord and Tenant jointly. In no event shall Landlord be required to replace or restore Alterations, Tenant Improvements paid for by Tenant from sources other than the Work Allowance, Tenant's fixtures or personal property. With respect to a destruction which Landlord is obligated to repair or may elect to repair under the terms of this Section, Tenant waives the provisions of Section 1932, and Section 1933, Subdivision 4, of the Civil Code of the State of California, and any other similarly enacted statute, and the provisions of this Section 15 shall govern in the case of such destruction.

B. Limitations on Landlord's Restoration Obligation: Notwithstanding the provisions of Section 15.A, Landlord shall have no obligation to repair, or restore the Premises if any of the following occur: (i) if the repairs cannot be made in 180 days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Building elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is less than ninety percent (90%) covered by the insurance maintained by Landlord, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term, (v) Tenant is in default pursuant to the provisions of Section 13, or (vi) Tenant has vacated the Premises for more than ninety (90) days. In any such event Landlord may elect either to (i) complete the repair or restoration, or (ii) terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction.

16. CONDEMNATION: If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("Vesting Date") and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking; but in such event, Landlord shall have the option to terminate this Lease as of the Vesting Date. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; but Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for damage to or taking of any Alterations, Tenant Improvements paid for by Tenant from sources other than the Work Allowance, or for Tenant's moving costs. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any other similarly enacted statue, and the provisions of this Section 16 shall govern in the case of such taking.

17. ASSIGNMENT OR SUBLEASE:

A. Consent by Landlord: Except as specifically provided in this Section 17, Tenant may not assign, sublet, hypothecate, or allow a third party to use the Premises without the express written consent of Landlord. In the event Tenant desires to assign this Lease or any interest herein including, without limitation, a pledge, mortgage or other hypothecation, or sublet the Premises or any part thereof, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed assignee/subtenant, (ii) current financial statements of the transferee covering the preceding three years, (iii) the nature of the proposed transferee's business to be carried on in the Premises and (iv) a current financial statement of Tenant. Landlord may condition its approval of any Transfer to a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed assignment or sublease. Landlord shall have a thirty (30) day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) terminate this Lease as to the space so affected as of the date so specified by Tenant, in which case Tenant will be relieved of all further obligations as to such space; (ii) permit Tenant to assign or sublet such space to the named assignee/ subtenant on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the 30-day period, Landlord shall be deemed to have elected option (ii) above. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises on the date upon which the proposed sublease was to commence, and from such date forward, Base Monthly Rent and Tenant's Allocable Share of all other costs and charges shall be adjusted based upon the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Premises. In the event Landlord elects option (ii) above, Landlord's written consent to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon the condition that: (i) the proposed assignee or subtenant is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed assignee or subtenant is a company with sufficient financial worth and management ability to undertake the financial obligation of this Lease and Landlord has been furnished with reasonable proof thereof; (iii) the proposed assignment or sublease is in form reasonably satisfactory to Landlord; (iv) the amount of the aggregate rent to be paid by the proposed subtenant is not less than the then current "Fair Market Rental" as defined in Section 18.A below; (v) Tenant reimburses Landlord on demand for any costs that may be incurred by Landlord in connection with said assignment or sublease, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant and legal costs incurred in connection with the granting of any requested consent; and (vi) Tenant shall not have advertised or publicized in any way the availability of the Premises without prior notice to Landlord. In the event all or any one of the foregoing conditions are not satisfied, Landlord shall be considered to have acted reasonably if it withholds its consent.

B. Assignment or Subletting Consideration: Any rent or other economic consideration realized by Tenant under any sublease and assignment, in excess of the rent payable hereunder and reasonable subletting and assignment costs, shall be divided and paid fifty percent (50%) to Landlord and fifty percent (50%) to Tenant. Tenant's obligation to pay over Landlord's portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the Lease and relating to the allocation of bonus rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the parties to be commercially reasonable. No assignment or subletting by Tenant shall relieve it of any obligation under this Lease. Any assignment or subletting which conflicts with the provisions hereof shall be void.

C. No Release: Any assignment or sublease shall be made only if and shall not be effective until the assignee or subtenant shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the assignee or subtenant shall assume all the obligations of this Lease on the part of Tenant to be performed or observed and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease. Notwithstanding any such sublease or assignment and the acceptance of rent by Landlord from any subtenant or assignee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any licensee, subtenant, assignee or any other person claiming under or through any subtenant or assignee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend and hold Landlord harmless from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney fees) resulting from any claims that may be made against Landlord by any real estate brokers or other persons claiming compensation in connection with the proposed assignment or sublease.

D. Reorganization of Tenant: The provisions of this Section 17.D shall apply if Tenant is a corporation and: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving corporation, or (ii) there is a sale or transfer to one person or entity (or to any group of related persons or entities) of stock possessing more than 50% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, and after such sale or transfer of stock Tenant's stock is no longer publicly traded. In a transaction under clause (i) the surviving corporation shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such corporation assumes the obligations of Tenant hereunder, and in a transaction under clause (ii) the transferee shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such transferee assumes the obligations of Tenant to the extent accruing after such transferee's acquisition of Tenant's stock possessing more than 50% of the total combined voting of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors.

