As filed with the Securities and Exchange Commission on February 5, 1999
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

EXTREME NETWORKS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	3576	77-0430270
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Number)	(I.R.S. Employer Identification No.)

10460 Bandley Drive
Cupertino, California 95014-1972
(408) 342-0999
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Gordon L. Stitt
President
Extreme Networks, Inc.
10460 Bandley Drive
Cupertino, California 95014-1972
(408) 342-0999
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act") check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [_]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock ($0.001 par value).....	$51,750,000	$14,387

(1) Includes shares which the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purposes of determining the registration fee pursuant to Rule 457(o) promulgated under the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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+The information in this prospectus is not complete and may be changed. We may +
+not sell these securities until the registration statement filed with the   +
+Securities and Exchange Commission is effective. This prospectus is not an   +
+offer to sell these securities and it is not soliciting an offer to buy these +
+securities in any state where the offer or sale is not permitted.   +
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PROSPECTUS (Subject to Completion)
Issued February , 1999

Shares

COMMON STOCK

Extreme is offering shares of its common stock. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

We have applied to list the common stock on the Nasdaq National Market under the symbol "EXTR."

Investing in the common stock involves certain risks. See "Risk Factors" beginning on page 5.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Extreme
Per Share.....	$	$	$
Total.....	$	$	$

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Extreme has granted the underwriters the right to purchase up to additional shares to cover any over-allotments. Morgan Stanley & Co. Incorporated expects to deliver the shares of common stock to purchasers on , 1999.

MORGAN STANLEY DEAN WITTER

BANCBOSTON ROBERTSON STEPHENS

DAIN RAUSCHER WESSELS
a division of Dain Rauscher Incorporated

, 1999

[Inside front cover]

The following statements appear on this page

Internet technologies have enabled a new generation of computing applications that are burdening today's enterprise LANs. However, the performance of yesterday's legacy routers is being taxed by the high volume of traffic created by these applications.

This has opened up an opportunity to improve the state of the art of enterprise networking...

Leveraging Ethernet and the Internet protocol - today's most dominant and stable LAN technologies - and combining them with wire-speed Layer 3 switching, the Extreme Networks solution enables the enterprise LAN to deliver more information faster, while allowing businesses to accommodate future growth.

The Extreme Networks solution uses the same hardware, software and management architecture for end-to-end simplicity across the enterprise LAN - to desktops, segments, servers and the network core. This makes it easier to manage and scale enterprise LANs, while reducing network ownership costs.

[text to accompany inside spread, next to diagram]

Depicted on this page is an enterprise LAN architecture with Extreme Networks' products.

High Performance
Wire-speed Layer 3 switching
Non-blocking architecture
10/100/1000 Mbps Ethernet

Easy to Use and Implement
Consistent architecture
Consistent product feature set
Web-based management

Scaleable
Speed, bandwidth, network size, QoS
Support future applications
Upgrade from layer 2 to Layer 3

Quality of Service
Policy-based QoS from Layer 1-4
Prioritize applications
Allocate bandwidth

Lower Cost of Ownership
Less expensive, yet faster than legacy routers
Leverages existing knowledge and resources
Reduces enterprise LAN complexity

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in those jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the common stock.

We are a California corporation and will reincorporate in Delaware prior to the consummation of this offering. Our principal executive offices are located at 10460 Bandley Drive, Cupertino, California 95014-1972 and our telephone number is (408) 342-0999. Our fiscal year ends on June 30. We maintain a worldwide web site at www.extremenetworks.com. The reference to our worldwide web address does not constitute incorporation by reference of the information contained at this site. In this prospectus, "Extreme," "we," "us" and "our" refer to Extreme Networks, Inc. and all of its subsidiaries, unless the context otherwise requires. BLACKDIAMOND, EXTREME ETHERNET, EXTREME NETWORKS, EXTREMESWITCHING, EXTREMEWARE and SUMMIT are trademarks of Extreme which may be registered or pending registration in certain jurisdictions. All other brand names and trademarks appearing in this prospectus are the property of their respective holders.

Until , 1999 (25 days after commencement of the offering), all dealers effecting transactions in Extreme common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the common stock being sold in this offering and our financial statements and notes thereto appearing elsewhere in this prospectus.

THE COMPANY

Extreme Networks is a leading provider of next generation local area network (LAN) switching solutions that meet the increasing needs of enterprise LANs. Through the use of our custom ASICs and a common hardware, software and management architecture, we offer our customers LAN solutions with increased performance, scalability, Policy-Based Quality of Service, ease of use and lower cost of ownership. Our products incorporate non-blocking Layer 3 switching functionality in ASICs, resulting in products that are less expensive than software-based routers, yet offer improved performance throughout the enterprise LAN from the network core to the desktop. The Dell'Oro Group estimates that the market for Layer 3 switching totaled $577 million in 1998 and is expected to increase to approximately $3.4 billion in 2001.

The increased use of high-bandwidth, mission-critical applications, the widespread implementations of intranets and extranets, and the ubiquity of Internet technologies have burdened the LAN infrastructure with unpredictable traffic patterns and unpredictable traffic loads. To address the need to improve LAN performance, new and faster technologies employing multiple hardware and software protocols were developed. These multiple protocols caused enterprise LANs to become more complex, expensive and difficult to manage in part because of the need for multiple-protocol routers that are based on software and expensive CPUs. With the wide acceptance of Ethernet and the Internet Protocol, the need to support a multi-protocol environment has diminished. Extreme has developed Layer 3 switches based on our custom ASICs which function as less expensive and significantly faster routers. Our Summit stackable and BlackDiamond modular product families provide end-to-end LAN switching solutions that meet the requirements of today's enterprise LANs by providing increased performance, ease of use, scalability, Policy-Based Quality of Service and lower cost of ownership. We sell our products through domestic and international resellers, OEMs and field sales and our customers include Barnes and Noble, Compaq, Lockheed Martin, MSNBC and Pennzoil.

THE OFFERING

Common stock offered	shares
Common stock to be outstanding after this offering	shares(1)
Over-allotment option	shares
Use of proceeds	We intend to use the proceeds for general corporate purposes, including working capital and capital expenditures. See "Use of Proceeds."
Proposed Nasdaq National Market symbol	EXTR

SUMMARY CONSOLIDATED FINANCIAL DATA
(in thousands, except per share data)

	Year Ended June 30,		Six Months Ended December 31,	
	1997	1998	1997	1998
			(unaudited)	
Consolidated Statement of Operations Data:				
Net revenue	$ 256	$ 23,579	$ 6,104	$ 30,851
Gross profit (loss)	(132)	8,682	2,547	15,246
Total operating expenses	7,928	22,641	9,038	19,483
Operating loss	(8,060)	(13,959)	(6,491)	(4,237)
Interest expense, net	(79)	(326)	(83)	(201)
Net loss	(7,923)	(13,868)	(6,465)	(4,843)
Pro forma basic and diluted net loss per share		$ (.44)		$ (.14)
Shares used in per share calculation		31,701		35,929

	At December 31, 1998	
	Actual	As Adjusted(2)
	(unaudited)	

Consolidated Balance Sheet Data:	
Cash and cash equivalents	$ 5,792
Working capital	9,284
Total assets	27,352
Long-term debt and capital lease obligations due after one year	2,719
Total stockholders' equity	11,740

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(1) Based on shares outstanding as of December 31, 1998. Excludes 3,710,328 shares of common stock issuable upon the exercise of options outstanding under our Amended 1996 Stock Option Plan at a weighted average exercise price of $2.55 per share and 337,398 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $1.00 per share, and assumes no exercise of the underwriters' over-allotment option. See "Management--Amended 1996 Stock Option Plan," "Description of Capital Stock" and Note 6 of Notes to Consolidated Financial Statements.

(2) Adjusted to reflect the issuance and sale of shares of our common stock at an assumed initial public offering price of $ per share, and the application of the net proceeds therefrom, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, as set forth under "Use of Proceeds."

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occurs, our business, financial condition or operating results could be materially adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

This prospectus contains forward-looking statements that involve risks and uncertainties. These statements relate to future events or our future financial performance. In many cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of such terms and other comparable terminology. These statements are only predictions. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus.

Extreme Has a Limited Operating History and Is Subject to Risks Frequently Encountered by Early Stage Companies

Extreme was founded in May 1996 and has a limited operating history. An investor in our common stock must consider the risks and difficulties frequently encountered by early stage companies in new and rapidly evolving markets. These risks include:

- a history of losses and the expectation of future losses;
- significant fluctuations in quarterly operating results;
- the intensely competitive market for enterprise LAN switches;
- the challenges encountered in expanding our sales, support and distribution organizations;
- the risks relating to the timely introduction of new products and product enhancements; and
- the risks associated with the expansion of our operational infrastructure.

We discuss these and other risks in more detail below. We cannot be certain that our business strategy will be successful or that we will successfully address these risks.

Extreme Has a History of Losses and Expects Future Losses

Extreme has incurred net losses of $7.9 million from inception through June 30, 1997, $13.9 million for fiscal year 1998 and $4.8 million for the six-months ended December 31, 1998. As of December 31, 1998, we had an accumulated deficit of $26.6 million. We have not achieved profitability and expect to continue to incur net losses. We anticipate continuing to incur significant sales and marketing, product development and general and administrative expenses and, as a result, we will need to generate significantly higher revenues to achieve and sustain profitability. Although our revenues have grown in recent quarters, we cannot be certain that we will realize sufficient revenues to achieve profitability.

Extreme's Quarterly Financial Results May Fluctuate Significantly

Extreme's quarterly revenues and operating results have varied significantly in the past and may vary significantly in the future due to a number of factors, including:

- fluctuations in demand for our products and services, including seasonality, particularly in Asia;
- the timing and amount of orders for our products and services, particularly large orders from our key resellers, OEMs and other significant customers;
- unexpected product returns or the cancellation or rescheduling of significant orders;

- our ability to develop, introduce, ship and support new products and product enhancements and manage product transitions;
- announcements and new product introductions by our competitors;
- the expected rapid erosion of the average selling prices of our products;
- our ability to achieve required cost reductions;
- our ability to obtain sufficient supplies of sole or limited sourced components for our products;
- unfavorable changes in the prices of the components we purchase;
- our ability to attain and maintain production volumes and quality levels for our products;
- the mix of products sold and the mix of distribution channels through which they are sold;
- costs relating to possible acquisitions and integration of technologies or businesses; and
- enterprise LAN market conditions and economic conditions generally.

We plan to significantly increase our operating expenses to expand our sales and marketing activities, broaden our customer support capabilities, develop new distribution channels, fund increased levels of research and development and build our operational infrastructure. We base our operating expenses on anticipated revenue trends and a high percentage of our expenses are fixed in the short term. As a result, any delay in generating or recognizing revenue could cause significant variations in our quarterly operating results and could result in substantial operating losses. Orders at the beginning of each quarter typically do not equal expected revenue for that quarter and are generally cancelable at any time. Accordingly, we are dependent upon obtaining orders in a quarter for shipment in that quarter to achieve our revenue objectives. In addition, the timing of product releases, purchase orders and product availability could result in significant product shipments at the end of a fiscal quarter. Failure to ship such products by the end of a quarter may adversely affect our operating results. Furthermore, our customer agreements typically provide that the customer may delay scheduled delivery dates and cancel orders within specified time frames without significant penalty.

Due to the foregoing factors, we believe that period-to-period comparisons of our operating results cannot be relied upon as an indicator of our future performance. It is likely that in some future quarter, our operating results may be below the expectations of public market analysts or investors. If this occurs, the price of our common stock would likely decrease.

Extreme May Not Be Able to Successfully Compete in the Intensely Competitive Market for Enterprise LAN Equipment

The market for enterprise LAN switches is part of the broader market for enterprise LAN equipment, which is dominated by a few large companies, particularly Bay Networks, Cabletron Systems, Cisco Systems and 3Com. Each of these companies has introduced, or has announced its intention to develop, enterprise LAN switches that are or may be competitive with our products. For example, in January 1999, Cisco announced its Catalyst 6000 family of chassis-based switches. In addition, there are a number of large telecommunications equipment providers, including Alcatel, Ericsson, Lucent Technologies, Nokia, Nortel Networks and Siemens, which have entered the market for enterprise LAN equipment, particularly through acquisitions of public and privately held companies. For example, in January 1998, Lucent acquired Prominet, a private switching company, and in August 1998, Northern Telecom acquired Bay Networks. We expect to face increased competition, particularly price competition, from these and other telecommunications equipment providers. We also expect to compete with other public companies that offer enterprise LAN switching products, such as FORE Systems and Xylan, and with private companies. These vendors may develop products with functionality similar to our products or provide alternative network solutions. Our OEMs may compete with us with their current products or products they may develop, and with the products they purchase from us. Current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to develop and offer competitive products. Furthermore, we compete with numerous companies that offer routers and other technologies and devices that traditionally have managed the flow of traffic on the enterprise LAN.

Many of our current and potential competitors have longer operating histories and substantially greater financial, technical, sales, marketing and other resources, as well as greater name recognition and a larger installed customer base, than we do. As a result, these competitors are able to devote greater resources to the development, promotion, sale and support of their products. In addition, competitors with a large installed customer base may have a significant competitive advantage over us. We have encountered, and expect to continue to encounter, many potential customers who are extremely confident in and committed to the product offerings of our principal competitors, including Cisco Systems, Nortel Networks and 3Com. Accordingly, such 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 certain large competitors have offered significant price discounts to secure such sales.

Because of the intense competition within the enterprise LAN equipment industry, the market is subject to frequent product introductions with improved price/performance characteristics, significant price reductions, rapid technological change and continued emergence of new industry standards. In order to remain competitive, we believe we must, among other things, invest significant resources in developing new products and enhancing our current products and maintaining customer satisfaction. If we fail to do so, our products may not compete favorably with those of our competitors and our business could be materially adversely affected. It is also common in the networking industry for competitors to acquire other companies as a means of introducing new products or emerging technologies. If a new technology or product emerges that may displace our product lines, our competitors that have large market capitalizations or cash reserves would be better positioned than we would be to acquire such new technology or product. Any failure by us to effectively introduce new products and enhancements on a timely basis would materially adversely affect our business, operating results and financial condition.

Extreme Expects the Average Selling Prices of Its Products to Rapidly Erode Which May Negatively Impact Gross Margins

The enterprise LAN equipment industry has experienced rapid erosion of average selling prices due to a number of factors, including competitive pricing pressures and rapid technological change. We may experience substantial period-to-period fluctuations in future operating results due to the erosion of our average selling prices. We anticipate that the average selling prices of our products will decrease in the future in response to competitive pricing pressures, increased sales discounts, new product introductions by us or our competitors or other factors. Therefore, to maintain our gross margins, 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 cause our revenue and gross margins to decline, which would materially adversely affect our business, operating results and financial condition.

Extreme's Market is Subject to Rapid Technological Change and It Needs to Introduce New Products that Achieve Broad Market Acceptance

The enterprise LAN equipment market is characterized by rapid technological change, frequent new product introductions, changes in customer requirements and evolving industry standards. The introduction of new products, market acceptance of products based on new or alternative technologies, or the emergence of new industry standards, could render our existing products obsolete. Developments in routers and routing software could also significantly reduce demand for our product. Alternative technologies, including asynchronous transfer mode, or ATM, could achieve widespread market acceptance and displace Ethernet technology on which our product lines and architecture are based. We cannot assure you that our technological approach will achieve broad market acceptance or that other technologies or devices will not supplant our approach. Our future success will depend upon our ability to continuously develop and introduce a variety of new products and product enhancements to address the increasingly sophisticated and changing requirements of enterprise LANs.

When we announce new products or product enhancements that have the potential to replace or shorten the life cycle of our existing products, customers may defer purchasing our existing products. These actions could

materially adversely affect our operating results by unexpectedly decreasing sales, increasing our inventory levels of older products and exposing us to greater risk of product obsolescence. The market for enterprise LAN switching products is evolving and we believe our ability to compete successfully in this market is dependent upon the continued compatibility and interoperability of our products with products and architectures offered by other vendors. In particular, the networking industry has been characterized by the successive introduction of new technologies or standards that have dramatically reduced the price and increased the performance of enterprise LAN equipment. To remain competitive we need to introduce products in a timely manner that incorporate or are compatible with these new technologies as they emerge. We have experienced delays in releasing new products and product enhancements and may experience similar delays in the future.

Continued Rapid Growth May Strain Extreme's Operations

Since the introduction of our product line, we have experienced a period of rapid growth and expansion which has placed, and continues to place, a significant strain on all of our resources. Our net revenue increased significantly during the last year, and from December 31, 1997 to December 31, 1998, the number of our employees increased from 80 to 159. We expect our anticipated growth and expansion to strain our management, operational and financial resources. Our management team has had limited experience managing such rapidly growing companies on a public or private basis. In January 1999, we hired a new Chief Financial Officer. To accommodate this anticipated growth, we will be required to:

- improve existing and implement new operational and financial systems, procedures and controls;

- hire, train and manage additional qualified personnel, including in the near future sales and marketing personnel; and

- effectively manage multiple relationships with our customers, suppliers and other third parties.

We may not be able to install adequate control systems in an efficient and timely manner, and our current or planned personnel systems, procedures and controls may not be adequate to support our future operations. For example, in the quarter ended June 30, 1998, our operating results were adversely impacted due to a provision of approximately $900,000 that we recorded for purchase order commitments for certain components that exceeded our estimated requirements at the end of that quarter. This was due primarily to an engineering change in certain of our Summit family of products and a reduced demand forecast from one of our customers.In August 1998, we installed a new management information system, but we have not fully implemented its functionality. The difficulties associated with installing and implementing these new systems, procedures and controls may place a significant burden on our management and our internal resources. In addition, if we grow internationally, we will have to expand our worldwide operations and enhance our communications infrastructure. Any delay in the implementation of such new or enhanced systems, procedures or controls, or any disruption in the transition to such new or enhanced systems, procedures or controls, could adversely affect our ability to accurately forecast sales demand, manage our supply chain and record and report financial and management information on a timely and accurate basis. Our inability to manage growth effectively could have a material adverse effect on our business, operating results and financial condition.

As a result of our rapid growth, we expect to move our entire operations in March 1999 to an approximately 77,000 square foot facility located in Santa Clara, California. This move may disrupt our business and materially adversely affect our operating results.

Extreme Depends on Its Indirect Distribution Channels

Our distribution strategy focuses primarily on developing and expanding indirect distribution channels through resellers and, to a lesser extent, OEMs, as well as expanding our field sales organization. Our success will depend on our ability to develop and cultivate relationships with significant resellers, as well as on the sales efforts and success of those resellers. Many of our resellers also sell products that compete with our products. We are developing a two-tier distribution structure which would require us to enter into agreements with a small number of stocking distributors. We cannot assure you that we will be able to enter into such agreements or successfully develop a two-tier distribution structure. Our failure to do so may materially adversely affect our business. In addition, our operating results will likely fluctuate significantly depending on the timing and amount

of orders from our resellers. We cannot assure you that our resellers will market our products effectively or continue to devote the resources necessary to provide us with effective sales, marketing and technical support.

In order to support and develop leads for our indirect distribution channels, we plan to expand our field sales and support staff significantly. We cannot assure you that this internal expansion will be successfully completed, that the cost of this expansion will not exceed the revenues generated or that our expanded sales and support staff will be able to compete successfully against the significantly more extensive and well-funded sales and marketing operations of many of our current or potential competitors. Our inability to effectively establish our distribution channels or manage the expansion of our sales and support staff would materially adversely affect our business, operating results and financial condition.

Extreme Has a Limited Number of Products and Is Dependent on Widespread Market Acceptance of Its Products

Extreme currently derives substantially all of its revenue from sales of its Summit and BlackDiamond product families. We expect that revenue from these product families will account for a substantial portion of our revenue for the foreseeable future. Widespread market acceptance of our product families is critical to our future success. Factors that may affect the market acceptance of our products include market acceptance of enterprise LAN switching products, and Gigabit Ethernet and Layer 3 switching technologies in particular, the performance, price and total cost of ownership of our products, the availability and price of competing products and technologies, and the success and development of our resellers, OEMs and field sales channels. Many of these factors are beyond our control. Our future performance will also depend on the successful development, introduction and market acceptance of new and enhanced products that address customer requirements in a cost-effective manner. The introduction of new and enhanced products may cause certain customers to defer or cancel orders for existing products. We have in the past experienced delays in product development and such delays may occur in the future. Failure of our existing or future products to maintain and achieve widespread levels of market acceptance would materially adversely affect our business, operating results and financial condition.