E. Permitted Transfers: Notwithstanding anything contained in this Section 17, so long as Tenant otherwise complies with the provisions of this Article, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior consent, and Landlord shall not be entitled to terminate the Lease or to receive any part of any subrent resulting therefrom that would otherwise be due pursuant to Sections 17.A and 17.B. Tenant may sublease all or part of the Premises or assign its interest in this Lease to (i) any corporation which controls, is controlled by, or is under common control with the original Tenant to this Lease by means of an ownership interest of more than 50%; (ii) a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation, so long as the surviving corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction; and (iii) a corporation which purchases or otherwise acquires all or substantially all of the assets of Tenant so long as such acquiring corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction.

F. Effect of Default: In the event of Tenant's default, Tenant hereby assigns all rents due from any assignment or subletting to Landlord not to exceed the amount of such default as security for performance of its obligations under this Lease, and Landlord may collect such rents as Tenant's Attorney-in-Fact, except that Tenant may collect such rents unless a default occurs as described in Section 13 above. A Lease termination due to Tenant's default shall not automatically terminate an assignment or sublease then in existence; rather at Landlord's election, such assignment or sublease shall survive the Lease termination, the assignee or subtenant shall attorn to Landlord, and Landlord shall undertake the obligations of Tenant under the sublease or assignment; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the subtenant or assignee, or for any acts or omissions of Tenant and Tenant's Agents.

G. Conveyance by Landlord: As used in this Lease, the term "Landlord" is defined only as the owner for the time being of the Premises, so that in the event of any sale or other conveyance of the Premises or in the event of a master lease of the Premises, Landlord shall be entirely freed and relieved of all its covenants and obligations hereunder, and it shall be deemed and construed, without further agreement between the parties and the purchaser at any such sale or the master tenant of the Premises, that the purchaser or master tenant of the Premises has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder. Such transferor shall transfer and deliver Tenant's security deposit to the purchaser at any such sale or the master tenant of the Premises, and thereupon the transferor shall be discharged from any further liability in reference thereto.

F. Successors and Assigns: Subject to the provisions this Section 17, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all parties hereto; and all parties hereto shall be jointly and severally liable hereunder.

18. OPTION TO EXTEND THE LEASE TERM:

A. Grant and Exercise of Option: Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 18.A, one (1) option (the "Option") to extend the Lease Term for an additional term (the "Option Term"). The Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no earlier than eighteen (18) months prior to the Expiration Date but no later than twelve (12) months prior to the Expiration Date, time being of the essence for the giving of such notice. If Tenant exercises the Option, all of the terms, covenants and conditions of this Lease except this Section shall apply during the Option Term as though the expiration date of the Option Term was the date originally set forth herein as the Expiration Date, provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the greater of (i) One Hundred Thirty Five Thousand and No/100 Dollars ($135,000.00), and (ii) ninety five percent (95%) of the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to

Tenant, in which event the expiration date of this Lease shall be and remain the Expiration Date. As used herein, the term "Fair Market Rental" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the current use and other potential uses of the Premises, as determined by the rents then being obtained for new leases of space comparable in age and quality to the Premises in the locality of the Building. Fair Market Rental shall further take into account that Tenant is in occupancy and making functional use of the Premises in its then existing condition. Fair Market Rental shall additionally include only value of the 67,000 sf of land associated with Building Addition and shall exclude the balance of the value of Building Addition if such addition has been constructed by Tenant. The appraisers shall be instructed that the foregoing five percent (5%) discount is intended to reduce comparable rents which include (i) brokerage commissions, (ii) tenant improvement allowances, and (iii) vacancy costs, to account for the fact that Landlord will not suffer such costs in the event Tenant exercises its Option.

B. Determination of Fair Market Rental: If Tenant exercises the Option, Landlord shall send Tenant a notice setting forth the Fair Market Rental for the Option Term within thirty (30) days following the Exercise Date. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after the date of Tenant's receipt of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 18.C below. If Tenant does not send Landlord a notice as provided in the previous sentence, Landlord's determination of Fair Market Rental shall be the basis for determining the Base Monthly Rent payable by Tenant during the Option Term. If Tenant elects to resolve the disagreement as provided in Section 18.C and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as finally determined pursuant to Section 18.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 18.C is less than Landlord's determination, the difference between the amount paid by Tenant and the Fair Market Rental as so determined in Section 18.C shall be credited against the next installments of rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental: Any disagreement regarding Fair Market Rental shall be resolved as follows:

1. Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at least two (2) times at a mutually agreeable time and place, in an attempt to resolve the disagreement.

2. If within the 30-day period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above.

3. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two appraisals so submitted differ by less than ten percent (10%), the average of the two shall be deemed as Fair Market Rental. If the two appraisals differ by more than 10%, the appraisers shall immediately select a third appraiser who shall, within thirty (30) days after his selection, make and submit to Landlord and Tenant a determination of Fair Market Rental. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be Fair Market Rental.

4. All appraisers specified pursuant to this Section shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant: All Options provided to Tenant in this Lease are personal and granted to Symbol Technologies, Inc. and are not exercisable by any third party should Tenant assign or sublet all or a portion of its rights under this Lease, unless Landlord consents to permit exercise of any option by any assignee or subtenant, in Landlord's sole and absolute discretion. In the event Tenant has multiple options to extend this Lease, a later option to extend the Lease cannot be exercised unless the prior option has been so exercised.

19. GENERAL PROVISIONS:

A. Attorney's Fees: In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees including the expense of expert witnesses, depositions and court testimony as part of its costs which shall be deemed to have accrued on the commencement of such action. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties: Tenant represents and warrants that it is duly formed and in good standing, and is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord, authorizing the execution of the Lease.

C. Brokers: Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than Colliers Parrish which shall be paid in its entirety by Landlord and Tenant agrees to indemnify, defend and hold Landlord harmless against any claim, cost, liability or cause of action asserted by any other broker or finder claiming through Tenant.

D. Choice of Law: This Lease shall be governed by and construed in accordance with California law. Venue shall be Santa Clara County.

E. Dispute Resolution: Landlord and Tenant and any other party that may become a party to this Lease or be deemed a party to this Lease including any subtenants agree that, except for any claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court (which for such claims the parties agree shall be the sole court of competent jurisdiction), any controversy, dispute, or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Lease, including any claim based on contract, tort, or statute, shall be resolved at the request of any party to this agreement through a two-step dispute resolution process administered by J. A. M. S. or another judicial mediation service mutually acceptable to the parties located in Santa Clara County. The dispute resolution process shall involve first, mediation, followed, if necessary, by final and binding arbitration administered by and in accordance with the then existing rules and practices of J. A. M. S. or other judicial mediation service selected. In the event of any dispute subject to this provision, either party may initiate a request for mediation and the parties shall use reasonable efforts to promptly select a J. A. M. S. mediator and commence the mediation. In the event the parties are not able to agree on a mediator within thirty (30) days, J. A. M. S. or another judicial mediation service mutually acceptable to the parties shall appoint a mediator. The mediation shall be confidential and in accordance with California Evidence Code § 1152.5. The mediation shall be held in Santa Clara County and in accordance with the existing rules and practice of J. A. M. S. (or other judicial and mediation service selected). The parties shall use reasonable efforts to conclude the mediation within sixty (60) days of the date of either party's request for mediation. The mediation shall be held prior to any arbitration or court action (other than a claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court which are not subject to this mediation/arbitration provision and may be filed directly with a court of competent jurisdiction). Should the prevailing party in any dispute subject to this Section 19.E attempt an arbitration or a court action before attempting to mediate, THE PREVAILING PARTY SHALL NOT BE ENTITLED TO ATTORNEY'S FEES THAT MIGHT OTHERWISE BE AVAILABLE TO THEM IN A COURT ACTION OR ARBITRATION AND IN ADDITION THERETO, THE PARTY WHO IS DETERMINED BY THE ARBITRATOR TO HAVE RESISTED MEDIATION, SHALL BE SANCTIONED BY THE ARBITRATOR OR JUDGE.

If a mediation is conducted but is unsuccessful, it shall be followed by final and binding arbitration administered by and in accordance with the then existing rules and practices of J. A. M. S. or the other judicial and mediation service selected, and judgment upon any award rendered by the arbitrator(s) may be entered by any state or federal court having jurisdiction thereof. The parties to the arbitration shall have those rights of discovery that the arbitrator(s) deem necessary (after application to the arbitrator(s)) to a full and fair hearing of the matter. However, in no event shall the parties be entitled to propound interrogatories or request for admissions during the arbitration process. The arbitrator shall be a retired judge or a licensed California attorney. The venue for any such arbitration or mediation shall be in Santa Clara County, California.

F. Entire Agreement: This Lease and the exhibits attached hereto contains all of the agreements and conditions made between the parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord: Upon prior notice to Tenant and subject to Tenant's reasonable security regulations, Tenant shall permit Landlord and his agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes; (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; and (iv) performing any obligations of Landlord under the Lease including remediation of hazardous materials if determined to be the responsibility of Landlord. Tenant shall permit Landlord and his agents, at any time within one hundred eighty (180) days prior to the Expiration Date (or at any time during the Lease if Tenant is in default hereunder), to place upon the Premises "For Lease" signs and exhibit the Premises to real estate brokers and prospective tenants at reasonable hours.

H. Estoppel Certificates: At any time during the Lease Term, Tenant shall, within ten (10) days following Tenant's receipt of written notice from Landlord, execute and deliver to Landlord a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on Landlord's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Landlord may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Landlord's interest in the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that this Lease is in full force and effect without modification, except as may be represented by Landlord, and that there are no uncured defaults in Landlord's performance. Tenant agrees to provide, within fifteen (15) days of Tenant's receipt of Landlord's written request, Tenant's most recent three (3) years of audited financial statements for Landlord's use in financing the Premises or Landlord's interest therein.

I. Exhibits: All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest: All rent due hereunder, if not paid when due, shall bear interest at the rate of the Reference Rate published by Bank of America, San Francisco Branch, plus two percent (2%) per annum from that date until paid in full ("Agreed Interest Rate"). This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment(including late charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

K. Modifications Required by Lender: If any Lender of Landlord or ground lessor of the Real Property Requires a modification of this Lease that will not increase Tenant's cost or expense or materially or adversely change Tenant's rights and obligations, this Lease shall be so modified and Tenant shall execute whatever documents are required and deliver them to Landlord within fifteen (15) days after Tenant's receipt of Landlord's written request.