Extreme Depends on a Few Key Resellers, OEMs and Other Significant Customers

To date, a limited number of resellers, OEMs and other customers have accounted for a significant portion of our revenue. For example, for fiscal 1998, 3Com and Compaq accounted for 25% and 21% of our net revenue, respectively, and for the six-month period ended December 31, 1998, Compaq and Hitachi Cable accounted for 17% and 11% of our net revenue, respectively. Compaq is both an OEM and an end-user customer. Although our largest customers may vary from period-to-period, we anticipate that our operating results for any given period will continue to depend to a significant extent on large orders from a small number of customers, particularly in light of the high sales price per unit of our products and the length of our sales cycles. Our customers can stop purchasing and our resellers and OEMs can stop marketing our products at any time. Our reseller agreements generally are not exclusive and are for one year terms, with no obligation of the resellers to renew the agreements. These agreements provide for discounts based on expected or actual volumes of products purchased or resold by the reseller in a given period and do not require minimum purchases. In addition, we have established a program which, under specified conditions, enables third party resellers to return products to us. The amount of potential product returns is estimated and provided for in the period of the sale. Our reseller and OEM agreements do not require minimum purchases. Certain of our OEM agreements also provide manufacturing rights and access to our source code upon the occurrence of specified conditions of default. In some cases we work with our OEMs to develop and certify products. Because our expense levels are based on our expectations as to future revenue and to a large extent are fixed in the short term, any significant reduction or delay in sales of our products to any significant reseller, OEM or other customer or unexpected returns from resellers could materially adversely affect our business, operating results and financial condition. We cannot assure you that we will retain these customers or that we will be able to obtain additional or replacement customers. The loss of one or more of our key resellers, OEMs or other significant customers or the failure to obtain and ship a number of large orders each quarter could materially adversely affect our business, operating results and financial condition.

Our Products Have a Lengthy Sales Cycle

The timing of our sales revenue is difficult to predict because of our reliance on indirect sales channels and the length and variability of our sales cycle. Our products have a relatively high sales price per unit, and often represent a significant and strategic decision by an enterprise regarding its communications infrastructure. Accordingly, the purchase of our products typically involves significant internal procedures associated with the evaluation, testing, implementation and acceptance of new technologies. This evaluation process frequently results in a lengthy sales process, typically ranging from three months to longer than a year, and subjects the sales cycle associated with the purchase of our products to a number of significant risks, including budgetary constraints and internal acceptance reviews. The length of our sales cycle also may vary substantially from customer to customer. While our customers are evaluating our products and before they may place an order with us, we may incur substantial sales and marketing expenses and expend significant management effort. Consequently, if sales forecasted from a specific customer for a particular quarter are not realized in that quarter, we may be unable to compensate for the shortfall. The loss or delay of significant contracts with our resellers, OEMs or other key customers could materially adversely affect our operating results.

Extreme Currently Purchases Several Key Components Used in the Manufacture of Its LAN Switching Products Only from Single or Limited Sources

Extreme currently purchases several key components used in the manufacture of its products from single or limited sources. Our principal sole sourced components include ASICs, microprocessors, programmable integrated circuits, selected other integrated circuits, cables and custom-tooled sheet metal. Our principal limited sourced components include flash memories, dynamic and static random access memories, commonly known as DRAMs and SRAMs, respectively, and printed circuit boards. Generally, purchase commitments with our single or limited source suppliers are on a purchase order basis. LSI Logic manufactures all of our ASICs which are used in all of our switches. Any interruption or delay in the supply of any of these components, or the inability to procure these components from alternate sources at acceptable prices and within a reasonable time, would materially adversely affect our business, operating results and financial condition. In addition, qualifying additional suppliers can be time-consuming and expensive and may increase the likelihood of errors.

We use a rolling six-month forecast based on anticipated product orders 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 orders do not match forecasts, we may have excess or inadequate inventory of certain materials and components, which could materially adversely affect our operating results and financial condition. From time to time we have experienced shortages and allocations of certain components, resulting in delays in filling orders. In addition, during the development of our products we have experienced delays in the prototyping of our ASICs, which in turn has led to delays in product introductions. We are likely to encounter shortages and delays in obtaining components in the future which could materially adversely affect our business, operating results and financial condition.

Extreme Needs To Expand Its Manufacturing Operations and Is Dependent on Contract Manufacturers

If the demand for our products grows, we will need to increase our material purchases, contract manufacturing capacity and internal test and quality functions. Any disruptions in product flow may limit our revenue, could adversely affect our competitive position and could result in additional costs or cancellation of orders under agreements with our customers.

We rely on third party manufacturing vendors to manufacture our products. We currently subcontract substantially all of our manufacturing to two companies--Flextronics, located in San Jose, California, which manufactures our Summit1, Summit2 and Summit4 and BlackDiamond products, and MCMS, located in Boise, Idaho, which manufactures our Summit24 and Summit48 products. We have experienced a delay in product shipments from a contract manufacturer in the past, which in turn delayed product shipments to our customers. We may in the future experience similar or other problems, such as inferior quality and insufficient quantity of

product, any of which could materially adversely affect our business and operating results. There can be no assurance that we will effectively manage our contract manufacturers or that these manufacturers will meet our future requirements for timely delivery of products of sufficient quality and quantity. We intend to regularly 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. The inability of our contract manufacturers to provide us with adequate supplies of high-quality products or the loss of either of our contract manufacturers would cause a delay in our ability to fulfill orders while we obtain a replacement manufacturer and would have a material adverse effect on our business, operating results and financial condition.

As part of our cost-reduction efforts, we expect to realize lower per unit product costs from our contract manufacturers as a result of volume efficiencies. However, we cannot be certain when or if such price reductions will occur. The failure to obtain such price reductions would adversely affect our gross margins and operating results.

We outsource the majority of our manufacturing and supply chain management operations. Where cost-effective, we may begin to perform certain of our non-manufacturing out-sourced operations in-house. If we are unable to adequately perform such functions, our business, operating results and financial condition may be materially adversely affected.

Extreme Is Dependent on Certain Key Personnel and on Its Ability to Hire Additional Qualified Personnel

Our success depends to a significant degree upon the continued contributions of our key management, engineering, sales and marketing and manufacturing personnel, many of whom would be difficult to replace. In particular, we believe that our future success is highly dependent on Gordon Stitt, Chairman, President and Chief Executive Officer, Steve Haddock, Vice President and Chief Technical Officer, and Herb Schneider, Vice President of Engineering. We neither have employment contracts with nor key person life insurance on any of our key 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, finance and manufacturing personnel. Competition for such personnel is intense, especially in the San Francisco Bay Area, and there can be no assurance that we will be successful in attracting and retaining such personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel in the future or delays in hiring required personnel, particularly engineers and sales personnel, could materially adversely affect our business, operating results and financial condition. In addition, companies in the networking industry whose employees accept positions with competitors frequently claim that such competitors have engaged in unfair hiring practices. We have, from time to time, received such claims from other companies and, although to date they have not resulted in material litigation, we cannot assure you that we will not receive additional claims in the future as we seek to hire qualified personnel or that such claims will not result in material litigation. We could incur substantial costs in defending ourselves against any such claims, regardless of the merits of such claims.

Our Products Must Comply with Evolving Industry Standards and Government Regulations

The market for enterprise LAN equipment products is characterized by the need to support industry standards as different standards emerge, evolve and achieve acceptance. To remain competitive we must continue to introduce new products and product enhancements that meet these emerging standards. In the past, we have introduced new products that were not compatible with certain technological changes, 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. In addition, in the United States, our products must comply with various regulations and standards defined by the Federal Communications Commission and Underwriters Laboratories. Internationally, products that we develop may be required to comply with standards established by telecommunications authorities in various countries as well as with recommendations of the

International Telecommunication Union. Failure to comply with existing or evolving industry standards or to obtain timely domestic or foreign regulatory approvals or certificates could materially adversely affect our business, operating results and financial condition.

Extreme Needs to Expand Its Sales and Support Organizations to Increase Market Acceptance of Its Products

Our products and services require a sophisticated sales effort targeted at several levels within a prospective customer's organization. We have recently expanded our sales force and plan to hire additional sales personnel. Competition for qualified sales personnel is intense, and we might not be able to hire the kind and number of sales personnel we are targeting. Our inability to hire qualified sales personnel may materially adversely affect our business, operating results and financial condition.

We currently have a small customer service and support organization and will need to increase our staff to support new customers and the expanding needs of existing customers. The design and installation of networking products can be complex; accordingly, we need highly-trained customer service and support personnel. Hiring customer service and support personnel is very competitive in our industry due to the limited number of people available with the necessary technical skills and understanding of our products.

Extreme Is Dependent on the Success of Its International Operations

Sales to customers outside of North America accounted for approximately 59% and 50% of our net revenue in fiscal 1998 and the six-months ended December 31, 1998, respectively. Our ability to grow will depend in part on the expansion of international sales and operations. Our international sales primarily depend on our resellers and OEMs. The failure of our resellers and OEMs to sell our products internationally would materially adversely affect our business, operating results and financial condition. In addition, our international business is subject to certain customary risks, including:

- longer accounts receivable collection cycles;
- difficulties in managing operations across disparate geographic areas;
- difficulties associated with enforcing agreements through foreign legal systems;
- changes in a specific country's or region's political or economic conditions;
- trade protection measures;
- import or export licensing requirements;
- potential adverse tax consequences;
- unexpected changes in regulatory requirements; and
- reduced or limited protection of our intellectual property rights in some countries.

Our international sales currently are U.S. dollar-denominated. As a result, an increase in the value of the U.S. 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. Doing so will subject us to fluctuations in exchange rates between the U.S. dollar and the particular local currency.

We May Engage in Future Acquisitions That Dilute Our Stockholders, Cause Us to Incur Debt and Assume Contingent Liabilities

As part of our business strategy, we expect to review acquisition prospects that would complement our current product offerings, augment our market coverage or enhance our technical capabilities, or that may otherwise offer growth opportunities. While we have no current agreements or negotiations underway with respect to any such acquisitions, we may acquire businesses, products or technologies in the future. In the event of such future acquisitions, we could:

- issue equity securities which would dilute current stockholders' percentage ownership;

- incur substantial debt; or

- assume contingent liabilities.

Such actions by us could materially adversely affect our operating results and/or the price of our common stock. Acquisitions also entail numerous risks, including:

- difficulties in the assimilation of acquired operations, technologies or products;

- unanticipated costs associated with the acquisition;

- 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; and

- potential loss of key employees of acquired organizations.

We cannot assure you that we will 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 materially adversely affect our business, operating results and financial condition.

Extreme May Need Additional Capital Which May Not Be Available

At December 31, 1998, we had approximately $12.6 million in cash, cash equivalents and short-term investments. We believe that these amounts, proceeds from this offering and cash available from credit facilities and future operations will enable us to meet our working capital requirements for at least the next 12 months. We do not currently anticipate the need for additional capital but if cash from future operations is insufficient, or if cash is used for acquisitions or other currently unanticipated uses, we may need additional capital. The development and marketing of new products and the expansion of reseller channels and associated support personnel is expected to require a significant commitment of resources. In addition, if the market for enterprise Layer 3 LAN switches were to develop more slowly than anticipated or if we fail to establish significant market share and achieve a meaningful level of revenues, we may continue to incur significant operating losses and utilize significant amounts of capital. As a result, we could be required to raise substantial additional capital. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of such securities could result in dilution to existing stockholders. If additional funds are raised through the issuance of debt securities, such securities would have certain rights, preferences and privileges senior to holders of common stock and the term of such debt could impose restrictions on our operations. We cannot assure you that such additional capital, if required, will be available on acceptable terms, or at all. If we are unable to obtain such additional capital, we may be required to reduce the scope of our planned product development and marketing efforts, which would materially adversely affect our business, financial condition and operating results.

Undetected Software or Hardware Errors Could Have a Material Adverse Effect on Us

Network products frequently contain undetected software or hardware errors when first introduced or as new versions are released. We have experienced such errors in the past in connection with new products and product upgrades. We expect that such errors will be found from time to time in new or enhanced products after commencement of commercial shipments. These problems may cause us to incur significant warranty and repair costs, divert the attention of our engineering personnel from our product development efforts and cause significant customer relations problems.

Our products must successfully interoperate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the source of the problem. The occurrence of hardware and software errors, whether caused by our products or another vendor's products, could result in the delay or loss of market acceptance of our products and any necessary revisions may result in the incurrence of significant expenses. The occurrence of any such problems would likely have a material adverse effect on our business, operating results and financial condition.

We May Not Adequately Protect Our Intellectual Property and Our Products May Infringe on the Intellectual Property Rights of Third Parties

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We have filed eight U.S. patent applications relating to the architecture of our network switches and quality of service features. There can be no assurance that these applications will be approved, that any issued patents will protect our intellectual property or that they will not be challenged by third parties. Furthermore, there can be no assurance that others will not independently develop similar or competing technology or design around any patents that we may be issued.

We also enter into confidentiality or license agreements with our employees, consultants and corporate partners, and control access to and distribution of our software, documentation and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our products is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

The networking industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. From time to time, third parties may assert exclusive patent, copyright, trademark and other intellectual property rights to technologies that are important to us. Although we have not been party to any claims alleging infringement of intellectual property rights, we cannot assure you that we will not be subject to such claims in the future. In addition, there can be no assurance that third parties will not assert claims or initiate litigation against us or our manufacturers, suppliers or customers with respect to existing or future products. We may in the future initiate claims or litigation against third parties for infringement of our proprietary rights to determine the scope and validity of our proprietary rights of the rights of competitors. Any such claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel or require us to develop non-infringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on acceptable terms, if at all. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business, operating results and financial condition could be materially adversely affected.

Our Failure and the Failure of Our Key Suppliers and Customers To Be Year 2000 Compliant Could Negatively Impact Our Business

As is true for most companies, the Year 2000 computer issue creates a risk for us. If systems do not correctly recognize date information when the year changes to 2000, there could be an adverse impact on our operations. The risk exists in four areas:

- potential warranty or other claims from our customers;
- systems we used to run our business;
- systems used by our suppliers; and
- the potential reduced spending by other companies on networking solutions as a result of significant information systems spending on Year 2000 remediation.

We are currently evaluating our exposure in all of these areas.

We are in the process of conducting a comprehensive inventory and evaluation of the information systems used to run our business. Systems which are identified as non-compliant will be upgraded or replaced. For the Year 2000 non-compliance issues identified to date, the cost of remediation is not expected to be material to our operating results. However, if implementation of replacement systems is delayed, or if significant new non-compliance issues are identified, our operating results or financial condition could be materially adversely affected.

We intend to contact our critical suppliers to determine that the suppliers' operations and the products and services they provide are Year 2000 compliant. Where practicable, we will attempt to mitigate our risks with respect to the failure of suppliers to be Year 2000 ready. However, such failures remain a possibility and could have an adverse impact on our operating results or financial condition.

Although we believe our products are Year 2000 compliant, since all customer situations cannot be anticipated, we may see an increase in warranty and other claims as a result of the Year 2000 transition. In addition, litigation regarding Year 2000 compliance issues is expected to escalate. For these reasons, the impact of customer claims could have a material adverse impact on our operating results or financial condition.

Virtually all businesses face Year 2000 compliance issues and may require significant hardware and software upgrades or modifications to their computer systems and applications. Companies owning and operating such systems may plan to devote a substantial portion of their information systems' spending to fund such upgrades and modifications and divert spending away from networking solutions. Such changes in customers' spending patterns could materially adversely impact our business, operating results or financial condition.

Our Management Has Broad Discretion Over the Proceeds of this Offering

Our management can spend the net proceeds from this offering in ways with which the stockholders may not agree. We cannot assure you that our investment of the net proceeds of this offering will yield a favorable return.

Executive Officers and Directors of Extreme Will Control [ ]% of Its Common Stock

Executive officers, directors and entities affiliated with them will, in the aggregate, beneficially own approximately [ ]% of our outstanding common stock following the completion of this offering. These stockholders, if acting together, would be able to significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions.

Provisions in Our Charter or Agreements May Delay or Prevent a Change of Control

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include:

- the division of the board of directors into three separate classes;
- the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;
- the ability of the board of directors to alter our bylaws without getting stockholder approval; and
- the requirement that at least 10% of the outstanding shares are needed to call a special meeting of stockholders.

Furthermore, we are subject to the provisions of section 203 of the Delaware General Corporation Law. These provisions prohibit certain large stockholders, in particular those owning 15% or more of the outstanding voting stock, from consummating a merger or combination with a corporation unless this stockholder receives board approval for the transaction or 66 2/3% of the shares of voting stock not owned by the stockholder approve the merger or combination. Further, we have investor agreements with Compaq, Siemens and 3Com which require us to give these companies notice if we receive an acquisition offer or if we intend to pursue one.

Substantial Future Sales of Our Common Stock in the Public Market Could Cause Our Stock Price To Fall

Sales of our common stock in the public market after this offering could adversely affect the market price of our common stock. Upon completion of this offering, we will have approximately shares of common

stock outstanding, of which approximately shares (approximately if the underwriters' over-allotment option is exercised in full) will be freely transferable without restriction or registration under the Securities Act of 1933 (the "Securities Act"), unless such shares are held by our affiliates, as that term is defined in Rule 144 under the Securities Act. The officers and directors and all of our existing stockholders have agreed with Morgan Stanley & Co. Incorporated or have otherwise agreed with Extreme not to sell or otherwise dispose of any of their shares for 180 days after the date of this prospectus. However, Morgan Stanley & Co. Incorporated may, in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements. All of our other stockholders have agreed with us not to sell or otherwise dispose of any of their shares for 180 days after the date of this prospectus. Holders of 33,786,315 shares of common stock will have certain rights with respect to registration of such shares for sale to the public. Sales of common stock by existing stockholders in the public market, or the availability of such shares for sale, could adversely affect the market price of the common stock. In addition, approximately shares are issuable upon exercise of outstanding options granted under stock option plans as of the date of this prospectus. We intend to file a registration statement promptly after the closing of this offering to allow resale of such option shares. See "Shares Eligible for Future Sale."

The Shares To Be Sold in the Offering Will Immediately and Substantially Dilute Our Current Stockholders

The initial public offering price is substantially higher than the net tangible book value per share of the outstanding common stock immediately after the offering. Accordingly, purchasers of shares will experience immediate and substantial dilution of approximately $ in net tangible book value per share, or approximately % of the offering price of $ per share. In contrast, existing stockholders paid an average price of $ per share. Some existing stockholders acquired their shares from Extreme or its officers between and at prices ranging from $ to $ per share.

Our Stock Price May Be Extremely Volatile and You May Not Be Able To Resell Shares At or Above the Offering Price

There was no public market for Extreme shares prior to this offering. The offering price for the shares will be determined through negotiations between the representatives of the underwriters and us. You may not be able to resell your shares at or above the initial public offering price due to a number of factors, including:

- actual or anticipated fluctuations in our operating results;
- changes in expectations as to our future financial performance or changes in financial estimates of securities analysts;
- announcements of technological innovations; and
- the operating and stock price performance of other comparable companies.

In addition, the stock market in general has experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

You should read the "Underwriters" section for a more complete discussion of the factors to be considered in determining the initial public offering price.

THE COMPANY

Extreme Networks is a leading provider of next generation LAN switching solutions that meet the increasing needs of enterprise LANs. Through the use of our custom ASICs and a common hardware, software and management architecture, we offer our customers LAN solutions with increased performance, scalability, Policy-Based Quality of Service, ease of use and lower cost of ownership. Our products incorporate non-blocking Layer 3 switching functionality in ASICs, resulting in products that are less expensive than software-based routers, yet offer improved performance throughout the enterprise LAN from the network core to the desktop. The Dell'Oro Group estimates that the market for Layer 3 switching totaled $577 million in 1998 and is expected to increase to approximately $3.4 billion in 2001.

The increased use of data-intensive, mission-critical applications, the widespread implementation of intranets and extranets, and the ubiquity of Internet technologies have burdened the LAN infrastructure with unpredictable traffic patterns and unpredictable traffic loads. To address the need to improve LAN performance, new and faster technologies employing multiple hardware and software protocols were developed. These multiple protocols caused enterprise LANs to become more complex, expensive and difficult to manage in part because of the need for multiple-protocol routers that are based on software and expensive CPUs. With the wide acceptance of Ethernet and the Internet Protocol, the need to support a multi-protocol environment has diminished. Extreme has developed Layer 3 switches based on our custom ASICs which function as less expensive and significantly faster routers. Our Layer 3 switches operate at Gigabit speed, can support large networks, can support advanced traffic prioritization and, unlike most Layer 3 switches, do not block traffic in high utilization scenarios.