L. No Presumption Against Drafter: Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. Notices: All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, or by personal delivery addressed to the party to be notified at the address for such party specified in Section 1 of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party. When this Lease requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure Section 1161 or any similar or successor statute, when a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this lease) shall replace and satisfy the statutory service-of-notice procedures, including those required by Code of Civil Procedure Section 1162 or any similar or successor statute.

N. Property Management: In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of three percent (3%) of the Base Monthly Rent.

O. Rent: All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as “additional rent”, shall be deemed as rent.

P. Representations: Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies: All rights and remedies hereunder are cumulative and not alternative to the extent permitted by law, and are in addition to all other rights and remedies in law and in equity.

R. Severability: If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease: Submission of this document for examination or signature by the parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. Subordination: This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively “Encumbrances”) which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance (“Holder”) require that this Lease be prior and superior thereto, within seven (7) days after Tenant’s receipt of a written request of Landlord, Tenant shall execute, have acknowledged and deliver all documents or instruments, in the form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant’s rights under this Lease as long as Tenant is not then in default and continues to pay Base Monthly Rent and additional rent and observes and performs all required provisions of this Lease. Within ten (10) days after Tenant’s receipt of Landlord’s written request, Tenant shall execute any documents required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such encumbrance.

U. Survival of Indemnities: All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time: Time is of the essence hereunder.

W. This paragraph intentionally left blank

X. Waiver of Right to Jury Trial: Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first above written.

Landlord: SOBRATO LAND HOLDINGS a California Limited Partnership	**Tenant:** SYMBOL TECHNOLOGIES, INC. a Delaware Corporation
By: /s/ John M. Sobrato John M. Sobrato Its: General Partner	By: /s/ Brian T. Burke Brian T. Burke Its: Senior VP.

10600 North De Anza Blvd.
Suite 200
Cupertino, CA 95014-2075

408.446.0700
Facsimile: 408.446.0583
www.sobrato.com

SOBRATO
DEVELOPMENT COMPANIES

FIRST AMENDMENT TO LEASE

This first amendment to lease (“Amendment”) is made this 13th day of August, 1999 (“Effective Date”) by and between SOBRATO LAND HOLDINGS, a California limited partnership having an address at 10600 N. De Anza Blvd., Suite 200, Cupertino, California 95014 (“Landlord”) and SYMBOL TECHNOLOGIES, INC., a Delaware corporation having its principal place of business at One Symbol Plaza, Holtsville, NY 11742-1300 (“Tenant”).

WITNESSETH

WHEREAS Landlord and Tenant entered into a lease dated August 24, 1998, (the “Lease”) for the premises (“Premises”) located at 6480 Via Del Oro San Jose, California; and

WHEREAS Landlord and Tenant wish to document the Commencement Date and extend the Lease Term by several weeks;

NOW, THEREFORE, in order to effect the intent of the parties as set forth above and for good and valuable consideration exchanged between the parties, the Lease is amended as of the Effective Date as follows:

1. The Commencement Date of the Lease is agreed by the Parties to be the date of August 13, 1999. Tenant has previously paid Landlord the rent for the first month of the Lease Term pursuant to the terms of the Lease.

2. Notwithstanding the terms of the Lease, the Expiration Date of the Lease is agreed by the Parties to be the date of August 31, 2009.

3. All defined terms shall have the same meanings as in the Lease, except as otherwise stated in this Amendment.

4. Except as hereby amended, the Lease and all of the terms, covenants and conditions thereof shall remain unmodified and in full force and effect. In the event of any conflict or inconsistency between the terms and provisions of this First Amendment and the terms and provisions of the Lease, the terms and provisions of this First Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto have set their hands to this Amendment as of the day and date first above written.

Landlord
SOBRATO LAND HOLDINGS
a California limited partnership

By: /s/ John M. Sobrato
Its: General Partner

Tenant
SYMBOL TECHNOLOGIES, INC.
a Delaware Corporation

By: /s/ Brian T. Burke
Its: SENIOR VP

SECOND AMENDMENT TO LEASE

This second amendment to lease ("Amendment") is made this 13th day of August, 1999 ("Effective Date") by and between Sobrato Land Holdings a California limited partnership having an address at 10600 N. De Anza Blvd., Suite 200, Cupertino, California 95014 ("Landlord") and Symbol Technologies, Inc., a Delaware corporation having its principal place of business at One Symbol Plaza, Holtsville, New York 11742-1300 ("Tenant").

WITNESSETH

WHEREAS Landlord and Tenant entered into a lease dated August 24, 1998, and a first amendment to lease dated August 13, 1999 (the "Lease") for the premises ("Premises") located at 6480 Via Del Oro, California; and

WHEREAS Landlord and Tenant wish to modify the square footage of the building, the monthly rent and the work allowance

NOW, THEREFORE, in order to effect the intent of the parties as set forth above and for good and valuable consideration exchanged between the parties, the Lease is amended as of the Effective Date as follows:

1. The square footage of the premises has been measured following completion of construction and has been determined to be 102,139 square feet pursuant to paragraph 2.B of the Lease.

2. The initial Base Monthly Rent shall be increased based on the final square footage to $137,887.65, subject to further increase pursuant to Sections 4.B and 7.B

3. The Work Allowance based on the final square footage shall be increased to $3,268,448.00

4. All defined terms shall have the same meanings as in the Lease, except as otherwise stated in this Amendment.

5. Except as hereby amended, the Lease and all of the terms, covenants and conditions thereof shall remain unmodified and in full force and effect. In the event of any conflict or inconsistency between the terms and provisions of this Second Amendment and the terms and provisions of the Lease, the terms and provisions of this Second Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto have set their hands to this Amendment as of the day and date first above written.

Landlord
Sobrato Land Holdings,
a California limited partnership

By: /s/ John M. Sobrato
John M. Sobrato
Its: General Partner

Tenant
Symbol Technologies, Inc.,
a Delaware Corporation

By: /s/ Brian T. Burke
BRIAN T. BURKE
Its: SENIOR VP

10600 North De Anza Blvd.
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SOBRATO
DEVELOPMENT COMPANIES

THIRD AMENDMENT TO LEASE

This third amendment to lease **("Amendment")** is made this 8th day of April, 2008 ("Effective Date") by and between Sobrato Land Holdings, a California limited partnership having an address at 10600 N. De Anza Blvd., Suite 200, Cupertino, California 95014 **("Landlord")** and Symbol Technologies, Inc., a Delaware corporation and Motorola Inc., a Delaware corporation, jointly as tenants, both having their principal place of business at 1303 E. Algonquin Road, Schaumburg, IL 60196 **("Tenant")**.

WITNESSETH

WHEREAS Landlord and Symbol Technologies, Inc. entered into a lease dated August 24, 1998 (the **"Lease"**) for the building of 102,139 rentable square feet located at 6480 Via Del Oro in San Jose, California ("**Premises**"); and

WHEREAS Landlord and Tenant entered into a First Amendment to Lease and a Second Amendment to Lease both dated August 13, 1999; and

WHEREAS Motorola, Inc. joined Symbol Technologies Inc. as tenant under the Lease and became jointly and severally liable with Symbol for the performance of all obligations, agreements, covenants, indemnities and other undertakings on the part of the Tenant that are incurred or accrue from and after January 9, 2007.

WHEREAS effective with the date of this Amendment, Landlord and Tenant wish to modify the Lease to: (i) extend the Lease Term; (ii) specify the Base Monthly Rent schedule for the remainder of Lease Term and during the extension term (iii) cancel Tenant's obligation to provide a Security Deposit; and (iv) provide Tenant with an additional option to renew.

NOW, THEREFORE, in order to effect the intent of the parties as set forth above and for good and valuable consideration exchanged between the parties, the Lease is amended as of the Effective Date as follows:

1. The Lease Term is extended for sixty (60) months from August 31, 2009; resulting in a revised Lease Expiration Date of August 31, 2014.

2. The Base Monthly Rent schedule for the Premises is a follows:

05/01/2008 through 08/31/2008	$145,635 per month
09/01/2008 through 08/31/2009	$149,685 per month
09/01/2009 through 08/31/2010	$153,857 per month
09/01/2010 through 08/31/2011	$158,153 per month
09/01/2011 through 08/31/2012	$162,579 per month
09/01/2012 through 08/31/2013	$167,137 per month
09/01/2013 through 08/31/2014	$171,832 per month

3. Upon execution of this Amendment Landlord shall no longer require Tenant to provide a Security Deposit and Paragraph 4(D) is hereby deleted. Landlord shall return to Tenant the Security Deposit documentation or cash in its possession together with the executed third Amendment.

4. Section 18 of the Lease entitled "Option to Extend The Lease Term" shall continue to apply and Tenant is hereby granted an additional option to renew and extend the Lease pursuant to the terms of Section 18, except that Section 18D shall be amended to include Motorola, Inc. as well as Symbol Technologies, Inc.

5. All defined terms shall have the same meanings as in the Lease, except as otherwise stated in this Amendment.

6. Except as hereby amended, the Lease and all of the terms, covenants and conditions thereof shall remain unmodified and in full force and effect. In the event of any conflict or inconsistency between the terms and provisions of this First Amendment and the terms and provisions of the Lease, the terms and provisions of this First Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto have set their hands to this Amendment as of the day and date first above written.

Landlord
Sobrato Development Companies #871
a California limited partnership

By:	/s/ John M. Sobrato
Print Name:	John M. Sobrato
Its:	General Partner

Tenant
Symbol Technologies, Inc.
a Delaware corporation

By:	/s/ Terry Rieth
Print Name:	TERRY RIETH
Its:	***SENIOR AIRECTOR*** REAL ESTATE OPERATION

Motorola, Inc.
a Delaware corporation

By:	/s/ Terry Rieth
Print Name:	TERRY RIETH
Its:	***SENIOR AIRECTOR*** REAL ESTATE OPERATION

LEGAL

FOURTH AMENDMENT TO LEASE

This fourth amendment to lease (**“Amendment”**) is made this 22 day of November, 2011 (“Effective Date”) by and between SI 25, a Limited Liability Company as successor in interest to Sobrato Land Holdings having an address at 10600 N. De Anza Blvd., Suite 200, Cupertino, California 95014 (“Landlord”) and Symbol Technologies, Inc., a Delaware corporation and Motorola Solutions Inc. (f/k/a Motorola, Inc.), a Delaware corporation, jointly as tenants, both having their principal place of business at 1303 E. Algonquin Road, Schaumburg, IL 60196 (**“Tenant”**).