Our Summit stackable and BlackDiamond modular product families provide end-to-end LAN solutions that meet the requirements of today's enterprise LANs. Our products offer the following benefits:

- High Performance: Our products provide Gigabit Ethernet and Fast Ethernet together with the non-blocking, wire-speed routing of Layer 3 switching.
- Ease of Use and Implementation: Our products offer a common architecture and are compatible with existing LAN devices, making them easy to install and manage.
- Scalability: Our solutions offer customers the speed and bandwidth they need with the capability to scale their LANs to support demanding applications in the future.
- Quality of Service: Our Policy-Based Quality of Service enables customers to prioritize mission-critical applications by providing industry-leading tools for allocating resources to specific applications.
- Lower Cost of Ownership: Our products are less expensive than software-based routers, yet offer higher routing performance throughout the enterprise LAN.

We sell our products through domestic and international resellers, OEMs and field sales. We have entered into agreements with more than 100 resellers in 39 countries, and we have established four key OEM relationships with leaders in the telecommunications, personal computer and computer networking industries. Our field sales organization supports and develops leads for our resellers and establishes and maintains a limited number of key accounts and strategic customers, such as Barnes and Noble, Compaq, Lockheed Martin, MSNBC and Pennzoil. Our products have been deployed in a broad range of organizations, ranging from companies in the telecommunications, manufacturing, medical, computer services, media and finance industries to educational industries and federal agencies.

We are incorporated in California and will reincorporate in Delaware prior to the consummation of the offering. Our executive offices are located at 10460 Bandley Drive, Cupertino, California 95014-1972 and our telephone number is (408) 342-0999.

USE OF PROCEEDS

The net proceeds to be received by Extreme from the sale of shares of common stock in this offering are estimated to be $ ($ if the underwriters exercise their over-allotment option on full), at an assumed initial public offering price of $ and after deducting underwriting discounts and commissions and estimated offering expenses of $ payable by Extreme.

Extreme will use the net proceeds for general corporate purposes, including capital expenditures and working capital. We may use some of the net proceeds to pay down outstanding equipment balances under our capital equipment line of credit and subordinated loan agreements, although we have no specific plans to do so. A portion of the net proceeds may also be used to acquire or invest in complementary businesses, technologies, product lines or products. We have no current plans, agreements or commitments with respect to any such acquisition, and we are not currently engaged in any negotiations with respect to any such transaction. Our management will have broad discretion concerning the allocation and use of all the net proceeds of the offering to be received by us. Pending such uses, the net proceeds of the offering will be invested in investment grade, interest-bearing securities.

DIVIDEND POLICY

We have never paid cash dividends. We do not anticipate paying cash dividends in the near future. Under the terms of our line of credit facilities, we may not declare or pay any cash dividends without the prior consent of the lenders under each of the credit facilities.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 1998:

- on an actual basis;
- on a pro forma basis to reflect the conversion upon the closing of the offering of all outstanding shares of preferred stock into 29,061,573 shares of common stock; and
- on a pro forma basis as adjusted to reflect the sale of the common stock offered hereby at an assumed initial public offering price of $ per share and the receipt of the net proceeds therefrom, after deducting the estimated expenses and underwriting discounts and commissions payable by Extreme.

This information should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this prospectus.

	December 31, 1998		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands except share data) (unaudited)		
Long-term debt, less current portion(1).....	$ 2,719	$ 2,719	$ 2,719
Stockholders' equity:			
Convertible preferred stock, $.001 par value, issuable in series: 24,000,000 shares authorized at June 30, 1997; 29,900,000 shares authorized at actual, (2,000,000 shares pro forma); 29,061,573 shares issued and outstanding actual, (none pro forma); aggregate liquidation preference of $38,046 actual, (none pro forma).....	29	--	--
Common stock, $.001 par value; 50,000,000 shares authorized (150,000,000 pro forma); 11,791,195 shares outstanding actual; 40,852,768 issued and outstanding, pro forma and as adjusted(2).....	12	41	
Additional paid-in capital.....	38,333	38,333	
Accumulated deficit.....	(26,634)	(26,634)	(26,634)
Total stockholders' equity.....	11,740	11,740	
Total capitalization.....	$ 14,459	$ 14,459	$

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(1) See Notes 4 and 5 of Notes to Consolidated Financial Statements.

(2) Excludes 3,710,328 shares of common stock issuable upon exercise of outstanding options at December 31, 1998 at a weighted average exercise price of $2.55 per share and 337,398 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $1.00 per share. See "Management--Amended 1996 Stock Option Plan."

DILUTION

Our pro forma net tangible book value as of December 31, 1998 was approximately $ or $.29 per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities divided by the total number of shares of common stock outstanding (assuming the conversion of all outstanding shares of preferred stock into shares of common stock). After giving effect to the sale by Extreme of the shares of common stock offered hereby (at an assumed initial public offering price of $ per share) and receipt of the estimated net proceeds therefrom, our adjusted net tangible book value as of December 31, 1998 would have been approximately $ or $ per share. This represents an immediate increase in such net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors. If the initial public offering price is higher or lower, the dilution to new investors will be, respectively, greater or less. The following table illustrates this per share dilution.

Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share as of December 31, 1998.....	$.29	
Increase in pro forma net tangible book value per share attributable to new investors.....		
Pro forma net tangible book value per share after this offering.....		
Dilution per share to new investors(1).....		$

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(1) Dilution is determined by subtracting pro forma net tangible book value per share after the offering from the assumed initial public offering price per share.

The following table sets forth, on a pro forma basis, as of December 31, 1998, the number of shares of common stock purchased from Extreme, the total consideration paid (or to be paid), and the average price per share paid (or to be paid) by existing stockholders and by new investors at the assumed initial public offering price of $ per share, before deducting estimated underwriting discounts and commissions and offering expenses payable by Extreme:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders.....	40,852,768	%	$	%	$
New investors.....					
Total.....		100%	$	100%	

The foregoing table assumes no exercise of the underwriters' over-allotment option. See "Underwriters." The foregoing table also assumes that no options have been or are exercised after December 31, 1998. As of December 31, 1998, there were outstanding options to purchase an aggregate of 3,710,328 shares of common stock at a weighted average exercise price of $2.55 per share and warrants to purchase an aggregate of 337,398 shares of common stock at a weighted average exercise price of $1.00 per share. If all such options and warrants had been exercised on December 31, 1998, our net tangible book value of Extreme on such date would have been $ or $ per share, the increase in net tangible book value attributable to new investors would have been $ per share and the dilution in net tangible book value to new investors would have been $ per share. See "Management--Amended 1996 Stock Option Plan" and Note 6 of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Operating Results and Extreme's Consolidated Financial Statements and the Notes thereto included elsewhere in this prospectus. The table below sets forth selected consolidated financial data for Extreme for, and as of the end of, each of the years in the two year period ended June 30, 1998 and the six-month periods ended December 31, 1997 and 1998. The selected consolidated financial data for fiscal 1997 and 1998, are derived from the consolidated financial statements of Extreme which were audited by Ernst & Young LLP. The financial data for the six-month periods ended December 31, 1997 and 1998 are derived from unaudited financial statements included elsewhere in this prospectus. In the opinion of management, such unaudited financial statements have been prepared on the same basis as the audited financial statements referred to above and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of Extreme's operating results for the indicated periods. Operating results for the six months ended December 31, 1998 are not necessarily indicative of the results that may be expected for the full fiscal year.

	Year Ended June 30,		Six Months Ended December 31,	
	1997	1998	1997	1998
	(in thousands, except per share data)			
Consolidated Statement of Operations Data:				
Net revenue	$ 256	$ 23,579	$ 6,104	$ 30,851
Cost of revenue	388	14,897	3,557	15,605
Gross profit (loss)	(132)	8,682	2,547	15,246
Operating expenses:				
Research and development	5,351	10,668	4,548	6,580
Selling and marketing	1,554	9,601	3,450	10,203
General and administrative	1,023	2,372	1,040	2,700
Total operating expenses	7,928	22,641	9,038	19,483
Operating loss	(8,060)	(13,959)	(6,491)	(4,237)
Interest expense	(79)	(326)	(83)	(201)
Interest and other income	216	417	109	295
Loss before income taxes	(7,923)	(13,868)	(6,465)	(4,143)
Provision for income taxes	--	--	--	(700)
Net loss	$ (7,923)	$ (13,868)	$ (6,465)	$ (4,843)
Basic and diluted net loss per common share	$ (4.51)	$ (3.17)	$ (1.84)	$ (.71)
Shares used in per share calculation(1)	1,758	4,379	3,510	6,867
Pro forma net loss per share--basic and diluted(1)	--	$ (.44)	--	$ (.14)
Shares used in pro forma per share calculation(1)	--	31,701	--	35,929

	As of June 30,		As of December 31,
	1997	1998	1998
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$10,047	$ 9,510	$5,792
Working capital	8,251	13,796	9,284
Total assets	11,942	33,731	27,352
Long-term debt and capital lease obligations due after one year	502	2,634	2,719
Total stockholders' equity	9,305	15,869	11,740

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(1) See Note 1 of Notes to Consolidated Financial Statements for an explanation of the determination of the number of shares used to compute net loss per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

The following commentary should be read in conjunction with the Consolidated Financial Statements and the related Notes contained elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. These statements relate to future events or our future financial performance. In many cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of such terms and other comparable terminology. These statements are only predictions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

From our inception in May 1996 through September 1997, our operating activities related primarily to developing a research and development organization, testing prototype designs, building an ASIC design infrastructure, commencing the staffing of our marketing, sales and field service and technical support organizations, and establishing relationships with resellers and OEMs. We commenced volume shipments of our Summit1 and Summit2, the initial products in our Summit stackable product family, in October 1997, and we began shipping our BlackDiamond modular product family in September 1998. Since inception, we have incurred significant losses and as of December 31, 1998, we had an accumulated deficit of $26.6 million. See "Risk Factors--Extreme Has a History of Losses and Expects Future Losses."

Our revenue is derived primarily from sales of our Summit and BlackDiamond product families and fees for services relating to our products, including maintenance and training. In fiscal 1998, sales to 3Com and Compaq accounted for 25% and 21% of our net revenue, respectively, and in the six-month period ended December 31, 1998, Compaq and Hitachi Cable accounted for 17% and 11% of our net revenue, respectively. Compaq is an OEM and an end-user customer. The level of sales to any customer may vary from period to period; however, we expect that significant customer concentration will continue for the foreseeable future. See "Risk Factors--Extreme Depends on a Few Key Resellers, OEMs and Other Significant Customers."

We market and sell our products primarily through resellers and, to a lesser extent, OEMs and our field sales organization. We sell our products through more than 100 resellers in 39 countries. In the six-month period ended December 31, 1998, sales to customers outside of North America accounted for approximately 50% of our net revenue. Currently, all of our international sales are denominated in U.S. dollars. We generally recognize product revenue at the time of shipment, unless we have future obligations for installation or have to obtain customer acceptance, in which case revenue is deferred until such obligations have been satisfied. We have established a program which, under specified conditions, enables third party resellers to return products to us. The amount of potential product returns is estimated and provided for in the period of the sale. Service revenue is recognized ratably over the term of the contract period, which is typically 12 months.

We expect to experience rapid erosion of average selling prices of our products due to a number of factors, including competitive pricing pressures and rapid technological change. Our gross margins will be affected by such declines and by fluctuations in manufacturing volumes, component costs and the mix of product configurations sold. In addition, our gross margins may fluctuate due to the mix of distribution channels through which our products are sold, including the potential effects of our development of a two-tier distribution channel. We generally realize higher gross margins on sales to resellers than on sales through our OEMs. Any significant decline in sales to our OEMs or resellers, or the loss of any of our OEMs or resellers could materially adversely affect our business, operating results and financial condition. In addition, the introduction of new products can cause product transitions and result in excess or obsolete inventories. Any excess or obsolete inventories may also reduce our gross margins.

We outsource the majority of our manufacturing and supply chain management operations, and we conduct quality assurance, manufacturing engineering, documentation control and repairs at our facility in Cupertino,

California. Accordingly, a significant portion of our cost of revenue consists of payments to our contract manufacturers, Flextronics and MCMS. We expect to realize lower per unit product costs as a result of volume efficiencies. However, we cannot assure you when or if such price reductions will occur. The failure to obtain such price reductions could materially adversely affect our gross margins and operating results.

Research and development expenses consist principally of salaries and related personnel expenses, consultant fees and prototype expenses related to the design, development, testing and enhancement of our ASICs and software. We expense all research and development expenses as incurred. We believe that continued investment in research and development is critical to attaining our strategic product and cost-reduction objectives and, as a result, we expect these expenses to increase in absolute dollars in the future.

Selling and marketing expenses consist of salaries, commissions and related expenses for personnel engaged in marketing, sales and field service support functions, as well as trade shows and promotional expenses. We intend to pursue selling and marketing campaigns aggressively and therefore expect these expenses to increase significantly in absolute dollars in the future. In addition, we expect to substantially expand our field sales operations to support and develop leads for our resellers, which would also result in an increase in selling and marketing expenses.

General and administrative expenses consist primarily of salaries and related expenses for executive, finance and administrative personnel, recruiting expenses, professional fees and other general corporate expenses. We expect general and administrative expenses to increase in absolute dollars as we add personnel and incur additional costs related to the growth of our business and operation as a public company.

Despite growing revenues, we have not been profitable and expect to continue to incur net losses. Our net losses have not decreased proportionately with the increase in our revenue primarily because of increased expenses relating to our growth in operations. Because of the lengthy sales cycle of our products, there is often a significant delay between the time we incur expenses and the time we realize the related revenue. See "Risk Factors--Our Products Have a Lengthy Sales Cycle." In addition, we expect to move to a 77,000 square foot facility located in Santa Clara, California in March 1999. The rent for this new facility will be significantly greater than our rent obligations for our current facility. To the extent that future revenues do not increase significantly in the same periods in which operating expenses increase, our operating results would be adversely affected. See "Risk Factors--Extreme's Quarterly Financial Results May Fluctuate Significantly."

Quarterly Operating Results

The following tables present unaudited quarterly results, in dollars and as a percentage of net revenue, for the six quarters ended December 31, 1998. We believe this information reflects all adjustments (consisting only of normal recurring adjustments) that we consider necessary for a fair presentation of such information in accordance with generally accepted accounting principles. The results for any quarter are not necessarily indicative of results for any future period.

	Quarter ended					
	Sept. 30, 1997	Dec. 31, 1997	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998
	(in thousands)					
Net revenue	$ 593	$ 5,511	$ 7,335	$10,140	$12,892	$17,959
Cost of revenue	545	3,012	5,490	5,850	6,536	9,069
Gross profit	48	2,499	1,845	4,290	6,356	8,890
Operating expenses:						
Research and development	2,877	1,671	2,752	3,368	3,537	3,043
Selling and marketing	1,475	1,975	2,457	3,694	4,762	5,441
General and administrative	465	575	655	677	1,166	1,534
Total operating expenses	4,817	4,221	5,864	7,739	9,465	10,018
Operating loss	(4,769)	(1,722)	(4,019)	(3,449)	(3,109)	(1,128)
Interest expense	(32)	(51)	(111)	(132)	(105)	(96)
Interest and other income	77	32	136	176	280	15
Loss before income taxes	(4,724)	(1,741)	(3,994)	(3,405)	(2,934)	(1,209)
Provision for income taxes	--	--	--	--	--	(700)
Net loss	$(4,724)	$(1,741)	$(3,994)	$(3,405)	$(2,934)	$(1,909)

	As a Percentage of Net Revenue					
	Sept. 30, 1997	Dec. 31, 1997	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	91.9	54.7	74.8	57.7	50.7	50.5
Gross profit	8.1	45.3	25.2	42.3	49.3	49.5
Operating expenses:						
Research and development	485.2	30.3	37.5	33.2	27.4	16.9
Selling and marketing	248.7	35.8	33.5	36.4	36.9	30.3
General and administrative	78.4	10.4	8.9	6.7	9.0	8.5
Total operating expenses	812.3	76.6	79.9	76.3	73.4	55.8
Operating loss	(804.2)	(31.3)	(54.8)	(34.0)	(24.1)	(6.3)
Interest expense	(5.4)	(0.9)	(1.5)	(1.3)	(0.8)	(0.5)
Interest and other income	(13.0)	0.6	1.9	1.7	2.2	0.1
Income taxes	--	--	--	--	--	(3.9)
Net loss	(796.6)%	(31.6)%	(54.5)%	(33.6)%	(22.8)%	(10.6)%

Six Quarters Ended December 31, 1998

Net Revenue. Our net revenue increased in each of the six quarters ended December 31, 1998. The increase in net revenue in these periods reflected the introduction of our Summit stackable product family in October 1997, our introduction of additions to that product family, the introduction of our BlackDiamond modular product family in September 1998, significant growth of the enterprise LAN switching market, and the benefits of increased investment in our sales and marketing operations.

Gross Profit. Our gross profit increased in each of the six quarters ended December 31, 1998, except in the quarter ended March 31, 1998. The increases were primarily due to decreased unit manufacturing costs resulting from higher volumes, offset in part by mix fluctuations and competitive market pricing. The decrease in the March 31, 1998 quarter was primarily due to an increase in our warranty reserve in connection with the repair and replacement of certain products. In addition, the gross profit and gross margins were adversely impacted in the June 30, 1998 quarter due to a provision of approximately $900,000 that we recorded for purchase order commitments for certain components that exceeded our estimated requirements at the end of that quarter. This was due primarily to an engineering change in certain of our Summit family of products and a reduced demand forecast from one of our customers.

Research and Development Expenses. Our research and development expenses increased in absolute dollars in each of the six quarters ended December 31, 1998, except for the quarters ended December 31, 1997 and 1998. Personnel costs increased in each of the six quarters; however, prototype material expenses fluctuated from quarter to quarter primarily due to the timing of product and technology development and on the reimbursement by OEMs of non-recurring engineering costs, which was used to offset the related OEM product development costs. We believe that fluctuations due to changes in prototyping and materials costs will not be as significant as we introduce future products and product enhancements. Research and development expenses as a percentage of net revenue declined in each of our last three fiscal quarters due to substantial increases in our net revenue in each such quarter.

Selling and Marketing Expenses. Selling and marketing expenses increased in each of the six quarters ended December 31, 1998. The increases were primarily due to expenses related to our product launches, the addition of sales personnel and increased commission expenses resulting from higher sales.

General and Administrative Expenses. General and administrative expenses increased in each of the six quarters ended December 31, 1998, except for the quarter ended June 30, 1998 for which expenses remained flat compared to the preceding quarter. The increases primarily reflected the addition of finance, information technology, legal and administrative personnel.

We recorded a tax provision of $700,000 for the period ending December 31, 1998. The provision for income taxes consists primarily of foreign taxes, state income taxes and federal alternative minimum taxes. FASB Statement No. 109 provides for the recognition of deferred tax assets if realization of such assets is more likely than not. Based upon the weight of available evidence, which includes our historical operating performance and the reported cumulative net losses in all prior years, we have provided a full valuation allowance against our net deferred tax assets. We intend to evaluate the realizability of the deferred tax assets on a quarterly basis.

Our Quarterly Financial Results May Fluctuate Significantly

Our quarterly revenue and operating results have varied significantly in the past and may vary significantly in the future due to a number of factors, including:

- fluctuations in demand for our products and services, including seasonality, particularly in Asia;
- the timing and amount of orders for our products and services, particularly large orders from our key resellers, OEMs and other significant customers;
- unexpected product returns or the cancellation or rescheduling of significant orders;
- our ability to develop, introduce, ship and support new products and product enhancements and manage product transitions;
- announcements and new product introductions by our competitors;
- the expected rapid erosion of the average selling prices of our products;
- our ability to achieve required cost reductions;
- our ability to obtain sufficient supplies of sole or limited sourced components for our products;

- unfavorable changes in the prices of the components we purchase;
- our ability to attain and maintain production volumes and quality levels for our products;
- the mix of products sold and the mix of distribution channels through which they are sold;
- costs relating to possible acquisitions and integration of technologies or businesses; and
- enterprise LAN market conditions and economic conditions generally.

We plan to significantly increase our operating expenses to expand our sales and marketing activities, broaden our customer support capabilities, develop new distribution channels, fund increased levels of research

and development and build our operational infrastructure. We base our operating expenses on anticipated revenue trends and a high percentage of our expenses are fixed in the short term. As a result, any delay in generating or recognizing revenue could cause significant variations in our quarterly operating results from and could result in substantial operating losses. Orders at the beginning of each quarter typically do not equal expected revenue for that quarter and are generally cancelable at any time. Accordingly, we are dependent upon obtaining orders in a quarter for shipment in that quarter to achieve our revenue objectives. In addition, the timing of product releases, purchase orders and product could result in significant product shipments at the end of a fiscal quarter. Failure to ship such products by the end of a quarter may adversely affect our operating results. Furthermore, our customer agreements typically provide that the customer may delay scheduled delivery dates and cancel orders within specified time frames without significant penalty.