WITNESSETH

WHEREAS Landlord and Symbol Technologies, Inc. entered into a lease dated August 24, 1998, as amended by a First Amendment to Lease and a Second Amendment to Lease both dated August 13, 1999 and a Third Amendment to Lease dated April 8, 2008 (collectively, the “**Lease**”) for the building of 102,139 rentable square feet located at 6480 Via Del Oro in San Jose, California (“**Premises**”); and

WHEREAS Motorola, Inc. joined Symbol Technologies Inc. as tenant under the Lease and became jointly and severally liable with Symbol for the performance of all obligations, agreements, covenants, indemnities and other undertakings on the part of the Tenant that are incurred or accrue from and after January 9, 2007.

WHEREAS effective with the date of this Amendment, Landlord and Tenant wish to modify the Lease to: (i) extend the Lease Term; (ii) specify the Base Monthly Rent schedule for the remainder of Lease Term and during the Extension Term (iii) provide Tenant a Work Allowance; and (iv) provide Tenant with an additional option to renew.

NOW, THEREFORE, in order to effect the intent of the parties as set forth above and for good and valuable consideration exchanged between the parties, the Lease is amended as of the Effective Date as follows:

1. The Lease Term is extended for sixty (60) months from August 31, 2014; resulting in a revised Lease Expiration Date of August 31, 2019.

2. The Base Monthly Rent schedule for the Premises is a follows:

09/01/2011 through 08/31/2012	$162,579 per month
09/01/2012 through 08/31/2013	$167,137 per month
09/01/2013 through 08/31/2014	$171,832 per month
09/01/2014 through 08/31/2015	$176,643 per month
09/01/2015 through 08/31/2016	$181,589 per month
09/01/2016 through 08/31/2017	$186,674 per month
09/01/2017 through 08/31/2018	$191,901 per month
09/01/2018 through 08/31/2019	$197,274 per month

3. In connection with this Lease Amendment Landlord shall provide Tenant a work allowance in the amount of One Million Twenty One Thousand Three Hundred and Ninety Dollars and no/00 ($1,021,390.00). Landlord shall pay Tenant within 30 days of Tenant submitting invoices to Landlord showing the work performed at the Premises.

4. Section 18 of the Lease entitled “Option to Extend The Lease Term” shall continue to apply and Tenant is hereby granted and shall have one (1) option to renew and extend the Lease pursuant to the terms of Section 18, except that Section 18D shall be amended to include Motorola Solutions, Inc. as well as Symbol Technologies, Inc.

5. All defined terms shall have the same meanings as in the Lease, except as otherwise stated in this Amendment.

6. Except as hereby amended, the Lease and all of the terms, covenants and conditions thereof shall remain unmodified and in full force and effect. In the event of any conflict or inconsistency between the terms

and provisions of this Fourth Amendment and the terms and provisions of the Lease, the terms and provisions of this Fourth Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto have set their hands to this Amendment as of the day and date first above written.

Landlord
SI 25
a Limited Liability Company

By:	/s/ John Michael Sobrato
Print Name:	John Michael Sobrato
Its:	General Partner

Tenant
Symbol Technologies, Inc.
a Delaware corporation

By:	/s/ Delmer Knipfer
Print Name:	Delmer Knipfer
Its:	Authorized Signatory

Motorola, Inc.
a Delaware corporation

By:	/s/ Delmer Knipfer
Print Name:	Delmer Knipfer
Its:	DIRECTOR, GLOBAL Real ESTATE

ASSIGNMENT OF LEASE

THIS ASSIGNMENT OF LEASE is made and entered into as of the 28th day of October, 2016, by and between Zebra Technologies Corporation, a Delaware corporation (hereinafter called "Assignor") and Extreme Networks, Inc., a Delaware corporation (hereinafter called "Assignee").

WITNESSETH THAT:

WHEREAS, Assignor is the tenant of the premises located at 6480 Via del Oro, in the City of San Jose, County of Santa Clara, State of California and more particularly described in the hereinafter referred to Lease ("Premises");

WHEREAS, Assignor leases the Premises from SI 25, LLC, a California limited liability company ("Landlord") pursuant to that certain Lease dated August 24, 1998 between Landlord's predecessor in interest, Sobrato Land Holding, a California limited partnership ("SLH"), and Assignor's predecessor in interest, Symbol Technologies, Inc., a Delaware corporation ("Symbol"), as amended by a First Amendment to Lease and a Second Amendment to Lease both dated August 13, 1999 between SLH and Symbol, a Joinder signed by Motorola, Inc., a Delaware corporation ("Motorola") dated effective as of January 9, 2007, a Third Amendment to Lease dated April 8, 2008 between SLH, as the landlord, and Symbol and Motorola, as the tenant, and a Fourth Amendment to Lease dated November 22, 2011 between Landlord, as the landlord, and Symbol and Motorola, as the tenant (as amended the "Lease") a copy of the Lease being incorporated herein by reference and attached hereto as Exhibit A;

WHEREAS, Landlord consented to the assignment of the Lease to Tenant pursuant to a Landlord's Consent To Assignment previously entered into by and among Symbol, Motorola, Zebra and Landlord (the "Prior Assignment Consent"); and

WHEREAS, Assignor and Assignee desire that all of the rights of Assignor under the Lease shall be assigned and transferred to Assignee;

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, and agreements contained herein, as well as other good and valuable consideration, the receipt and adequacy are hereby acknowledged, it is hereby agreed by and between the parties as follows:

1. Assignor does hereby assign to Assignee all of its right, title, and interest in and to the Lease, effective on the date hereof (the "Effective Date").

2. Assignee hereby accepts the above assignment from Assignor, and agrees fully and timely to satisfy, uphold, and perform all duties and obligations of Assignor pursuant to the Lease, including, but not limited to, the payment of rent as referenced therein, accruing from the Effective Date forward. Assignee shall have no

liability whatsoever for any payments due or other obligations which arose or were required to be performed under the Lease prior to the Effective Date.

3. The parties acknowledge that Landlord holds a security deposit in the amount of $0. As of the Effective Date, Assignor hereby assigns to Assignee all of Assignor's right, title, and interest in and to said amounts, and Assignee shall reimburse Assignor in cash for same. Landlord shall apply said amounts towards Assignee's account or return any unearned portion thereof to Assignee in accordance with the terms of the Lease.

4. Any notice, request, demand, or other communication to be given hereunder or pursuant to the Lease shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given or on the third day after mailing if mailed by first-class certified mail, postage prepaid, return receipt requested, addressed to the intended recipient thereof at the address set forth below. Either party may change its notice address by giving the other party written notice of such change in the manner set forth herein.

<u>Assignee:</u>

Extreme Networks, Inc.
145 Rio Robles
San Jose, CA 95134
Attention: Ted Lawson

Copy to:

Extreme Networks, Inc.
145 Rio Robles
San Jose, CA 95134
Attention : Katy Motiey

<u>Assignor:</u>

Zebra Technologies Corporation
3 Overlook Point
Lincolnshire, IL 60069
Attention: Deanna Cheslog

Copy to:

Zebra Technologies Corporation
3 Overlook Point
Lincolnshire, IL 60069
Attention: Legal Department

Executed as of the date first set forth above.

"Assignee"

Extreme Networks, Inc.,
a Delaware corporation

/s/ Katy Motiey

By: Katy Motiey

Its: EVP,CAO

"Assignor"

Zebra Technologies Corporation,
a Delaware corporation

/s/ Michael Cho

By: Michael Cho

Its: Senior Vice President, Corporate Development

Exhibit 10.42

EXTREME NETWORKS, INC.
NOTICE OF GRANT OF RESTRICTED STOCK UNITS
(For U.S. Participants)

Extreme Networks, Inc. (the *"**Company**"*) has granted to the Participant an award (the *"**Award**"*) of certain units pursuant to the Extreme Networks, Inc. 2013 Equity Incentive Plan (the *"**Plan**"*), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Participant: **Employee ID:**

Date of Grant:

Total Number of Units:

Settlement Date: Except as provided by the Restricted Stock Units Agreement, the date on which a Unit becomes a Vested Unit.

Vesting Start Date:

Vested Units: Except as provided in the Restricted Stock Units Agreement and provided that the Participant's Service has not terminated prior to the applicable date, as follows:

Vesting Date	**Number of Units Vesting**

Superseding Agreement: Extreme Networks, Inc Restricted Stock Units Agreement

The terms and conditions of the foregoing Superseding Agreement to which the Participant is a party shall, notwithstanding any provision of this notice to the contrary, supersede any inconsistent term or condition set forth in the notice to the extent intended by such Superseding Agreement.

By the Company's authorized signature below and the Participant's by electronic acceptance in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document, and by the Superseding Agreement, if any. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EXTREME NETWORKS, INC.
6480 Via Del Oro
San Jose, CA

ATTACHMENTS: 2013 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement and Plan Prospectus

EXTREME NETWORKS, INC.
RESTRICTED STOCK UNITS AGREEMENT
(For U.S. Participants)

Extreme Networks, Inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the *"**Grant Notice**"*) to which this Restricted Stock Units Agreement (the *"**Agreement**"*) is attached an Award consisting of Restricted Stock Units (each a *"**Unit**"*) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms conditions of the Extreme Networks, Inc. 2013 Equity Incentive Plan (the *"**Plan**"*), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the *"**Plan Prospectus**"*), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. **Definitions and Construction.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **Administration.**

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

3. **The Award.**

3.1 **Grant of Units.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Units set forth in the Grant Notice, subject to adjustment as provided in Section 9. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or shares of Stock issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Units.

4. **Vesting of Units**.

Units acquired pursuant to this Agreement shall become Vested Units as provided in the Grant Notice. For purposes of determining the number of Vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

5. **Company Reacquisition Right.**

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by the Superseding Agreement, if any, in the event that the Participant's Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units (***"Unvested Units"****)*, and the Participant shall not be entitled to any payment therefor (the ***"Company Reacquisition Right"***).

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 9, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

6. **Settlement of the Award.**

6.1 **Issuance of Shares of Stock.** Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit to be settled on such date one (1) share of Stock. The Settlement Date with respect to a Unit shall be the date on which such Unit becomes a Vested Unit as provided by the Grant Notice (an *"**Original Settlement Date**"*); provided, however, that if the Original Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the Vested Units would violate the Trading Compliance Policy of the Company, the Settlement Date for such Vested Units shall be deferred until the next day on which the sale of such shares would not violate the Trading Compliance Policy, but in any event on or before the 15th day of the third calendar month following calendar year of the Original Settlement Date. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 7 or the Company's Trading Compliance Policy.