Due to the foregoing factors, we believe that period-to-period comparisons of our operating results cannot be relied upon as an indicator of our future performance.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of net revenue represented by certain items reflected in our Consolidated Financial Statements:

	Year Ended June 30,		Six Months Ended December 31,	
	1997	1998	1997	1998
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	151.6	63.2	58.3	50.6
Gross profit (loss)	(51.6)	36.8	41.7	49.4
Operating expenses:				
Research and development	2090.2	45.2	74.5	21.3
Selling and marketing	607.0	40.7	56.5	33.1
General and administrative	399.6	10.1	17.0	8.8
Total operating expenses	3096.8	96.0	148.1	63.2
Operating loss	(3148.4)	(59.2)	(106.3)	(13.7)
Interest expense	(30.9)	(1.4)	(1.4)	(0.7)
Interest and other income	84.4	1.8	1.8	1.0
Income taxes	--	--	--	(2.3)
Net loss	(3094.9)%	(58.8)%	(105.9)%	(15.7)%

Six Months Ended December 31, 1997 and 1998

Net Revenue. Net revenue increased from $6.1 million for the six-month period ended December 31, 1997 to $30.9 million for the six-month period ended December 31, 1998, an increase of $24.8 million. This increase resulted primarily from increased sales of our Summit stackable products and the introduction of our BlackDiamond modular product family in September 1998.

North America sales increased from $1.2 million for the six-month period ended December 31, 1997 to $15.9 million for the six-month period ended December 31, 1998, an increase of $14.7 million. Sales outside North America increased from $4.9 million for the six-month period ended December 31, 1997 to $15.0 million for the six-month period ended December 31, 1998, an increase of $10.1 million. The overall increase in sales outside North America reflected the growth in demand for our Summit and BlackDiamond products and an increase in the number of resellers, offset in part by a decrease in OEM sales.

Gross Profit. Gross profit increased from $2.5 million for the six-month period ended December 31, 1997 to $15.2 million for the six-month period ended December 31, 1998, an increase of $12.7 million. Gross margins

increased from 41.7% for the six-month period ended December 31, 1997 to 49.4% for the six-month period ended December 31, 1998. The increase in gross margins resulted primarily from a shift in our channel mix from OEMs to resellers, reductions in component costs and improved manufacturing efficiencies, which were offset in part by lower average selling prices due to increased competition.

Research and Development Expenses. Research and development expenses increased from $4.5 million for the six-month period ended December 31, 1997 to $6.6 million for the six-month period ended December 31, 1998, an increase of $2.1 million. The increase was primarily due to the hiring of additional engineers and an increase in depreciation charges due to increases in capital spending on design and simulation software and test equipment. For the six-month periods ended December 31, 1997 and 1998, research and development costs decreased as a percentage of net revenue from 74.5% to 21.3%. This percentage decrease was primarily the result of an increase in our net revenue.

Selling and Marketing Expenses. Selling and marketing expenses increased from $3.5 million for the six-month period ended December 31, 1997 to $10.2 million for the six-month period ended December 31, 1998, an increase of $6.7 million. This increase was primarily due to the hiring of additional sales and customer support personnel, the establishment of new sales offices, advertising and promotional campaigns in support of the introduction of our BlackDiamond modular product family in September 1998, and increased commission expense on higher revenues. For the six-month periods ended December 31, 1997 and 1998, selling and marketing expenses decreased as a percentage of net revenue from 56.5% to 33.1%. This percentage decrease was primarily the result of an increase in our net revenue.

General and Administrative Expenses. General and administrative expenses increased from $1.0 million for the six-month period ended December 31, 1997 to $2.7 million for the six-month period ended December 31, 1998, an increase of $1.7 million. This increase was due primarily to the hiring of additional finance, information technology and legal and administrative personnel, as well as increases in professional fees, and increased spending on information systems. For the six-month periods ended December 31, 1997 and 1998, general and administrative expenses decreased as a percentage of net revenue from 17.0% to 8.8%. This percentage decrease was primarily the result of an increase in our net revenue.

Income Taxes. We incurred significant operating losses for all periods from inception through December 31, 1998. We have recorded a valuation allowance for the full amount of our net deferred tax assets as the future realization of the tax benefit is not sufficiently assured.

Fiscal 1997 Compared with Fiscal 1998

Net Revenue. Net revenue increased from $256,000 for fiscal 1997 to $23.6 million for fiscal 1998, an increase of $23.3 million. The increase in net revenue for fiscal 1998 reflected the commencement of shipments by our OEMs in the quarter ending September 30, 1997 and the introduction of our Summit stackable product family in the quarter ending December 31, 1997. Net revenue for fiscal 1997 was negligible as we were in the start-up stage of development.

Gross Profit (Loss). Gross profit increased from a loss of ($132,000) for fiscal 1997 to a profit of $8.7 million for fiscal 1998, an increase of $8.6 million. Gross margins increased from (51.6%) for fiscal 1997 to 36.8% for fiscal 1998. The increase resulted from a shift from primarily research and development activities to production and sales of our products.

Research and Development Expenses. Research and development expenses increased from $5.4 million for fiscal 1997 to $10.7 million for fiscal 1998, an increase of $5.3 million. The increase resulted primarily from the hiring of additional engineers and an increase in prototype material expenses for new product development. For fiscal 1997 and 1998, research and development expenses decreased as a percentage of net revenue from 2090.2% to 45.2%. This percentage decrease was primarily the result of an increase in our net revenue.

Selling and Marketing Expenses. Selling and marketing expenses increased from $1.6 million for fiscal 1997 to $9.6 million for fiscal 1998, an increase of $8.0 million. This increase was primarily due to the hiring of additional sales and customer support personnel, the establishment of new sales offices, advertising and promotional campaigns in support of the introduction of our Summit stackable product family, and increased commission expenses resulting from higher sales. For fiscal 1997 and 1998, selling and marketing expenses decreased as a percentage of net revenue from 607.0% to 40.7%. This percentage decrease was primarily the result of an increase in our net revenue.

General and Administrative Expenses. General and administrative expenses increased from $1.0 million for fiscal 1997 to $2.4 million for fiscal 1998, an increase of $1.4 million. This increase reflected primarily additional finance, information technology and legal and administrative personnel, increases in amounts paid for professional fees, and increased spending on our information systems. For fiscal 1997 and 1998, general and administrative expenses decreased as a percentage of net revenue from 399.6% to 10.1%. This percentage decrease was primarily the result of an increase in our net revenue.

Liquidity and Capital Resources

Since inception, we have financed our operations and capital expenditures primarily through the sale of preferred stock and capital lease and other debt financing. Cash used in operations for the six-month periods ended December 31, 1997 and 1998 were $8.6 million and $6.5 million, respectively. As of December 31, 1998, we had $12.6 million in cash, cash equivalents and short-term investments. We expect that accounts receivable will continue to increase to the extent our revenues continue to rise. Any such increase can be expected to reduce cash, cash equivalents and short-term investments.

We have a revolving line of credit for $5.0 million with Silicon Valley Bank. Borrowings under this line of credit bear interest at the bank's prime rate. As of December 31, 1998, there were no outstanding borrowings under this line of credit. We also have a capital equipment line with Silicon Valley Bank for $4.0 million. Borrowings under this capital equipment line bear interest at the bank's prime rate. This agreement requires that we maintain certain financial ratios and levels of tangible net worth, profitability and liquidity. As of December 31, 1998, borrowings under this capital equipment line were approximately $783,000. In addition, we have a $5.0 million subordinated loan and security agreement with Comdisco, Inc. Borrowings under this loan bear interest at a rate of 9.75% per annum and are secured by all of our tangible assets. As of December 31, 1998, borrowings under this loan were $2.0 million.

Capital expenditures were $2.5 million for the six months ended December 31, 1998 and $922,000 for the six months ended December 31, 1997. We expect capital expenditures to increase in the second half of fiscal 1999 primarily due to costs of moving to a new facility and capital expenditures for information systems and manufacturing test fixtures.

In February 1999, we agreed to lease a 77,000 square foot facility in Santa Clara, California. The related cost of this lease is expected to be approximately $120,000 per month. The lease has a term of 44 months.

We require substantial capital to fund our business, particularly to finance inventories and accounts receivable and for capital expenditures. Our future capital requirements will depend on many factors, including the rate of revenue growth, the timing and extent of spending to support product development efforts and expansion of sales and marketing, the timing of introductions of new products and enhancements to existing products, and market acceptance of our products. As a result, we could be required to raise substantial additional capital. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of such securities could result in dilution to existing stockholders. If additional funds are raised through the issuance of debt securities, such securities would have certain rights, preferences and privileges senior to holders of common stock and the term of such debt could impose restrictions on our operations. We cannot assure you that such additional capital, if required, will be available on acceptable terms, or at all. If we are unable to obtain such additional capital, we may be required to reduce the scope of our planned product

development and marketing efforts, which would materially adversely affect our business, financial condition and operating results.

We believe that the proceeds from this offering, our cash balances, and cash available from credit facilities and future operations will enable us to meet our working capital requirements for at least the next 12 months.

Year 2000 Readiness Disclosure

Some computers, software, and other equipment include computer code in which calendar year data is abbreviated to only two digits. As a result of this design decision, some of these systems could fail to operate or fail to produce correct results if "00" is interpreted to mean 1900, rather than 2000. These problems are widely expected to increase in frequency and severity as the year 2000 approaches, and are commonly referred to as the "Year 2000 Problem."

Assessment. The Year 2000 Problem affects the computers, software and other equipment that we use, operate or maintain for our operations. Accordingly, we have organized a program team responsible for monitoring the assessment and remediation status of our Year 2000 projects and reporting such status to our Board of Directors. This project team is currently assessing the potential effect and costs of remediating the Year 2000 Problem for our internal systems. To date, we have not obtained verification or validation from any independent third parties of our processes to assess and correct any of our Year 2000 Problems or the costs associated with these activities.

Internal Infrastructure. We believe that we have identified most of the major computers, software applications, and related equipment used in connection with our internal operations that will need to be evaluated to determine if they must be modified, upgraded or replaced to minimize the possibility of a material disruption to our business. Upon completion of such evaluation, which we expect to occur by the end of March 1999, we expect to commence the process of modifying, upgrading, and replacing major systems that have been assessed as adversely affected, and expect to complete this process before the occurrence of any material disruption of our business.

Systems Other than Information Technology Systems. In addition to computers and related systems, the operation of office and facilities equipment, such as fax machines, telephone switches, security systems, and other common devices may be affected by the Year 2000 Problem. We are currently assessing the potential effect and costs of remediating the Year 2000 Problem on our office, equipment and our new facilities in Santa Clara, California.

We estimate the total cost to us of completing any required modifications, upgrades or replacements of our internal systems will not exceed $200,000, almost all of which we believe will be incurred during calendar 1999. This estimate is being monitored and we will revise it as additional information becomes available.

Based on the activities described above, we do not believe that the Year 2000 Problem will have a material adverse effect on our business or operating results. In addition, we have not deferred any material information technology projects as a result of our Year 2000 Problem activities.

Suppliers. We are in the process of contacting third-party suppliers of components used in the manufacture of our products to identify and, to the extent possible, resolve issues involving the Year 2000 Problem. However, we have limited or no control over the actions of these third-party suppliers. Thus, while we expect that we will be able to resolve any significant Year 2000 Problems with these third parties, there can be no assurance that these suppliers will resolve any or all Year 2000 Problems before the occurrence of a material disruption to the operation of our business. Any failure of these third parties to timely resolve Year 2000 Problems with their systems could have a material adverse effect on our business, operating results and financial condition.

Most Likely Consequences of Year 2000 Problems. We expect to identify and resolve all Year 2000 Problems that could materially adversely affect our business operations. However, we believe that it is not

possible to determine with complete certainty that all Year 2000 Problems affecting us have been identified or corrected. The number of devices that could be affected and the interactions among these devices are simply too numerous. In addition, no one can accurately predict how many Year 2000 Problem-related failures will occur or the severity, duration, or financial consequences of these perhaps inevitable failures. As a result, we believe that the following consequences are possible:

- a significant number of operational inconveniences and inefficiencies for us, our contract manufacturers and our customers that will divert management's time and attention and financial and human resources from ordinary business activities;

- several business disputes and claims for pricing adjustments or penalties due to Year 2000 Problems by our customers, which we believe will be resolved in the ordinary course of business; and

- a few serious business disputes alleging that we failed to comply with the terms of contracts or industry standards of performance, some of which could result in litigation or contract termination.

Contingency Plans. We are currently developing contingency plans to be implemented if our efforts to identify and correct Year 2000 Problems affecting our internal systems are not effective. We expect to complete our contingency plans by the end of June 1999. Depending on the systems affected, these plans could include:

- accelerated replacement of affected equipment or software;

- short to medium-term use of backup equipment and software;

- increased work hours for our personnel; and

- use of contract personnel to correct on an accelerated schedule any Year 2000 Problems that arise or to provide manual workarounds for information systems.

Our implementation of any of these contingency plans could have a material adverse effect on our business, operating results and financial condition.

Disclaimer. The discussion of our efforts and expectations relating to Year 2000 compliance are forward-looking statements. Our ability to achieve Year 2000 compliance and the level of incremental costs associated therewith, could be adversely affected by, among other things, the availability and cost of programming and testing resources, third party suppliers' ability to modify proprietary software, and unanticipated problems identified in the ongoing compliance review.

Overview

Extreme Networks is a leading provider of next generation local area network, or LAN, switching solutions that meet the increasing needs of enterprise LANs. Through the use of our custom ASICs and a common hardware, software and management architecture, we offer our customer LAN solutions with increased performance, scalability, Policy-Based Quality of Service, ease of use and lower cost of ownership. Our products incorporate non-blocking Layer 3 switching functionality in ASICs, resulting in products that are less expensive than software-based routers, yet offer improved performance throughout the enterprise LAN from the network core to the desktop. The Dell'Oro Group estimates that the market for Layer 3 switching totaled $577 million in 1998 and is expected to increase to approximately $3.4 billion in 2001.

Industry Background

Businesses and other organizations have become increasingly dependent on LANs as their central communications infrastructure to provide connectivity for internal and external communications. New mission-critical computing applications, such as enterprise resource planning, data warehousing and supply chain management, as well as the increased use of traditional applications, such as e-mail, require significant information technology resources. The emergence of the desktop browser as a user interface has enabled bandwidth-intensive applications that contain voice, video and graphics to be used extensively through intranets and externally through extranets. These new applications, combined with the growth in business-to-business e-commerce and other on-line transactions are further burdening the enterprise LAN infrastructure.

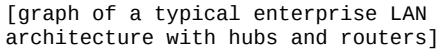
LANs have traditionally been designed for client/server applications, where network traffic patterns were predictable and traffic loads are relatively stable. In this environment, the majority of traffic remained within a given workgroup, with only a small percentage traveling across the enterprise LAN backbone. The increased use of data-intensive, mission-critical applications, the widespread implementations of intranets and extranets, and the ubiquity of Internet technologies have created unpredictable traffic patterns, and unpredictable traffic loads within the LAN. In addition, as users utilize the desktop browser and Internet technologies to access significant amounts of information from servers located inside and outside of the organization, a much higher percentage of traffic crosses the enterprise LAN backbone. For example, an employee can make a simple request that may require data to be downloaded and analyzed from multiple data warehouses outside his or her local workgroup, resulting in increased traffic across the LAN. Similarly, multiple users could request a multimedia presentation from a company intranet or from the Internet consuming tremendous amounts of network capacity. Either of these situations could result in users overwhelming a company's enterprise LAN unknowingly. As a result, the increased traffic, bandwidth-intensive applications and unpredictable traffic patterns are straining traditional LAN environments and reducing the performance of mission-critical applications.

Today's LAN Environment

Early LANs supported limited numbers of users and were based on Ethernet, Token Ring or AppleTalk technologies. As the number of users and the amount of traffic on a network grew, network performance began to decline. In this shared environment, each desktop received and was burdened by the communication of every other desktop. The need to improve network performance was initially addressed by adding network devices known as bridges or hubs that separated the entire LAN into smaller workgroups. This arrangement was effective in supporting the traditional client/server environment where the majority of traffic remained within the workgroup. As applications became more bandwidth-intensive and users increasingly communicated outside of their workgroup, bridges and hubs were unable to process this traffic effectively. To mitigate this problem, Layer 2 switches were developed to provide a dedicated link for each desktop and eliminate the unnecessary flow of information to every desktop. In addition to the evolution of new devices, the need for increased backbone speeds led to the development of new and faster technologies such as FDDI, Fast Ethernet and ATM. However, each of these technologies employs different protocols, further complicating the LAN by requiring software-based routers that use expensive CPUs and software tables to route this multi-protocol traffic. Today, it is not uncommon to find multiple protocols and devices across the four basic areas of the network:

- the desktop, which connects end users;
- the segment, which interconnects networking devices;
- the server, which connects servers to the network; and
- the network core, which consists of the enterprise backbone that interconnects LAN segments.

The following diagram illustrates an example of the architecture of today's LAN:



As the diagram illustrates, today's enterprise LAN architecture consists of a complex patchwork of solutions based on different technologies and devices. Incorporating devices with different hardware, software and management architectures that utilize multiple technologies can limit performance and scalability. Such complex networks cannot effectively scale with traffic growth and require frequent upgrades which are cumbersome and expensive to implement. All of these factors require significant IT resources and personnel to keep enterprise networks functioning properly. To be effective in this demanding environment, today's LANs must be scalable in order to handle increases in traffic, new bandwidth-intensive applications and overall growth of networks without major changes or deterioration of performance. An enterprise LAN must be scalable in the following four dimensions:

Speed. Speed refers to the number of bits per second that can be transmitted across the network. Today's LAN applications increasingly require speeds of up to 100 Mbps to the desktop. Hence, the backbone and server connections that aggregate traffic from desktops require speeds well in excess of 100 Mbps. Wire speed refers to the ability of a network device to process an incoming data stream at the highest possible rate without loss of packets. Wire speed routing refers to the ability to perform Layer 3 routing at the maximum possible rate.

Bandwidth. Bandwidth refers to the volume of traffic that a network or a network device can handle before traffic is "blocked," or unable to get through without interruption. When traffic was more predictable, the amount of traffic across a network link or through a network device grew basically in line with the number of users on the LAN. With today's data-intensive applications accessed in random patterns from within and outside of the LAN, users can spike traffic unpredictably, consuming significant bandwidth to the detriment of other users.

Network Size. Network size refers to the number of users and servers that are connected to a LAN. Today's enterprise LANs must be capable of connecting and supporting up to thousands, and even tens of thousands, of users and servers while providing performance and reliable connectivity.

Quality of Service. Quality of service refers to the ability to control the delivery of traffic based upon its level of importance. Mission-critical enterprise and delay-sensitive multimedia applications require certain performance minimums, while traffic such as general e-mail and Internet surfing may not be as critical. In addition to basic standards-based prioritization of traffic according to importance, true end-to-end quality of service would allocate bandwidth to certain applications.

Opportunity for Next Generation Switching Solutions

The emergence of several technology trends is enabling a new generation of networking equipment that can meet the four scalability dimensions of today's enterprise LANs by accommodating new unpredictable traffic patterns and bandwidth-intensive, mission-critical applications. First, while many new and different technologies have been deployed in existing LANs, Ethernet has become the predominant LAN technology, with over 95% of the market in 1998 and total shipments of over 350 million ports from 1991 to 1998, according to the Dell'Oro Group. Ethernet has evolved from the original 10 Mbps Ethernet to 100 Mbps Fast Ethernet and, in 1998, to 1,000 Mbps Gigabit Ethernet. Gigabit Ethernet represents a viable enterprise LAN backbone protocol, enabling 100 Mbps Fast Ethernet connections to the desktop to be aggregated for LAN backbone transport across the network core. Second, growth of the Internet and the subsequent development of applications based on Internet technologies have increased the use of the Internet Protocol. Dataquest forecasts that the Internet Protocol will be the dominant protocol in 83% of enterprise LANs in 1999.

With the wide acceptance of Ethernet and Internet Protocol-based technologies, the need to support a multi-protocol environment is diminished. As a result, the simplified routing functionality can be embedded in application specific integrated circuits, or ASICs, instead of in the software and CPUs used in multi-protocol software-based routers. The resulting device, called a Layer 3 switch, functions as a less expensive and significantly faster hardware-based router. The Dell'Oro Group estimates that the market for Layer 3 switching totaled $577 million in 1998 and is expected to increase to approximately $3.4 billion in 2001. Layer 3 switches can operate at gigabit speeds and, as hardware routers, can support large networks. However, most Layer 3 switches still block traffic in high utilization scenarios and can only support standards-based traffic prioritization quality of service. While Layer 3 switching dramatically increases LAN performance, many of today's offerings fail to realize the potential of this technology because of the use of inconsistent hardware, software and management architectures.