6.2 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company's transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Award.

7. **<u>Tax Withholding</u>.**

7.1 **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of Units or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

7.2 **Assignment of Sale Proceeds.** Subject to compliance with applicable law and the Company's Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

7.3 **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

8. EFFECT OF CHANGE IN CONTROL.

In the event of a Change in Control, except to the extent that the Committee determines to cash out the Award in accordance with Section 14.1(c) of the Plan, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under all or any portion of the outstanding Units or substitute for all or any portion of the outstanding Units substantially equivalent rights with respect to the Acquiror's stock. For purposes of this Section, a Unit shall be deemed assumed if, following the Change in Control, the Unit confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon settlement of the Unit to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. The Award shall terminate and cease to be outstanding effective as of the time of consummation or the Change in Control to the extent that Units subject to the Award are neither assumed or continued by the Acquiror in connection with the Change in Control nor settled as of the time of the Change in Control.

9. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

10. **Rights as a Stockholder, Director, Employee or Consultant.**

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

11. **Legends.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

12. **Compliance with Section 409A.**

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

12.1 **Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the ***"Section 409A Regulations"***) shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the ***"Delayed Payment Date"***) which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

12.2 **Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

12.3 **Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

12.4 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

13. **Miscellaneous Provisions.**

13.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

13.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

13.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

13.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

13.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) ***Description of Electronic Delivery.*** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) ***Consent to Electronic Delivery.*** The Participant acknowledges that the Participant has read Section 13.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 13.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 13.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 13.5(a).

13.6 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

13.7 **Applicable Law.** This Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

13.8 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Exhibit 21.1

EXTREME NETWORKS, INC.

SUBSIDIARY LIST

Name	Location
Extreme Networks, Inc.	Delaware
Extreme Networks IHC, Inc.	Delaware
Extreme Networks Delaware LLC	Delaware
Extreme Networks Canada Inc.	Canada
Extreme Networks International	Cayman
Extreme Networks EMEA	Cayman
Extreme Networks Australia Pty Ltd.	Australia
Extreme Networks Singapore Pte. Ltd.	Singapore
Extreme Networks Korea Ltd.	Korea
Extreme Networks India Private Limited	India
Extreme Networks Hong Kong Limited	Hong Kong
Extreme Networks China Limited	Hong Kong
Extreme Networks Technology (Beijing) Co. Ltd	China
Extreme Networks Mauritius	Mauritius
Extreme Networks K.K.	Japan
Extreme Networks Do Brasil, Ltda	Brazil
Extreme Networks Mexico, S. De R.L. de C.V.	Mexico
Extreme Networks Chile Ltda.	Chile
Enterasys Networks Argentina SA	Argentina
Extreme Networks SARL	France
Extreme Networks Spain, S.L.	Spain
Extreme Networks Srl	Italy
Extreme Networks GmbH	Germany
Extreme Networks Switzerland GmbH	Switzerland
Extreme Networks UK Technology Limited	United Kingdom
Extreme Networks B.V.	Netherlands
Extreme Networks Rus LLC	Russia
Summit CV	Netherlands
IHC Networks AB	Sweden
Extreme Networks Ireland Limited	Ireland
Enterasys Networks SARL	France
Extreme Networks UK Limited	United Kingdom
Enterasys Networks, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Extreme Networks Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-192507, 333-165268, 333-112831, 333-105767, 333-76798, 333-65636, 333-58634, 333-55644, 333-131705, 333-201456, 333-83729 and 333-215648) on Form S-8 of Extreme Networks, Inc. of our report dated September 13, 2017, with respect to the consolidated balance sheets of Extreme Networks, Inc. and subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2017, and the effectiveness of internal control over financial reporting as of June 30, 2017, which report appears in the June 30, 2017 annual report on Form 10-K of Extreme Networks, Inc.

/s/ KPMG LLP

Raleigh, North Carolina
September 13, 2017

Exhibit 31.1

SECTION 302 CERTIFICATION OF EDWARD B. MEYERCORD III
AS CHIEF EXECUTIVE OFFICER

I, Edward B. Meyercord III, certify that:

1. I have reviewed this Form 10-K of Extreme Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent function):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:September 13, 2017

/s/ EDWARD B. MEYERCORD III
Edward B. Meyercord III
President and Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION OF B. DREW DAVIES
AS CHIEF FINANCIAL OFFICER

I, B. Drew Davies, certify that:

1. I have reviewed this Form 10-K of Extreme Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:September 13, 2017

/s/ B. DREW DAVIES
B. Drew Davies
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF EDWARD B. MEYERCORD III AS CHIEF EXECUTIVE OFFICER, PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Extreme Networks, Inc. on Form 10-K for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the date specified below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EDWARD B. MEYEROCRD III

Edward B. Meyercord III
President and Chief Executive Officer
September 13, 2017

Exhibit 32.2

CERTIFICATION OF B. DREW DAVIES AS CHIEF FINANCIAL OFFICER, PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Extreme Networks, Inc. on Form 10-K for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the date specified below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ B. DREW DAVIES
B. Drew Davies
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)
September 13, 2017