To effectively address the needs of today's enterprise LANs, enterprises need a solution that is easy to use and implement and can scale in terms of speed, bandwidth, network size and quality of service. Layer 3 switching represents the next critical step in addressing these requirements. However, enterprises need a Layer 3 solution that provides sufficient bandwidth to support unpredictable traffic spikes without impacting all other users connected to the LAN. In addition, enterprises require a quality of service solution that supports industry-standard prioritization and enables network administrators to offer quality of service that maps business processes

and network policies. Finally, to simplify their LANs, enterprises need a family of interoperable devices that utilize a consistent hardware, software and management architecture. Through an integrated family of products, network managers can effectively deploy the solution at any point in the network and follow a migration path to a network implemented with a consistent architecture from end-to-end.

The Extreme Networks Solution

Extreme provides end-to-end LAN switching solutions that meet the requirements of enterprise LANs by providing increased performance, scalability, policy-based quality of service, ease of use and lower cost of ownership. Our products share a common ASIC, software and network management architecture that enables both Layer 2 switching and Layer 3 routing at wire speed in each of the desktop, segment, server and core areas of the LAN. Because our products are based on industry standard routing and network management protocols, they are interoperable with existing LAN infrastructures. We offer Policy-Based quality of service that controls the delivery of network traffic according to pre-set policies that specify priority and bandwidth limits. All of our switches include integrated web server software that allows the switch to be managed from any browser-equipped desktop. In addition, our Java-based enterprise management software utilizes integrated web server software that allows simplified management from any locally connected computer, or remotely over the Internet.

The key benefits of Extreme's solutions are:

High Performance. Our products provide 1,000 Mbps Gigabit Ethernet to the network core and Fast Ethernet to the desktops, segments and servers, together with the non-blocking, wire-speed routing of our ASIC-based Layer 3 switching. Using our products, customers can achieve forwarding rates that are up to 100 times faster than with software-based routers.

Ease of Use and Implementation. Our products share a common ASIC, software and network management architecture and offer consistent features for each of the key areas of the LAN. Our standard-based products can be integrated into and installed within existing networks. Customers can upgrade any area of their LANs with Extreme products without needing additional training. ExtremeWare software simplifies the management of LANs by enabling customers to manage any of our products remotely through a browser interface.

Scalability. Our solutions offer customers the speed and bandwidth they need today with the capability to scale their LANs to support demanding applications in the future without the burden of additional training or software or system complexity. Customers who purchase our products for Layer 2 applications can upgrade them at any time to Layer 3 because Layer 3 capability is built into our ASICs. ExtremeWare Enterprise Manager software simplifies software upgrades by allowing the network manager to upgrade all Extreme switches simultaneously.

Quality of Service. Extreme's Policy-Based Quality of Service enables customers to prioritize mission-critical applications by providing industry-leading tools for allocating network resources to specific applications. With Extreme's Policy-Based Quality of Service, customers can use a web-based interface to identify and control the delivery of traffic from specific applications in accordance with specific policies that are set by the customer. The Quality of Service functionality of our ASICs allows our Policy-Based Quality of Service to be performed at wire speed. In addition to providing priority, customers can allocate specified amounts of bandwidth to specific applications or users.

Lower Cost of Ownership. Extreme's products are less expensive than software-based routers, yet offer higher routing performance throughout the enterprise LAN. Because they share a common hardware, software and management architecture--whether deployed at the desktop, segment, server or core areas of the LAN--we believe our products can substantially reduce the cost and complexity of network management and administration. This uniform architecture creates a simpler LAN infrastructure which leverages the knowledge and resources businesses have invested in Ethernet and the Internet Protocol, thereby requiring fewer resources and less time to maintain.

The Extreme Networks Strategy

Extreme's objective is to be the leading supplier of end-to-end enterprise LAN solutions. The key elements of our strategy include:

Provide Easy to Use, High-Performance, Cost-Effective LAN Solutions. We offer customers easy to use, powerful, cost-effective LAN solutions that meet the specific demands of desktop, segment, server and core switching environments. Our products provide customers with 1,000 Mbps Gigabit Ethernet and the wire speed, non-blocking routing capabilities of ASIC-based Layer 3 switching. We intend to leverage our expertise in Ethernet, IP and switching technologies to develop new products based on our common architecture that meet the future requirements of the enterprise LAN. These products will offer higher performance with more advanced functionality and features while continuing to reduce total cost of ownership for our customers.

Expand Penetration of Enterprise LANs. We are focused on product sales to new customers and on extending our product penetration within existing customers' LANs. We have designed our products to be the best-of-breed in each of desktop, segment, server and core areas of the enterprise LAN. Once a customer buys products for one area of the LAN, our strategy is to leverage that sale by offering products for other areas. As additional products are purchased, a customer obtains the increased benefits of our end-to-end solution by simplifying their networks, extending Policy-Based QoS and reducing costs of ownership while increasing performance.

Extend Switching Technology Leadership. To date, our products have won over 24 awards from trade magazines and industry organizations, including the "Best of Show" award from LANTimes and Data Communications at Interop in 1997 and 1998 and the "Hot Product of 1997 and 1998" award from Data Communications Magazine. Our technological leadership is based on our custom ASICs and software and includes our wire-speed, Layer 3 switching, Policy-Based Quality of Service, routing protocols and ExtremeWare software. We intend to invest our engineering resources in ASIC and software development and provide leading edge technologies to increase the performance and functionality of our products. We also intend to maintain our active role in industry standards committees such as IEEE and IETF.

Leverage and Expand Multiple Distribution Channels. We distribute our products primarily through resellers and selected OEMs and through our field sales team. To quickly reach a broad, worldwide audience, we have more than 100 resellers in 39 countries, including regional networking system resellers, network integrators and wholesale distributors, and have established relationships with select OEMs. We maintain a field sales force primarily to support our resellers and to focus on select strategic and large accounts such as Compaq, NTT and MSNBC. We intend to increase the size of our reseller programs and are developing two tier distribution channels in some regions. To complement and support our domestic and international reseller and OEM channels, we expect to increase our worldwide field sales force.

Provide High-Quality Customer Service and Support. We seek to enhance customer satisfaction and build customer loyalty through the quality of our service and support. We offer a wide range of standard support programs that include 24x7 emergency telephone support and advanced replacement of products. In addition, we have designed our products to allow easy service and administration. For example, we can access all of our switches remotely through a standard web browser to configure, troubleshoot and help maintain our products. We intend to continue to enhance the ease of use of our products and invest in additional support services by increasing staffing and adding new programs for our OEMs and resellers. In addition, we also are committed to providing customer-driven product functionality through feedback from key prospects, consultants, channel and OEM partners and customer surveys.

Products

Extreme provides end-to-end LAN switching solutions that meet the requirements of enterprise LANs by providing increased performance, scalability, Policy-Based QoS, ease of use and lower cost of ownership. Our Summit and BlackDiamond switches share a common ASIC, software and management architecture that

facilitates a relatively short product design and development cycle, thereby reducing the time-to-market for new products and features. This common architecture enables customers to build an end-to-end enterprise LAN switching solution that has consistent functionality, performance and management to each of the desktop, segment, server and core areas of the LAN. The common architecture and end-to-end functionality of our products also reduces the cost and complexity of network administration and management.

Our products include two browser-based software application suites, ExtremeWare and ExtremeWare Enterprise Manager, that enable simple and efficient switch management and configuration. ExtremeWare is a standards-based software suite that delivers Policy-Based QoS and enables interoperability with legacy switches and routers. ExtremeWare Enterprise Manager is an application suite that enables remote configuration and management of multiple switches from a single network station.

Our product families address switching in the desktop, segment, server and core areas of the LAN. The following table identifies our principal hardware products:

Product Name and Date of First Shipment	Area of the Enterprise LAN	Configuration	Forwarding Speed (packets per second)	Per Port List price range
The Summit Stackable Product Family				
Summit1 October 1997	Core	8 Gigabit Ethernet ports	11.9 million	$2,250 to $3,750
Summit4 March 1998	Server	16 10/100 Mbps Ethernet ports 6 Gigabit Ethernet ports	11.3 million	Ethernet: $625 Gigabit Ethernet: $2,500
Summit48 April 1998	Desktop	48 10/100 Mbps Ethernet ports 2 Gigabit Ethernet ports	10.1 million	Ethernet: $115 to $146 Gigabit Ethernet: $1,250 to $2,500
Summit24 November 1998	Desktop	24 10/100 Mbps Ethernet ports 1 Gigabit Ethernet port	5.1 million	Ethernet: $177 to $292 Gigabit Ethernet: $1,250 to $2,500
Summit Virtual Chassis November 1997	Core	Up to 64 Gbps of bandwidth 8 SummitLink Channels	up to 48.0 million	$1,125
The BlackDiamond Modular Chassis				
BlackDiamond Chassis September 1998	Core Segment Server Desktop	Up to 256 10/100 Mbps Ethernet ports or 48 Gigabit Ethernet ports in one chassis 10 slots to accommodate a variety of connectivity and up to 2 management modules	48.0 million	Ethernet: $402 to $1,333 Gigabit Ethernet: $2,475 to $11,245

Desktop Switches

The enterprise desktop is the portion of the network where individual end-user workstations are connected to a hub or switch. Traditionally, a discrete group of desktop users, or a workgroup, shared a single hub, which connected their workgroup to the rest of the network. In this shared environment, each desktop in the workgroup receives and is burdened by the communication of every other desktop in the workgroup. This topology is effective so long as the majority of traffic remains within the workgroup. As applications have become more bandwidth intensive and as user traffic has migrated outside the workgroup via the Internet or an intranet or extranet, however, the hubs are unable to effectively process this traffic, resulting in diminished desktop performance. Replacing the hub with a Layer 3 switch alleviates this problem by providing a dedicated link for each desktop and eliminating unnecessary broadcasts of information to every desktop in the workgroup. Enterprise desktop switching provides the desktop with features typically found only at the network core, such as redundancy, greater speed and the ability to aggregate multiple switch ports into a single high-bandwidth connection.

We became an industry leader in Layer 3 switching for the desktop with the introduction of our Summit48 and Summit24 desktop switching products. The Summit48 addresses high-density enterprise desktop connections. This switch features a non-blocking architecture to avoid the loss of data packets. The Summit24, with half the number of ports of the Summit48, is targeted at local wiring closets with moderately dense desktop connections.

Segment Switches

Enterprise segment switching involves the switching among workgroups of multiple network desktops. While enterprise segment switching faces the same challenges as desktop switching, it must also address increased congestion from traffic generated by hubs and other devices that enterprises use to connect multiple desktop computers. Our primary product for enterprise segment switching is the chassis-based BlackDiamond. The BlackDiamond chassis addresses the needs of enterprises that interconnect high-density 10/100 Mbps segments. It can also be equipped with switched Gigabit Ethernet connectivity modules to provide high-speed uplinks to servers and switches in the network core.

Server Switches

Servers run the applications and store the data needed by all network end-users. In a traditional LAN, most of the network resources needed by any given desktop user, such as printer servers, file servers or database servers, are on the same workgroup segment as the desktop user. The traditional network architecture has been shifting toward more centralized server clusters, or server farms, which require the physical deployment of multiple servers in a single central data center. This new architecture is easier to manage and can be configured in a redundant fashion, thereby reducing the risk of system failure. Additionally, remote offices and telecommuters can access the same server-based data as desktop users, increasing the flexibility of the network to support users wherever they may be located.

As more people access the network and as server requests increasingly involve more bandwidth-intensive applications, network traffic to and from servers has increased dramatically, causing bandwidth to be consumed by traffic. Servers also communicate with each other, creating a high volume of server-to-server traffic within the server farm. Recent technology developments allow enterprises to install network interface cards that enable connections using Gigabit Ethernet or the aggregation of multiple 100 Mbps ports on a single card. This development increases the communication speed of the servers. In turn, these servers have created the need for switches that can support their higher server-to-server and server-to-end-user communications speeds. Our Summit4 product addresses server switching constraints by providing switched Gigabit Ethernet and multiple 100 Mbps links to the servers, thereby delivering sufficient bandwidth between servers and to clients on attached segments. The BlackDiamond may also be configured to address the needs of a server switching environment that requires higher port density and modular configuration flexibility.

Core Switches

The network core is the most critical point in the network, as it is where the majority of network traffic, including desktop, segment and server traffic, converges. Network core switching involves switching traffic from the desktops, segments and servers within the network. Because of the high-traffic nature of the network core, wire-speed Layer 3 switching, scalability, a non-blocking hardware architecture, fault-tolerant mission-critical features, redundancy, link aggregation, the ability to support a variety of high-density "speeds and feeds" and the ability to accommodate an increasing number of high-capacity backbone connections are critical in core switching. Our network core products satisfy these criteria and include the BlackDiamond, the Summit1 and the Summit Virtual Chassis.

The BlackDiamond switch includes the fault-tolerant features associated with mission-critical enterprise-class Layer 3 switching, including redundant system management and switch fabric modules, hot-swappable modules and chassis components, load-sharing power supplies and management modules, up to four 10 Mbps, 100 Mbps, or 1,000 Mbps aggregated links, dual software images and system configurations, spanning tree and multipath routing, and redundant router protocols for enhanced system reliability. In addition, our Summit1 switch, which interconnects multiple Gigabit Ethernet backbones from various parts of the enterprise LAN, is well-suited for network core applications that require lower density backbone connections. The Summit Virtual Chassis is a high-speed external backplane that interconnects multiple Summit or BlackDiamond switches. The Summit Virtual Chassis enables network flexibility by interconnecting geographically dispersed or co-located Summit and BlackDiamond switches, thereby creating a distributed core.

ExtremeWare

Our ExtremeWare software suite is pre-installed on every Summit and BlackDiamond switch. For Extreme switches that are Layer 3 enabled, ExtremeWare delivers Policy-Based Quality of Service capabilities and supports a range of routing protocols that enable interoperability with legacy switches and routers. Our Policy-Based Quality of Service also enables network managers to define numerous levels of control, or policies, that determine the amount of bandwidth available to a group of users or network devices at a given time. The policies can describe traffic based on port number, protocol type, VLAN, or Layer 2, Layer 3 or Layer 4 information. Using 802.1p and 802.1Q for VLAN tagging, Policy-Based Quality of Service is passively signaled across the network to enable standards-based interoperability. For Extreme switches that are Layer 2 enabled, ExtremeWare provides Policy-Based Quality of Service and supports a range of standards-based management and Layer 2 protocols. In addition, the Layer 2 version of ExtremeWare can be upgraded to Layer 3 via software that may be downloaded from the web.

ExtremeWare Enterprise Manager

ExtremeWare Enterprise Manager simplifies the task of managing and configuring groups of our switches. With ExtremeWare Enterprise Manager, an entire network of our switches can be managed from a single management console using a standard web browser. This enterprise-wide management enables VLANs and Policy-Based Quality of Service to be established and managed for the entire enterprise LAN. ExtremeWare Enterprise Manager can also manage centralized and distributed stacks of Summit switches and the Summit Virtual Chassis as aggregated entities. ExtremeWare Enterprise Manager can be accessed using any Java-enabled browser. The ExtremeWare Enterprise Manager application and database support both Microsoft Windows NT and Sun Microsystems' Solaris. The ExtremeWare Enterprise Manager client can be launched from within the HP OpenView network Node Manager application.

Customers

The following table lists certain of our end user customers that purchased in excess of $100,000 of our products:

Advanta Mortgage	Honeywell	Osaka Prefecture University
Amoco	Houston NW Medical Center	Pennzoil
AT&T	Imperial College	Playboy
Barnes and Noble	Institute of Nuclear Power	Raytheon
British Telecom	Interwest Bank	Real Networks
Cable & Wireless (UK)	IXNet	Reuters
Chiba Kougyou University	Juno Online	Saudi Aramco Oil Company
Compaq	Leo Burnett Advertising	Schlumberger
Danish Post	Lockheed Martin	Shell Oil
Dell Computer	Los Alamos Labs	Sun Microsystems
Digital Domain	MAN (Denmark)	Swedish Library Service
Enron Corporation	Microsoft	Tandem Computers
First Technology Credit Union	MIT Lincoln Labs	UC Riverside
	MSNBC	University of Stuttgart
Harbor-UCLA Medical Center	Navistar	U.S. Air Force
Hewlett-Packard Company	NVIDIA	Worldvision

In fiscal 1998, 3Com and Compaq accounted for 25% and 21%, respectively, of our net revenue, and for the six-month period ended December 31, 1998, Compaq and Hitachi Cable accounted for 17% and 11% of our net revenue, respectively. Compaq is both an OEM and an end-user customer. In fiscal 1998, approximately 72% of our net revenue was derived from ten customers. End-user sales to Compaq include sales to its subsidiaries, Tandem and Digital. In the six-month period ended December 31, 1998, approximately 58% of our net revenue was derived from ten customers.

Representative examples of the manner in which Extreme's products have been used by our customers are set forth below:

Heavy Equipment Manufacturer. This Japan-based customer is one of the world's largest manufacturers of marine vessels, construction machinery and environmental systems. The customer was attempting to run numerous office automation and bandwidth-intensive engineering applications on its expanding 3,000-node computer network. As the organization took on additional nodes and applications, it needed a more scalable LAN infrastructure to keep up with increased speed and bandwidth demands, while providing quality of service for traffic prioritization and bandwidth control. When the customer relocated its headquarters to a larger facility, it considered ATM and Gigabit Ethernet as alternative LAN solutions. The customer ultimately chose Extreme's Gigabit Ethernet solution due to its lower total cost of ownership and ability to scale speed, bandwidth, network size and quality of service. The customer installed Extreme's Summit1 LAN switches in the network core with high-speed Gigabit Ethernet uplinks to several Summit2 LAN switches that perform segment switching. This new all-Gigabit Ethernet LAN infrastructure provides enough bandwidth for present and future applications that this global manufacturer may adopt, is easy to manage and offers the customer a high degree of efficiency.

Computer Manufacturer. This leading global personal computer manufacturer had a 30,000-node enterprise network consisting of an FDDI-based core with Ethernet to segments, servers and desktops. The network relied on software-based multi-protocol routers to handle mission-critical enterprise resource planning systems and emerging electronic commerce applications that support web-based purchasing of their computer equipment. The network infrastructure did not scale well and as the computer manufacturer increased users and applications, the cost of efficiently running and managing the network increased significantly. As a result, the customer looked for a new reliable, efficient and scalable LAN infrastructure. Extreme enabled the computer manufacturer to cost-effectively migrate its existing network core, composed of 5 FDDI rings and over 100

software-based routers, to an all-Ethernet infrastructure with Layer 3 IP switching from core to desktop. BlackDiamond chassis switches and stackable Summit switches were deployed to simplify management, significantly reduce network ownership costs, and accommodate future growth of customers and applications.

On-line Interactive News Service. A leading provider of on-line interactive news needed to reduce bottlenecks and increase control on its 400-node mission-critical production network. An existing FDDI backbone was unable to scale in capacity to handle increased flow of bandwidth-intensive content such as video, audio, graphics and text. After considering many alternative solutions including those offered by leading network companies, the customer decided to replace its FDDI backbone with a Gigabit Ethernet LAN infrastructure using Layer 3 switches from Extreme. Compared to ATM and other Gigabit Ethernet solutions, the Extreme solution offered more scalable capacity and similar quality of service features but with far less complexity and cost. The ability of Extreme's solution to reduce network ownership costs also played a key role in the customer's decision. Today, the network uses a mix of Summit1 switches in the core, Summit2 switches in the segment and Summit48 switches to the desktop. The customer's satisfaction with our solution has led to follow-up sales.

Sales and Marketing

Extreme's sales and marketing strategy is focused on domestic and international resellers, OEMs and field sales.

Resellers. We have entered into agreements to sell our products through more than 100 resellers in 39 countries. Our resellers include regional networking system resellers, resellers who focus on specific vertical markets, network integrators and wholesale distributors. We provide training and support to our resellers and our resellers generally provide the first level of support to end users of our products. We intend to increase the number of our reseller relationships, to target certain vertical markets and support a two-tier distribution channel. Resellers accounted for approximately 57% and 67% of our net revenue for fiscal 1998 and the six-months ended December 31, 1998, respectively.

OEMs. We have established four key OEM relationships with leaders in the telecommunications, personal computer and computer networking industries. For fiscal 1998 and the six-months ended December 31, 1998, sales to our OEMs accounted for 43% and 33% of our net revenue, respectively. Compaq, which is both an OEM and a large end-user customer, accounted for 21% and 17% of our net revenue in fiscal 1998 and the six-months ended December 31, 1998, respectively. We intend to maintain a limited number of relationships with key strategic OEMs who may offer products or distribution channels that compliment ours. Each of our OEMs resells our products under its own name. We believe that our OEM relationships enhance our ability to sell and provide support to large organizations because certain end-user organizations may prefer to do business with very large suppliers. We anticipate that OEM sales will decline as a percentage of net revenue as we expand our reseller and fields sales efforts.

Field Sales. We have designed and established our field sales organization to support and develop leads for our resellers and to establish and maintain a limited number of key accounts and strategic 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 customers;
- promotes our products and ensures direct contact with current and potential customers; and
- monitors the changing requirements of our customers.

As of December 31, 1998, Extreme's worldwide sales and marketing organization included 67 individuals, including managers, sales representatives, and technical and administrative support personnel. We have domestic sales offices located in major metropolitan areas, including Atlanta, Boston, Chicago, Dallas, Houston, Los

Angeles, New York, San Jose, Seattle and Washington DC. In addition, we have international sales offices located in the United Kingdom, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands and Sweden.

International Sales

We believe that there is a strong international market for our switching products. Our international sales are conducted primarily through our overseas offices and foreign resellers. Sales to customers outside of North America accounted for approximately 59% and 50% of our net revenue in fiscal 1998 and the six-month period ended December 31, 1998, respectively.

Marketing

We have a number of marketing programs to support the sale and distribution of our products and to inform existing and potential enterprise customers and our resellers and OEMs about the capabilities and benefits of our products. Our marketing efforts include participation in industry tradeshows, technical conferences and technology seminars, preparation of competitive analyses, sales training, publication of technical and educational articles in industry journals, maintenance of our web site, advertising and public relations. In addition, we have begun to develop an e-commerce business directed at resellers. We also participate in third-party, independent product tests.

Customer Service and Support

Our customer service and support organization maintains and supports products sold by our field sales force to end users, and provides technical support to our resellers and OEMs. Generally, our resellers and OEMs provide installation, maintenance and support services to their customers and we assist our resellers and OEMs in providing such support.

In addition to designing custom maintenance programs to satisfy specific customer requirements, we also offer several standard maintenance programs to our resellers and customers, including ExtremeAssist1 and ExtremeAssist2.

ExtremeAssist1. This program is designed for customers which have strong technical networking skills and are interested in keeping service and support costs to a minimum. With ExtremeAssist1, the customers' information technology organizations provide first-level support for configuration, hardware and trouble shooting, while our technical assistance center provides advanced second-level support on an essential need basis. The ExtremeAssist1 program includes 2 hour telephone response time, 10 e-mail inquiries per month and responses within 24 hours, rapid-response emergency telephone support on a 24x7 basis and 72-hour advanced replacement of hardware.

ExtremeAssist2. This program is designed for mission-critical environments that require the highest degree of network availability, data integrity and end-user productivity. The ExtremeAssist2 program includes 1 hour telephone response time, unlimited e-mail inquiries and next business-day responses, rapid-response emergency/ network down telephone support on a 24x7 basis and next business-day advance replacement of hardware.

With the ExtremeAssist1 and ExtremeAssist2 programs, our customers are able to access our web-based database to immediately obtain software updates, bug lists, technical support alerts and on-line documentation. We typically provide end users with a one-year hardware and 90-day software warranty. We also offer various training courses for their third-party resellers or end-user customers.

Manufacturing

We outsource the majority of our manufacturing and supply chain management operations, and we conduct quality assurance, manufacturing engineering, documentation control and repairs at our facility in Cupertino,

California. This approach enables us to reduce fixed costs and to provide flexibility in meeting market demand. Where cost-effective, we may begin to perform certain of our non-manufacturing outsourced operations in-house.

Currently, we use two contract manufacturers--Flextronics, located in San Jose, California, to manufacture our Summit1, Summit2 and Summit4 and BlackDiamond products and MCMS, located in Boise, Idaho, to manufacture our Summit24 and Summit48 products. Each of these manufacturing processes and procedures is ISO 9002 certified. We design and develop the key components of our products, including ASICs, printed circuit boards and software. In addition, we determine the components that are incorporated in our products and select the appropriate suppliers of such components. Product testing and burn-in is performed by our contract manufacturers using tests we specify and automated testing equipment. We also use comprehensive inspection testing and statistical process controls to assure the quality and reliability of our products. We intend to regularly 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. See "Risk Factors--Extreme Needs to Expand its Manufacturing Operations and is Dependent on Contract Manufacturers."

Although we use standard parts and components for our products where possible, we currently purchase several key components used in the manufacture of our products from single or limited sources. Our principal single-sourced components include:

- ASICs;
- microprocessors;
- programmable integrated circuits;
- selected other integrated circuits;
- cables; and
- custom-tooled sheet metal.

Our principal limited-source components include:

- flash memories;
- DRAMs;
- SRAMs; and
- printed circuit boards.

Generally, purchase commitments with our single or limited source suppliers are on a purchase order basis. LSI Logic manufacturers all of our ASICs which are used in all of our switches. Any interruption or delay in the supply of any of these components, or the inability to procure these components from alternate sources at acceptable prices and within a reasonable time, would materially adversely affect our business, operating results and financial condition. In addition, qualifying additional suppliers can be time-consuming and expensive and may increase the likelihood of errors.

We use a rolling six-month forecast based on anticipated product orders 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. See "Risk Factors--Extreme Currently Purchases Several Key Components Used in the Manufacturing of Its LAN Switching Products Only from Single or Limited Sources" and "--Extreme Needs To Expand Its Manufacturing Operations and Is Dependent on Contract Manufacturers."

Research and Development

We believe that our future success depends on our ability to continue to enhance our existing products and to develop new products that maintain technological competitiveness. We focus our product development activities on solving the needs of users of enterprise LANs. We monitor changing customer needs and work closely with users of enterprise LANs, value-added resellers and distributors, and market research organizations to monitor changes in the marketplace. We design our products around current industry standards and will continue to support emerging standards that are consistent with our product strategy.

Our products have been designed to incorporate the same core ASICs and software and system architecture, facilitating a relatively short product design and development cycle and reducing the time to market for new products and features. We have utilized this architectural design to develop and introduce other product models and enhancements since the introduction of our first products in 1997. We intend to continue to utilize this architectural design to develop and introduce additional products and enhancements in the future.

We are currently undertaking development efforts for our family of products with emphasis on increasing reliability, performance and scalability and reducing the overall LAN operating costs to end users. We are also focusing on cost reduction engineering to reduce the cost of our products. There can be no assurance that our product development efforts will result in commercially successful products, or that our products will not be rendered obsolete by changing technology or new product announcements by other companies. See "Risk Factors--Our Market Is Subject to Rapid Technological Change and We Need to Introduce New Products That Achieve Broad Market Acceptance."

Competition

The market for enterprise LAN switches is part of the broader market for enterprise LAN equipment, which is dominated by a few large companies, particularly Bay Networks, Cabletron Systems, Cisco Systems and 3Com. Each of these companies has introduced, or has announced its intention to develop, enterprise LAN switches that are or may be competitive with our products. For example, in January 1999, Cisco announced its Catalyst 6000 family of chassis-based switches. In addition, there are a number of large telecommunications equipment providers, including Alcatel, Ericsson, Lucent Technologies, Nokia, Nortel Networks and Siemens, which have entered the market for enterprise LAN equipment, particularly through acquisitions of public and privately held companies. For example, in January 1998, Lucent acquired Prominet, a private switching company, and in August 1998, Northern Telecom acquired Bay Networks. We expect to face increased competition, particularly price competition, from these and other telecommunications equipment providers. We also expect to compete with other public companies that offer enterprise LAN switching products, such as FORE Systems and Xylan, and with private companies. These vendors may develop products with functionality similar to our products or provide alternative network solutions. Our OEMs may compete with us with their current products or products they may develop, and with the products they purchase from us. Current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to develop and offer competitive products. Furthermore, we compete with numerous companies that offer routers and other technologies and devices that traditionally have managed the flow of traffic on the enterprise LAN.

Many of our current and potential competitors have longer operating histories and substantially greater financial, technical, sales, marketing and other resources, as well as greater name recognition and a larger installed customer base, than we do. As a result, these competitors are able to devote greater resources to the development, promotion, sale and support of their products. In addition, competitors with a large installed customer base may have a significant competitive advantage over us. We have encountered, and expect to continue to encounter, many potential customers who are extremely confident in and committed to the product offerings of our principal competitors, including Cisco Systems, Nortel Networks and 3Com. Accordingly, such 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 certain large competitors have offered significant price discounts to secure such sales.

We believe the principal competitive factors in the LAN switching market are:

- expertise and familiarity with LAN protocols, LAN switching and network management;
- 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;
- access to customers; and
- size of installed customer base.

We believe we compete favorably with our competitors with respect to each of the foregoing factors. However, because many of our existing and potential competitors have longer operating histories, greater name recognition, larger customer bases and substantially greater financial, technical, sales, marketing and other resources, they may have larger distribution channels, stronger brand names, access to more customers and a larger installed customer base than we do. Such competitors may, among other things, be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to distribution partners than we can. To remain competitive, we believe we must, among other things, invest significant resources in developing new products and enhancing our current products and maintain customer satisfaction worldwide. If we fail to do so, our products will not compete favorably with those of our competitors which will materially adversely affect our business. See "Risk Factors--Extreme May Not Be Able to Successfully Compete in the Intensely Competitive Market for Enterprise LAN Equipment."

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. We have filed eight U.S. patent applications relating to the architecture of our network switches and quality of service features. There can be no assurance that these applications will be approved, that any issued patents will protect our intellectual property or that they will not be challenged by third parties. Furthermore, there can be no assurance that others will not independently develop similar or competing technology or design around any patents that we may be issued. We also have six pending trademark applications in the U.S.

We also enter into confidentiality or license agreements with our employees, consultants and corporate partners, and control access to and distribution of our software, documentation and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. There can be no assurance that these precautions will prevent misappropriation or infringement of our intellectual property. Monitoring unauthorized use of our products is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

The networking industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. From time to time, third parties may assert exclusive patent, copyright, trademark and other intellectual property rights to technologies that are important to us. Although we have not been party to any claims alleging infringement of intellectual property rights, we cannot assure you that we will not be subject to such claims in the future. In addition, there can be no assurance that third parties will not assert claims or initiate litigation against us or our manufacturers, suppliers or customers with respect to existing or future products. We may in the future initiate claims or litigation against third parties for infringement of our proprietary rights to determine the scope and validity of our proprietary rights of the rights of competitors. Any such claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel or require us to develop non-infringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on acceptable terms, if at all. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business, operating results and financial condition could be materially adversely affected.

Employees

As of December 31, 1998, we employed 159 persons, including 67 in sales and marketing, 52 in research and development, 20 in operations and 20 in finance and administration. We have never had a work stoppage and no personnel are represented under collective bargaining agreements. We consider our employee relations to be good.

We believe that our future success will depend on our continued ability to attract, integrate, retain, train and motivate highly qualified personnel, and upon the continued service of our senior management and key personnel. None of our personnel is bound by an employment agreement. Competition for qualified personnel is intense, particularly in the San Francisco Bay Area, where our headquarters is located. At times we have experienced difficulties in attracting new personnel. There can be no assurance that we will successfully attract, integrate, retain and motivate a sufficient number of qualified personnel to conduct our business in the future. See "Risk Factors--Extreme Is Dependent on Certain Key Personnel and on Its Ability to Hire Additional Qualified Personnel."

Facilities

Our principal administrative, sales, marketing and research development facilities are located in approximately 28,400 square feet of office space in Cupertino, California. Our lease expires in April 1999. We expect to be moving to a new 77,000 square feet facility located in Santa Clara, California in March 1999. Assuming we complete this move, we believe that our facilities will be adequate to meet our needs for the foreseeable future. We also lease office space in Connecticut, Georgia, Illinois, Texas, Maryland, Massachusetts, New Jersey, Washington and Wisconsin and in Hong Kong and the Netherlands.

Legal Proceedings

We are not aware of any pending legal proceedings against us that, individually or in the aggregate, would have a material adverse effect on our business, operating results or financial condition. We may in the future be party to litigation arising in the course of our business, including claims that we allegedly infringe third-party trademarks and other intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

Directors and Executive Officers

The following table sets forth certain information regarding the executive officers and directors of Extreme as of January 31, 1999:

Name	Age	Position
Gordon L. Stitt.....	42	President, Chief Executive Officer and Chairman
Stephen Haddock.....	40	Vice President and Chief Technical Officer
Herb Schneider.....	39	Vice President of Engineering
William Kelly.....	47	Vice President of Corporate Development
Vito E. Palermo.....	35	Vice President, Chief Financial Officer and Secretary
George Prodan.....	46	Vice President of Marketing
Paul Romeo.....	49	Vice President of Operations
Harry Silverglide....	52	Vice President of Sales
Charles Carinalli(1).....	50	Director
Promod Haque(2).....	50	Director
Lawrence K. Orr(2)...	42	Director
Peter Wolken(1).....	64	Director

(1) Member of the Compensation Committee.
(2) Member of the Audit Committee.

Gordon L. Stitt. Mr. Stitt co-founded Extreme in May 1996 and has served as President, Chief Executive Officer and a director of Extreme since its inception. From 1989 to 1996, Mr. Stitt worked at another company he co-founded, Network Peripherals, a designer and manufacturer of high-speed networking technology. He served first as its Vice President of Marketing, then as Vice President and General Manager of the OEM Business Unit. Mr. Stitt holds an MBA from the Haas School of Business of the University of California, Berkeley and a BSEE/CS from Santa Clara University.

Stephen Haddock. Mr. Haddock co-founded Extreme in May 1996 and has served as Vice President and Chief Technical Officer of Extreme since its inception. From 1989 to 1996, Mr. Haddock worked as Chief Engineer at Network Peripherals. Mr. Haddock is a member of IEEE, an editor of the Gigabit Ethernet Standard and Chairman of the IEEE 802.3ad link aggregation committee. Mr. Haddock holds an MSEE and a BSME from Stanford University.

Herb Schneider. Mr. Schneider co-founded Extreme in May 1996 and has served as Vice President of Engineering of Extreme since its inception. From 1990 to 1996, Mr. Schneider worked as Engineering Manager at Network Peripherals and was responsible for the development of LAN switches. From 1981 to 1990, Mr. Schneider held various positions at National Semiconductor, a developer and manufacturer of semiconductor products, where he was involved in the development of early Ethernet chipsets and FDDI chipsets. Mr. Schneider holds a BSEE from the University of California, Davis.

William Kelly. Mr. Kelly has served as Vice President of Corporate Development of Extreme since January 1999. From October 1996 to January 1999, he served as Vice President of Finance and Chief Financial Officer of Extreme. From August 1995 to October 1996, he served as Vice President of Worldwide Finance and Chief Financial Officer at SCM Microsystems, a manufacturer of personal computer smart-card technology. From March 1991 to June 1995, Mr. Kelly served in various positions at Network Peripherals, most recently as Vice President, Controller and Treasurer. Mr. Kelly holds a BBA in accounting from Loyola University, Chicago and is a Certified Public Accountant.

Vito E. Palermo. Mr. Palermo has served as Vice President, Chief Financial Officer and Secretary of Extreme since January 1999. From January 1997 to January 1999, he served as Senior Vice President, Chief Financial Officer and Secretary of Metawave Communications, a wireless communications company. From 1992

to 1996, Mr. Palermo served in various financial management positions at Bay Networks, a networking communications company, most recently serving as Vice President and Corporate Controller and previously serving as Director of Technology Finance, Corporate Financial and Planning Manager, and Manufacturing and Customer Service Controller. Mr. Palermo holds an MBA from St. Mary's College and a BS in Business Administration from California State University.

George Prodan. Mr. Prodan has served as Vice President of Marketing of Extreme since February 1997. From January 1994 to January 1997, he served as Director of Marketing and Senior Director of Worldwide Channels at FORE Systems, a networking equipment company. From April 1991 to December 1993, he served as a product line manager for a division of 3Com, a networking company. He holds an MS in Instructional Communications from Shippensburg State University and a BS in Industrial Arts Education from California State University.

Paul Romeo. Mr. Romeo has served as Vice President of Operations of Extreme since April 1997. From 1989 to 1997, he served as Vice President of Operations at Compression Labs, a videoconferencing company. Mr. Romeo holds an MBA from Santa Clara University and a BS in Engineering/Production Management from the University of Illinois.

Harry Silverglide. Mr. Silverglide has served as Vice President of Sales of Extreme since January 1997. From May 1995 to January 1997, he served as Vice President of Western Region Sales for Bay Networks. From July 1994 to May 1995, he served as Vice President of Sales for Centillion Networks, a provider of LAN switching products which was acquired by Bay Networks in 1995. From April 1984 to July 1994, he worked in sales and senior sales management positions at Ungermann Bass, a network communications company.

Charles Carinalli. Mr. Carinalli has served as a director of Extreme since October 1996. Since December 1996, Mr. Carinalli has been President, Chief Executive Officer and a director of Wavespan, a developer of wireless broadband access systems. From 1970 to 1996, Mr. Carinalli served in various positions and most recently served as Senior Vice President and Chief Technical Officer for National Semiconductor. Mr. Carinalli holds an MSEE from Santa Clara University and a BSEE from the University of California, Berkeley.

Promod Haque. Mr. Haque has served as a director of Extreme since May 1996. Mr. Haque joined Norwest Venture Partners in November 1990 and is currently Managing General Partner of Norwest Venture Partners VII, General Partner of Norwest Venture Partners VI and General Partner of Norwest Equity Partners V and IV. Mr. Haque currently serves as a director of Information Advantage, Prism Solutions, Raster Graphics, Connect, Transaction Systems Architects and several privately held companies. Mr. Haque holds a PhDEE and a MSEE from Northwestern University, an MM from the J.L. Kellogg Graduate School of Management, Northwestern University and a BSEE from the University of Delhi, India.

Lawrence K. Orr. Mr. Orr has served as a director of Extreme since May 1996. Since January 1991, he has been General Partner of Trinity Ventures, the general partner of a privately held group of venture capital partnerships, and he was an employee of Trinity Ventures from 1989 to 1991. Mr. Orr currently serves as a director of several privately held companies. Mr. Orr holds an MBA from Stanford University and a BA in Mathematics from Harvard University.

Peter Wolken. Mr. Wolken has served as a director of Extreme since May 1996. He currently serves as General Partner of AVI Management Partners, which manages various private venture capital limited partnerships. He co-founded AVI Management Partners in 1981. He serves as a director of Full Time Software and several privately held technology companies in Silicon Valley. Mr. Wolken holds a BFT in International Marketing from the American Graduate School for International Management and a BS in Mechanical Engineering from the University of California, Berkeley.

Board Committees

The Audit Committee is primarily responsible for reviewing audited financial statements and accounting practices of Extreme, and for considering and recommending the employment of, and approving the fee arrangements with, independent accountants for both audit functions and for advisory and other consulting services. The Audit Committee is currently comprised of Messrs. Orr and Haque. The Compensation Committee is primarily responsible for reviewing and approving the compensation and benefits for our key executive officers, administering our employee benefit plans and making recommendations to the Board regarding such matters. The Compensation Committee is currently comprised of Messrs. Wolken and Carinalli.

Director Compensation

Directors are entitled to reimbursement of all reasonable out-of-pocket expenses incurred in connection with their attendance at Board and Board committee meetings.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is composed of Messrs. Wolken and Carinalli. No interlocking relationship exists between the Board or Compensation Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past. The Compensation Committee reviews and approves the compensation and benefits for our key executive officers, administers our employee benefit plans and makes recommendations to the Board regarding such matters.

Change of Control Arrangements

Shares subject to options granted under our Amended 1996 Stock Option Plan will generally vest over four years, with 25% of the shares vesting after one year and the remaining shares vesting in equal monthly increments over the following 36 months. The options and stock purchase agreements granted to our executive officers and our outside director provide for accelerated vesting of the shares in the event of a "transfer of control," as defined in the option or stock purchase agreement, of Extreme.

This form of agreement provides that if, as of the date of the transfer of control, less than 75% of the total option shares are vested, the number of vested shares will be increased, as of the date of the transfer of control, to the lesser of 75% of the total option shares, or the sum of the number of vested shares (determined under the standard vesting schedule) plus 50% of the unvested shares (determined under the standard vesting schedule). After the transfer of control, the remaining unvested shares will vest in equal monthly increments over the longer of the following periods: (a) 50% of the period beginning on the date of the transfer of control and ending on the date four years after the option grant date, or (b) 12 months.

Executive Compensation

The following table sets forth information concerning the compensation paid to Extreme's Chief Executive Officer and each of Extreme's five other most highly compensated executive officers (collectively, the "Named Executive Officers") during fiscal 1998:

Summary Compensation Table

Name and Principal Position	Salary ($)	Bonus ($)	All Other Compensation ($)
Gordon L. Stitt..... President and Chief Executive Officer	$129,167	$ --	$ --
Steve Haddock..... Vice President and Chief Technical Officer	117,500	--	--
George Prodan..... Vice President of Marketing	125,000	--	--
Paul Romeo..... Vice President of Operations	135,000	--	--
Herb Schneider..... Vice President of Engineering	117,500	--	--
Harry Silverglide(1)..... Vice President of Sales	100,000	20,000	72,600

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(1) Other annual compensation amount relates to commissions paid.

Option Grants

No stock options were granted during fiscal 1998 to the Named Executive Officers. In October 1998, we granted options to purchase 200,000, 135,000, 90,000, 50,000, 135,000 and 80,000 shares of common stock at an exercise price of $5.75 per share to Messrs. Stitt, Haddock, Prodan, Romeo, Schneider and Silverglide, respectively, under the Amended 1996 Stock Option Plan. See "-- Amended 1996 Stock Option Plan."

Option Exercises and Holdings

No options were exercised during fiscal 1998 by the Named Executive Officers. The following table provides certain information with respect to unexercised options held as of June 30, 1998 by the Named Executive Officers:

Fiscal Year-End Options(1)

	Number of Securities Underlying Unexercised Options at June 30, 1998		Value of Unexercised In-the-Money Options at June 30, 1998(2)	
Name	Vested	Unvested	Vested	Unvested
Gordon L. Stitt.....	--	--	--	--
Steve Haddock.....	--	--	--	--
George Prodan.....	210,000	420,000	$ 783,300	$ 1,566,600
Paul Romeo.....	--	--	--	--
Herb Schneider.....	--	--	--	--
Harry Silverglide.....	--	--	--	--

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(1) The options were granted under Extreme's Amended 1996 Stock Option Plan. Options granted under this plan are immediately exercisable but vest over a four-year period with 25% vesting at the first anniversary date of the vesting date and 6.25% each quarter thereafter. In addition, the options are subject to a repurchase right in favor of Extreme which lapses ratably over four years and entitles Extreme to repurchase unvested shares at their original issuance price.

(2) Calculated on the basis of the fair market value of the underlying securities as of June 30, 1998 of $3.75 per share, minus the per share exercise price, multiplied by the number of shares underlying the option.

Amended 1996 Stock Option Plan

Our Amended 1996 Stock Option Plan (the "1996 Plan") was adopted by the Board of Directors in September 1996 and subsequently approved by the stockholders. The 1996 Plan provides for the grant of incentive stock options (within the meaning of Section 422 of the Code) to employees and for the grant of nonstatutory stock options to employees, non-employee directors and consultants.

As of December 31, 1998, 12,014,309 shares are reserved for issuance under the 1996 Plan, of which 6,391,195 shares have been issued upon the exercise of options, options to purchase a total of 3,710,328 shares at a weighted average exercise price of $2.55 per share were outstanding, and 1,912,786 shares were available for future option grants.

The 1996 Plan is administered by the Board of Directors or a committee thereof. Subject to the provisions of the 1996 Plan, the Board (or committee) has the authority to select the persons to whom options are granted and determine the terms of each option, including (i) the number of shares of common stock covered by the option, (ii) when the option becomes exercisable, (iii) the per share option exercise price, which, in the case of incentive stock options, must be at least 100% of the fair market value of a share of common stock as of the date of grant, in the case of options granted to persons who own 10% or more of the total combined voting power of Extreme (or any parent or subsidiary of Extreme) (a "10% Shareholder"), must be at least 110% of the fair market value of a share of common stock as of the date of grant, and, in the case of nonstatutory stock options, must be at least 85% of the fair market value of a share of common stock as of the date of grant, and (iv) the duration of the option (which may not exceed ten years, or 5 years for incentive stock options granted to 10% Shareholders). Generally, options granted under the 1996 Plan vest over four years, and are non-transferable other than by will or the laws of descent and distribution. In the event of certain changes in control of Extreme, the acquiring or successor corporation may assume or substitute for options outstanding under the 1996 Plan, or such options shall terminate. Certain options granted to officers of Extreme provide for partial acceleration upon a change in control of Extreme.

1999 Employee Stock Purchase Plan

A total of 1,000,000 shares of common stock have been reserved for issuance under our 1999 Employee Stock Purchase Plan (the "Purchase Plan"), none of which have been issued as of the effective date of this offering. The Purchase Plan, which is intended to qualify under Section 423 of the Code, is administered by the Board or by a committee thereof. Employees (including officers and directors of Extreme who are also employees) of Extreme or any subsidiary designated by the Board for participation in the Purchase Plan are eligible to participate in the Purchase Plan if such persons are customarily employed for more than 20 hours per week and more than five months per year. The Purchase Plan will be implemented by consecutive offering periods generally 12 months in duration. However, the first offering period under the Purchase Plan will commence on the effective date of this offering and terminate on April 30, 2000. Each offering period under the Purchase Plan will generally be comprised of four three-month purchase periods, with shares purchased on the last day of each purchase period (a "Purchase Date"). The Board may change the dates or duration of one or more offering periods, but no offering period may exceed 27 months.

The Purchase Plan permits eligible employees to purchase shares of common stock through payroll deductions at a price no less than 85% of the lower of the fair market value of the common stock on the first day of the offering period or the Purchase Date. Participants generally may not purchase more than 625 shares on any Purchase Date or stock having a value (measured at the beginning of the offering period) greater than $25,000 in any calendar year. In addition, no more than 100,000 shares may be purchased by all participants on any Purchase Date. In the event of a change in control of Extreme, the Board may accelerate the Purchase Date of the then current purchase period to a date prior to the change in control, or the acquiring corporation may assume or replace the outstanding purchase rights under the Purchase Plan.

401(k) Plan

Extreme provides a tax-qualified employee savings and retirement plan (the "401(k) Plan") which covers our eligible employees. Pursuant to the 401(k) Plan, employees may elect to reduce their current annual compensation up to the lesser of 20% or the statutorily prescribed limit ($10,000 in calendar year 1999) and have the amount of such reduction ("elective deferrals") contributed to the 401(k) Plan. The 401(k) Plan is intended to qualify under Sections 401(a) and 401(k) of the Code, so that contributions by Extreme or our employees to the 401(k) Plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan, and so that contributions will be deductible by Extreme when made. The trustee of the 401(k) Plan invests the assets of the 401(k) Plan in the various investment options as directed by the participants.

Limitation of Liability and Indemnification

Pursuant to the provisions of the Delaware General Corporation Law, Extreme has adopted provisions in its certificate of incorporation which eliminate the personal liability of its directors for a breach of fiduciary duty as a director, except for liability

- for any breach of the director's duty of loyalty to Extreme or its stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under section 174 of the Delaware General Corporation Law regarding unlawful stock repurchase and dividend payment; or
- for any transaction from which the director derived an improper personal benefit.

Extreme's certificate of incorporation also allows Extreme to indemnify its officers, directors and other agents to the full extent permitted by Delaware law. Extreme intends to enter into indemnification agreements with each of its directors and officers which will give them additional contractual reassurances regarding the scope of indemnification and which may provide additional procedural protection. The indemnification agreements may require actions such as:

- indemnifying officers and directors against certain liabilities that may arise because of their status as officers or directors;
- advancing expenses, as incurred, to officers and directors in connection with a legal proceeding, subject to certain very limited exceptions; or
- obtaining directors' and officers' insurance.

At present, there is no pending litigation or proceeding involving any of Extreme's directors, officers or employees regarding which indemnification is sought, nor is Extreme aware of any threatened litigation that may result in claims for indemnification.

CERTAIN TRANSACTIONS

On May 17, 1996, we issued for cash the following shares of common stock at a price of $.00333 per share to Extreme's founders:

Purchaser	Shares of Common Stock
Gordon L. Stitt	2,025,000
Stephen R. Haddock	1,350,000
Herb Schneider	1,350,000

On May 28, 1996, we sold 14,580,000 shares of Series A Preferred Stock at a price of $.333 per share. On May 7, 1997 and June 17, 1997, we sold an aggregate of 8,886,485 shares of Series B Preferred Stock at a price of $1.38 per share. On January 12, 1998, March 24, 1998 and March 31, 1998, we sold an aggregate of 5,595,088 shares of Series C Preferred Stock at a price of $3.67 per share. Upon the consummation of this offering, all outstanding shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock will automatically convert into shares of common stock on a one-for-one basis. The following directors, executive officers, holders of more than 5% of a class of voting securities and members of such person's immediate families purchased shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock:

Purchaser(1)	Shares of Series A Preferred Stock	Shares of Series B Preferred Stock	Shares of Series C Preferred Stock
Named Executive Officers and Directors			
Gordon L. Stitt	240,000	8,250	3,000
Stephen R. Haddock	75,000	8,250	--
William Kelly	75,000	7,245	--
George Prodan	--	8,250	--
Herb Schneider	63,000	8,250	--
Harry Silverglide	--	8,250	--
Charles Carinalli	75,000	48,300	13,623
5% Stockholders			
Entities Affiliated with AVI Capital Management(2)	4,500,000	1,268,116	272,478
Entities Affiliated with Norwest Venture Partners(3)	4,500,000	2,717,392	544,959
Entities Affiliated with Trinity Ventures(4)	4,499,999	1,268,116	272,480
Entities Affiliated with Kleiner Perkins Caufield & Byers	--	2,355,073	136,238

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(1) See notes to table of beneficial ownership in "Principal Stockholders" for information relating to the beneficial ownership of such shares.
(2) Peter Wolken is a director of Extreme and a partner of AVI Management Partners.
(3) Promod Haque is a director of Extreme and a partner of Norwest Venture Partners.
(4) Lawrence K. Orr is a director of Extreme and a partner of Trinity Ventures.

In January 1999, the Board of Directors approved a loan to Vito E. Palermo, our Chief Financial Officer, of $75,000 at an interest rate of 4.51% per annum. The loan is due in January 2003 but we may forgive this loan upon our attainment of certain specified objectives. In addition, in connection with Mr. Palermo's employment, we have agreed to pay him nine months of severance if we terminate him without cause within the first twelve months of his employment.

We intend to enter into indemnification agreements with each of our directors and officers. Such indemnification agreements will require Extreme to indemnify such individuals to the fullest extent permitted by Delaware law.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of Extreme's common stock as of December 31, 1998 and as adjusted to reflect the sale of the shares of common stock offered hereby by (i) each person who is known by Extreme to beneficially own more than 5% of Extreme's common stock; (ii) the Named Executive Officers; (iii) each of Extreme's directors; and (iv) all officers and directors as a group.

	Prior to Offering		After Offering(3)
Name and Address of Beneficial Owner	Number	Percent	Percent
Named Executive Officers and Directors(1)			
Gordon L. Stitt(4)	2,476,250	6.0%	
Steve Haddock(5)	1,568,250	3.8	
George Prodan(6)	728,250	1.8	
Paul Romeo(7)	410,000	1.0	
Herb Schneider(8)	1,556,250	3.8	
Harry Silverglide(9)	650,750	1.6	
Charles Carinalli(10) Wavespan Corporation 500 N. Bernardo Avenue Mountain View, CA 94043	286,923	*	
Promod Haque(11) 245 Lytton Avenue, Suite 250 Palo Alto, CA 94025	7,762,351	19.0	
Lawrence K. Orr(12) 3000 Sand Hill Road Building 1, Suite 240 Menlo Park, CA 94025	6,040,595	14.8	
Peter Wolken(13) One First Street, #12 Los Altos, CA 94022	6,040,594	14.8	
5% Stockholders			
AVI Capital Management(13) One First Street, #12 Los Altos, CA 94022	6,040,594	14.8	
Kleiner Perkins Caufield & Byers(14) 2750 Sand Hill Road Menlo Park, CA 94025	2,491,311	6.1	
Norwest Venture Partners(11) 245 Lytton Avenue, Suite 250 Palo Alto, CA 94025	7,762,351	19.0	
Trinity Ventures(12) 3000 Sand Hill Road Building 1, Suite 240 Menlo Park, CA 94025	6,040,595	14.8	
All executive officers and directors as a group (11 persons)	28,262,458	66.7	

* Less than 1%

(1) Unless otherwise indicated, the address of each of the named individuals is: c/o Extreme Networks, 10460 Bandley Drive, Cupertino, CA 95014-1972.

(2) Percentage of ownership is based on 40,852,768 shares outstanding on December 31, 1998 and shares outstanding after the offering. The number and percentage of shares beneficially owned are determined in accordance with SEC rules and regulations. Shares of common stock subject to options currently exercisable or exercisable within 60 days after December 31, 1998 are deemed outstanding for the purpose of computing the number of shares beneficially owned and the percentage ownership of the person holding such options but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated below, each stockholder named in the table has sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to community property laws where applicable.

(3) Assumes no exercise of the underwriters' over-allotment option.

(4) Includes 506,256 shares subject to a right of repurchase in favor of Extreme which lapses over time. Includes 240,000 shares held by Gordon and Valori Stitt. Also includes 200,000 shares issuable upon exercise of options, of which 183,334 shares are subject to a right of repurchase in favor of Extreme which lapses over time.

(5) Includes 337,500 shares subject to a right of repurchase in favor of Extreme which lapses over time. Also includes 135,000 shares issuable upon exercise of options, of which 123,750 shares are subject to a right of repurchase in favor of Extreme which lapses over time.

(6) Includes 720,000 shares issuable upon exercise of options, of which 397,500 shares are subject to a right of repurchase in favor of Extreme which lapses over time.

(7) Includes 195,000 shares subject to a right of repurchase in favor of Extreme which lapses over time. Also includes 50,000 shares issuable upon exercise of options, of which 45,834 shares are subject to a right of repurchase in favor of Extreme which lapses over time.

(8) Includes 337,500 shares subject to a right of repurchase in favor of Extreme which lapses over time. Also includes 135,000 shares issuable upon exercise of options, of which 123,750 shares are subject to a right of repurchase in favor of Extreme which lapses over time.

(9) Includes 281,250 shares subject to right of repurchase in favor of Extreme which lapses over time. Also includes 80,000 shares issuable upon exercise of options, of which 73,334 shares are subject to a right of repurchase in favor of Extreme which lapses over time.

(10) Includes 136,923 shares held by Charles Peter Carinalli and/or Connie Sue Carinalli, Trustees of the Carinalli 1996 Living Trust dated April 24, 1996. Also includes 150,000 shares issuable upon exercise of options, of which 56,250 shares are subject to a right of repurchase in favor of Extreme which lapses over time.

(11) Promod Haque is a partner of Norwest Venture Partners. All shares listed are held by Norwest Equity Partners, V.

(12) Lawrence K. Orr is a partner of Trinity Ventures. The shares listed represent 5,707,084 shares held by Trinity Ventures V, L.P. and 333,511 shares held by Trinity V Side by Side Fund, L.P.

(13) Peter Wolken is a partner of AVI Management Partners. The shares listed represent 809,698 shares held by Associated Venture Investors III, L.P.; 55,705 shares held by AVI Silicon Valley Partners, L.P.; 5,026,642 shares held by AVI Capital, L.P.; and 148,549 shares held by AVI Partners Growth Fund II, L.P.

(14) The shares listed represent 2,296,139 shares held by Kleiner Perkins Caufield & Byers VIII; 127,115 shares held by Kleiner Perkins Caufield & Byers VIII Founders Fund; 62,281 shares held by KPCB Information Sciences Zaibatsu Fund II; and 5,776 shares held by KPCB VIII Founders, L.P.

DESCRIPTION OF CAPITAL STOCK

Upon consummation of this offering, Extreme's authorized capital stock will consist of 150,000,000 shares of common stock and 2,000,000 shares of preferred stock. Upon such conversion, such preferred stock will be canceled, retired and eliminated from the shares that Extreme is authorized to issue. The following summary of certain provisions of the common stock and the preferred stock does not purport to be complete and is subject to, and qualified in its entirety by, Extreme's certificate of incorporation and bylaws and by the provisions of applicable law.

Common Stock

As of December 31, 1998, there were 11,791,195 shares of common stock outstanding held of record by 78 stockholders. Subject to preferences that may be applicable to any preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the board of directors from time to time may determine. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not authorized by Extreme's certificate of incorporation, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. Upon liquidation, dissolution or winding-up of Extreme, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation of any preferred stock. Each outstanding share of common stock is, and all shares of common stock to be outstanding upon completion of this offering will be, upon payment therefor, duly and validly issued, fully paid and nonassessable.

Preferred Stock

The board of directors is authorized, without action by the stockholders, to designate and issue preferred stock in one or more series. The board of directors can fix the rights, preferences and privileges of the shares of each series and any qualifications, limitations or restrictions thereon.

The board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes could, among other things, under certain circumstances, have the effect of delaying, deferring or preventing a change in control of Extreme. We have no current plans to issue any shares of preferred stock.

Warrants

In November 1996, Extreme issued warrants to a lease financing company to purchase 210,000 shares of Series A convertible preferred stock with an exercise price of $0.33 per share, in consideration for equipment leases and a loan. In July 1997, Extreme issued warrants to the same lease financing company to purchase 32,231 shares of Series B convertible preferred stock with an exercise price of $2.07 per share, in consideration for equipment leases. Upon completion of this offering, such warrants will convert into the right to purchase equivalent number of shares of our common stock at the same exercise price per share. The warrants may be exercised at any time within a period of (i) 10 years or (ii) 5 years from the effective date of an initial public offering completed by Extreme, whichever is longer.

In November 1997, the Company issued warrants to a lease financing company to purchase 79,051 shares of Series C convertible preferred stock with an exercise price of $2.53, in consideration for a loan. Upon completion of this offering, such warrants will convert into the right to purchase equivalent number of shares of our common stock at the same exercise price per share. The warrants may be exercised at any time within a period which expires the sooner of (i) 10 years or (ii) 3 years from the effective date of an initial public offering.

Registration Rights of Certain Holders

Following the sale of the shares of common stock offered hereby, the holders of approximately 33,786,315 shares of common stock will have certain rights to register those shares under the Securities Act of 1933 pursuant to the Second Amended and Restated Rights Agreement. Subject to certain limitations in this Rights Agreement, the holders of at least 50% of such shares may require, on two occasions, that Extreme use its best efforts to register such shares for public resale. If Extreme registers any of its common stock for its own account or for the account of other security holders, the holders of such shares are entitled to include their shares of common stock in the registration, subject to the ability of the underwriters to limit the number of shares included in the offering. The holders of at least 50% of such shares may also require Extreme to register all or a portion of their registrable securities on Form S-3 when Extreme is eligible to use such form, provided, among other limitations, that the proposed aggregate price to the public is at least $1,000,000. Extreme will bear all fees, costs and expenses of such registration, other than underwriting discounts and commissions.

Delaware Law and Certain Provisions of Extreme's Certificate of Incorporation and Bylaws

Certain provisions of Delaware law and our certificate of incorporation and bylaws could make more difficult the acquisition of Extreme by means of a tender offer, a proxy contest, or otherwise, and the removal of incumbent officers and directors. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Extreme to first negotiate with us. We believe that the benefits of increased protection of Extreme's potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure Extreme outweighs the disadvantages of discouraging such proposals, including proposals that are priced above the then current market value of our common stock, because, among other things, negotiation of such proposals could result in an improvement of their terms.

We are subject to section 203 of the Delaware General Corporation Law. This provision generally prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date such stockholder became an interested stockholder, unless:

- prior to such date the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include: (a) any merger or consolidation involving the corporation and the interested stockholder; (b) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder; (c) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (d) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (e) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

Our certificate of incorporation requires that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of the stockholders and may not be effected by a consent in writing. In addition, special meetings of our stockholders may be called only by the Board of Directors or holders of not less than 10% of all of the shares entitled to cast votes at such meetings. The certificate of incorporation also provides that, beginning upon the closing of the offering, the Board of Directors will be divided into three classes, with each class serving staggered three-year terms and that certain amendments of the certificate of incorporation, and all amendments by the stockholders of the bylaws, require the approval of holders of at least 66 2/3% of the voting power of all outstanding stock. These provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of Extreme.

Transfer Agent and Registrar

The Transfer Agent and Registrar for our common stock is ChaseMellon Shareholder Services, L.L.C. Its address is 235 Montgomery Street, 23rd Floor, San Francisco, California 94104, and its telephone number at this location is (415) 743-1444.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for Extreme's common stock. Future sales of substantial amounts of common stock in the public market could adversely affect the market price of the common stock.

Upon completion of this offering, Extreme will have outstanding shares of common stock, assuming the issuance of shares of common stock offered hereby and no exercise of options after . Of these shares, the shares sold in the offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act (whose sales would be subject to certain limitations and restrictions described below).

The remaining shares of common stock held by existing stockholders were issued and sold by Extreme in reliance on exemptions from the registration requirements of the Securities Act. Of these shares, shares will be subject to "lock-up" agreements described below on the effective date of the offering. On the effective date of the offering, shares not subject to the lock-up agreements described below will be eligible for sale pursuant to Rule 144(k). Upon expiration of the lock-up agreements 180 days after the effective date of the offering, shares will become eligible for sale, subject in most cases to the limitations of Rule 144. In addition, holders of stock options could exercise such options and sell certain of the shares issued upon exercise as described below.

Days After Date of this Prospectus	Shares Eligible for Sale	Comment
Upon Effectiveness		Shares sold in the offering
Upon Effectiveness		Freely tradable shares salable under Rule 144(k) that are not subject to the Lock-up
180 days		Lock-up released; shares salable under Rules 144 and 701

As of December 31, 1998, there were a total of 3,710,328 shares of common stock subject to outstanding options under our Amended 1996 Stock Option Plan, 729,765 of which were vested. However, all of these shares are subject to lock-up agreements. Immediately after the completion of the offering, Extreme intends to file registration statements on Form S-8 under the Securities Act to register all of the shares of common stock issued or reserved for future issuance under our Amended 1996 Stock Option Plan and 1999 Employee Stock Purchase Plan. On the date 180 days after the effective date of the offering, a total of shares of common stock subject to outstanding options will be vested. After the effective dates of the registration statements on Form S-8, shares purchased upon exercise of options granted pursuant to the Amended 1996 Stock Option Plan and Employee Stock Purchase Plan generally would be available for resale in the public market.

The officers, directors and stockholders of Extreme have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of the offering. Morgan Stanley & Co. Incorporated, however, may in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of Extreme's common stock for at least one year would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of

. 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or

. the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain other requirements regarding the manner of sale, notice filing and the availability of current public information about Extreme.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of Extreme's "affiliates," as defined in Rule 144, at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an "affiliate," is entitled to sell such shares without complying with the manner of sale, notice filing, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted, "144(k) shares" may be sold immediately upon the completion of this offering.

Rule 701

In general, under Rule 701, any Extreme employee, director, officer, consultant or advisor who purchases shares from Extreme in connection with a compensatory stock or option plan or other written agreement before the effective date of the offering is entitled to resell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with certain restrictions, including the holding period, contained in Rule 144.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of such options (including exercises after the date of this prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than "affiliates" (as defined in Rule 144) subject only to the manner of sale provisions of Rule 144 and by "affiliates" under Rule 144 without compliance with its one year minimum holding period requirement.

UNDERWRITERS

Under the terms and subject to the conditions contained in the underwriting agreement dated the date hereof (the "Underwriting Agreement"), the underwriters named below, for whom Morgan Stanley & Co. Incorporated, BancBoston Robertson Stephens Inc. and Dain Rauscher Wessels, a division of Dain Rauscher Incorporated ("Dain Rauscher Wessels"), are acting as representatives, have severally agreed to purchase, and Extreme has agreed to sell to them, severally, the respective number of shares of common stock set forth opposite the names of such underwriters below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
BancBoston Robertson Stephens Inc	
Dain Rauscher Wessels	
Total	

The underwriters are offering the shares subject to their acceptance of the shares from Extreme and subject to prior sale. The Underwriting Agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered hereby (other than those covered by the overallotment option described below) if any such shares are taken.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other underwriters or to certain other dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives of the underwriters.

Pursuant to the Underwriting Agreement, Extreme has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of common stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares of common stock set forth next to the names of all underwriters in the preceding table.

At the request of Extreme, the underwriters have reserved up to five percent of the shares of common stock to be issued by Extreme and offered hereby for sale, at the initial public offering price, to directors, officers, employees, business associates and related persons of Extreme. The number of shares of common stock available for sale to the general public will be reduced to the extent such individuals purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby.

Each of Extreme and the officers, directors and stockholders of Extreme has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, or otherwise during the

period ending 180 days after the date of this prospectus, it will not, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the sale of any shares to the underwriters pursuant to the underwriting agreement or (b) transactions relating to shares of common stock or other securities acquired in open market transactions after the date of this prospectus.

The underwriters have informed Extreme that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

Approval of the common stock has been sought for quotation on the Nasdaq National Market under the symbol "EXTR."

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common stock for their own account. In addition, to cover over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering if the syndicate repurchases previously distributed shares of common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time.

Extreme and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

Morgan Stanley & Co. Incorporated acted as the placement agent of a private placement of our Series C Preferred Stock and, in connection with that placement, received a fee for their services.

Pricing of the Offering

Prior to this offering, there has been no public market for the shares of common stock. Consequently, the initial public offering price for the shares of common stock will be determined by negotiations between Extreme and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price will be Extreme's record of operations, Extreme's current financial position and future prospects, the experience of its management, the economics of the networking industry in general, the general condition of the equity securities markets, sales, earnings and certain other financial and operating information of Extreme in recent periods, the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of Extreme. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Gray Cary Ware & Freidenrich LLP, Palo Alto, California. As of December 31, 1998, an investment partnership of Gray Cary Ware & Freidenrich owned an aggregate of 75,000 shares of Extreme's common stock. In addition, in March 1997, a partner of Gray Cary Ware & Freidenrich was granted an option to purchase 7,500 shares of Extreme's common stock. Certain legal matters in connection with this offering will be passed upon for the underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

EXPERTS

The consolidated financial statements of Extreme at June 30, 1997 and 1998 and for the period from inception, May 8, 1996 to June 30, 1997 and for the year ended June 30, 1998, appearing in this prospectus and the registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report, given upon the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedule filed therewith. For further information with respect to Extreme and the common stock offered hereby, reference is made to the registration statement and the exhibits and schedule filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedule filed therewith may be inspected without charge at the public reference facilities maintained by the SEC in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048, and copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. The SEC maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is http://www.sec.gov.

Upon completion of this offering, Extreme will become subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, and, in accordance therewith, will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the regional offices, public reference facilities and web site of the SEC referred to above.

EXTREME NETWORKS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Extreme Networks, Inc.

We have audited the accompanying consolidated balance sheets of Extreme Networks, Inc. as of June 30, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from inception, May 8, 1996 to June 30, 1997 and for the year ended June 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Extreme Networks, Inc. at June 30, 1998 and 1997, and the consolidated results of its operations and its cash flows for the period from inception, May 8, 1996 to June 30, 1997 and for the year ended June 30, 1998, in conformity with generally accepted accounting principles.

Palo Alto, California
October 22, 1998, except for Note 8, as to which the date is February , 1999

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The foregoing report is in the form that we will sign upon the completion of the restatement of capital accounts described in Note 8 to the consolidated financial statements.

/s/ Ernst & Young LLP

Palo Alto, California
February 3, 1999

EXTREME NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	June 30,		December 31,	Pro forma stockholders' equity at December 31,
	1997	1998	1998	1998
			(Unaudited)	(Unaudited)
Assets				
Current assets:				
Cash and cash equivalents	$10,047	$ 9,510	$ 5,792	
Short-term investments	--	10,995	6,821	
Accounts receivable, net of allowance for doubtful accounts of $0, $433 and $1,162 at June 30, 1997 and 1998 and December 31, 1998, respectively	262	7,808	8,148	
Other current assets	77	711	1,416	
Total current assets	10,386	29,024	22,177	
Property and equipment, net	1,355	4,469	5,172	
Other assets	201	238	3	
	$11,942	$33,731	$27,352	
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$ 749	$ 9,993	$ 4,859	
Accrued compensation	189	935	1,334	
Accrued warranty	--	1,073	1,024	
Accrued purchase commitments	--	893	893	
Other accrued liabilities	464	984	2,504	
Provision for income taxes	--	--	700	
Due to shareholders	109	--	--	
Notes payable, current portion	525	834	991	
Capital lease obligations, current portion	99	516	588	
Total current liabilities	2,135	15,228	12,893	
Notes payable, net of current portion	111	1,167	1,368	
Capital lease obligations, net of current portion	391	1,467	1,351	
Commitments				
Stockholders' equity:				
Convertible preferred stock, $.001 par value, issuable in series: 24,000,000 shares authorized at June 30, 1997; 29,900,000 shares authorized at June 30, 1998 and December 31, 1998 (2,000,000 shares pro forma); 23,466,485, 29,061,573 and 29,061,573 shares issued and outstanding at June 30, 1997 and 1998 and December 31, 1998 (none pro forma); aggregate liquidation preference of $38,046 at December 31, 1998 (none pro forma)	23	29	29	
Common stock, $.001 par value, 50,000,000 shares authorized, (150,000,000 pro forma), 10,809,750, 11,534,525, and 11,791,195 shares issued and outstanding at June 30, 1997 and 1998 and December 31, 1998, (40,852,768 pro forma)	11	12	12	$ 41
Additional paid-in capital	17,194	37,619	38,333	38,333
Accumulated deficit	(7,923)	(21,791)	(26,634)	(26,634)
Total stockholders' equity	9,305	15,869	11,740	11,740
	$11,942	$33,731	$27,352	

See accompanying notes.

EXTREME NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	For the period from May 8, 1996 (Date of Inception) through June 30, 1997	Year ended June 30, 1998	Six months ended December 31, 1997	Six months ended December 31, 1998
			(unaudited)	
Net revenue	$ 256	$ 23,579	$ 6,104	$30,851
Cost of revenue	388	14,897	3,557	15,605
Gross profit (loss)	(132)	8,682	2,547	15,246
Operating expenses:				
Research and development	5,351	10,668	4,548	6,580
Selling and marketing	1,554	9,601	3,450	10,203
General and administrative	1,023	2,372	1,040	2,700
Total operating expenses	7,928	22,641	9,038	19,483
Operating loss	(8,060)	(13,959)	(6,491)	(4,237)
Interest expense	(79)	(326)	(83)	(201)
Interest and other income	216	417	109	295
Loss before income taxes	(7,923)	(13,868)	(6,465)	(4,143)
Provision for income taxes	--	--	--	(700)
Net loss	$(7,923)	$(13,868)	$(6,465)	$(4,843)
Basic and diluted net loss per common share	$ (4.51)	$ (3.17)	$ (1.84)	$ (.71)
Weighted average shares outstanding used in computing basic and diluted net loss per common share	1,758	4,379	3,510	6,867
Pro forma basic and diluted net loss per share (unaudited)		$ (.44)		$ (.14)
Shares used in computing pro forma basic and diluted net loss per common share (unaudited)		31,701		35,929

See accompanying notes.

EXTREME NETWORKS, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Issuance of common stock to founders and others for cash and assets....	--	$--	5,400	$ 5	$ 24	$ --	$ 29
Issuance of Series A convertible preferred stock to investors for cash (less issuance costs of $5).....	14,580	14	--	--	4,841	--	4,855
Issuance of Series B convertible preferred stock to investors for cash (less issuance costs of $27).....	8,886	9	--	--	12,227	--	12,236
Exercise of options to purchase common stock..	--	--	5,410	6	102	--	108
Net loss.....	--	--	--	--	--	(7,923)	(7,923)
Balances at June 30, 1997.....	23,466	23	10,810	11	17,194	(7,923)	9,305
Issuance of warrant for 48,347 shares of Series B convertible preferred stock.....	--	--	--	--	28	--	28
Issuance of Series C convertible preferred stock to investors for cash (less issuance costs of $416).....	5,595	6	--	--	20,111	--	20,117
Issuance of warrant for 70,176 shares of Series C convertible preferred stock.....	--	--	--	--	140	--	140
Exercise of options to purchase common stock..	--	--	725	1	146	--	147
Net loss.....	--	--	--	--	--	(13,868)	(13,868)
Balances at June 30, 1998.....	29,061	29	11,535	12	37,619	(21,791)	15,869
Exercise of options to purchase common stock (unaudited).....	--	--	256	--	714	--	714
Net loss (unaudited)....	--	--	--	--	--	(4,843)	(4,843)
Balances at December 31, 1998 (unaudited).....	29,061	$29	11,791	$12	$38,333	$(26,634)	$ 11,740

See accompanying notes.

EXTREME NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the period from May 8, 1996 (Date of Inception) through June 30, 1997	Year ended June 30, 1998	Six months ended December 31, 1997 (Unaudited)	Six months ended December 31, 1998 (Unaudited)
Operating activities				
Net loss	$(7,923)	$(13,868)	$(6,465)	$(4,843)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	315	1,453	137	1,757
Changes in operating assets and liabilities:				
Accounts receivable	(262)	(7,545)	(4,064)	(340)
Other current and noncurrent assets	(278)	(671)	(1,122)	(470)
Accounts payable	749	9,244	(435)	(5,134)
Accrued compensation	189	745	(55)	399
Accrued warranty	--	1,073	1,006	(49)
Accrued purchase commitments	--	893	--	--
Other accrued liabilities	464	520	2,507	1,520
Provision for income taxes	--	--	--	700
Due to shareholder	109	(109)	(109)	--
Net cash used in operating activities	(6,637)	(8,265)	(8,600)	(6,460)
Investing activities				
Capital expenditures	(1,151)	(2,511)	(922)	(2,460)
Purchases of short-term investments	--	(10,996)	--	--
Maturities of short-term investments	--	--	--	4,174
Net cash provided by (used in) investing activities	(1,151)	(13,507)	(922)	1,714
Financing activities				
Proceeds from issuance of convertible preferred stock	17,091	20,285	--	--
Proceeds from issuance of common stock	124	147	268	714
Proceeds from notes payable	700	1,606	1,712	505
Principal payments on notes payable	(64)	(241)	--	(147)
Principal payments of capital lease obligations	(16)	(562)	482	(44)
Net cash provided by financing activities	17,835	21,235	2,462	1,028
Net increase (decrease) in cash and cash equivalents	10,047	(537)	(7,060)	(3,718)
Cash and cash equivalents at beginning of period	--	10,047	10,047	9,510
Cash and cash equivalents at end of period	$10,047	$ 9,510	$ 2,987	$ 5,792
Supplemental disclosure of cash flow information:				
Cash paid for interest	$ 73	$ 326	$ 89	$ 201
Supplemental schedule of noncash investing and financing activities:				
Property and equipment acquired under capital lease obligations	$ 505	$ 1,588	$ 407	$ 228
Common stock issued for assets	$ 14	$ --	$ --	$ --
Warrants issued in				

connection with capital lease.....	$ --	$ 168	$ --	$ --

See accompanying notes.

EXTREME NETWORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information as of December 31, 1998 and for the six months ended December 31, 1997 and 1998 is unaudited)

1. Summary of Significant Accounting Policies

Nature of Operations

Extreme Networks, Inc. ("Extreme" or the "Company") was incorporated in the state of California on May 8, 1996 and is engaged in the design, development, manufacture, and sale of high performance networking products based on Gigabit Ethernet technology. The financial operations for the period ended June 30, 1996 were insignificant and have been combined with Extreme's results for the year ended June 30, 1997. Through June 30, 1997, Extreme was in the development stage. Extreme has incurred operating losses to date and has an accumulated deficit of $26.6 million at December 31, 1998. Extreme anticipates additional debt or equity funding may be needed to finance expected future operations. If such additional funding is not available, management believes, based on anticipated obligations, that available resources will be sufficient to enable Extreme to meet its obligations. If anticipated results are not achieved, management has the intent and believes it has the ability to delay or reduce expenditures so as not to require significant additional financial resources if such resources were not available.

Interim Financial Information

The financial information as of December 31, 1998 and for the six months ended December 31, 1997 and 1998 is unaudited but includes all adjustments, consisting only of normal recurring adjustments, that Extreme considers necessary for a fair presentation of its financial position at such date and the operating results and cash flows for such period. Results for the six months ended December 31, 1998 are not necessarily indicative of results in the future periods.

Principles of Consolidation

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

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that materially affect the amounts reported in the financial statements. Actual results could differ materially from these estimates.

Cash Equivalents and Short-Term Investments

Extreme considers all highly liquid investment securities with maturity from date of purchase of three months or less to be cash equivalents and investment securities with maturity from date of purchase of more than three months but less than one year, to be short-term investments.

Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of each balance sheet date. To date, all marketable securities have been classified as available-for-sale and are carried at fair value, with unrealized gains and losses, when material, reported net-of-tax as a separate component of stockholders' equity. Realized gains and losses on available-for-sale securities are included in interest income. The cost of securities sold is based on specific identification. Premiums and discounts are amortized over the period from acquisition to maturity and are included in investment income, along with interest and dividends.

Fair Value of Financial Instruments

The fair value for marketable debt securities is based on quoted market prices. The carrying value of those securities approximates their fair value.

The fair value of notes is estimated by discounting the future cash flows using the current interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The carrying values of these obligations approximate their respective fair values.

The fair value of short-term and long-term capital lease obligations is estimated based on current interest rates available to Extreme for debt instruments with similar terms, degrees of risk and remaining maturities. The carrying values of these obligations approximate their respective fair values.

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject Extreme to concentration of credit risk consist principally of marketable investments and accounts receivable. Extreme places its investments with high-credit quality multiple issuers. Extreme sells its products primarily to United States corporations in the technology marketplace. Extreme performs ongoing credit evaluations of its customers and generally does not require collateral. Credit losses have been immaterial and within management's expectations. During the years ended June 30, 1997 and 1998 and the six months ended December 31, 1998, Extreme added approximately $0, $383,000 and $546,000 to its bad debt reserves. Total write-offs of uncollectible amounts were $0, $37,000 and $0 in these periods, respectively. Two customers accounted for 25% and 21%, and 17% and 11% of the Company's net revenue for the year ended June 30, 1998 and the six months ended December 31, 1998, respectively. No other customer accounts for more than 10% of Extreme's net revenues. Extreme operates solely within one business segment, the development and marketing of end-to-end LAN switching solutions.

Property and Equipment

Property and equipment are stated at cost, net of accumulated amortization and depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets of approximately three years or the applicable lease term, if shorter. Equipment acquired under capital lease obligations is amortized over the shorter of the lease term or the estimated useful lives of the related assets.

Revenue Recognition

Extreme generally recognizes product revenue at the time of shipment, unless Extreme has future obligations for installation or has to obtain customer acceptance in which case revenue is deferred until these obligations are met. Revenue from service obligations is deferred and recognized on a straight-line basis over the contractual period. Amounts billed in excess of revenue recognized are included as deferred revenue in the accompanying consolidated balance sheets. Extreme has established a program which, under specified conditions, enables third party resellers to return products. The amount of estimated product returns is provided for in the period of the sale.

Upon shipment to its customers, Extreme provides for the estimated cost to repair or replace products to be returned under warranty. Extreme's warranty period is typically 12 months from the date of shipment to the end user.

Foreign Operations

Extreme's foreign offices consist of sales, marketing, and support activities through its foreign subsidiaries and an overseas reseller network. Operating income generated by the foreign operations of Extreme and their corresponding identifiable assets were not material in any period presented.

Extreme's export sales represented 59% and 50% of net revenue in fiscal 1998 and the six-month period ended December 31, 1998. All of the export sales to date have been denominated in U.S. dollars and were derived from sales to Europe and Asia.

Net Loss Per Common Share

Basic net loss per common share and diluted net loss per common share are presented in conformity with Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," for all periods presented. Pursuant to the Securities and Exchange Commission Staff Accounting Bulletin No. 98, common stock and convertible preferred stock issued or granted for nominal consideration prior to the anticipated effective date of the initial public offering must be included in the calculation of basic and diluted net loss per common share as if they had been outstanding for all periods presented. To date, Extreme has not had any issuances or grants for nominal consideration.

In accordance with SFAS No. 128, basic net loss per common share has been computed using the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase. Basic pro forma net loss per common share, as presented in the consolidated statements of operations, has been computed as described above and also gives effect, under Securities and Exchange Commission guidance, to the conversion of the convertible preferred stock (using the if-converted method) from the original date of issuance.

The following table presents the calculation of basic and diluted and pro forma basic and diluted net loss per common share (in thousands, except per share data):

	Years Ended June 30,		Six Months Ended December 31,	
	1997	1998	1997	1998
			(unaudited)	
Net loss	$(7,923)	$(13,868)	$ (6,465)	$ (4,853)
Basic and diluted:				
Weighted-average shares of common stock outstanding	6,468	11,192	10,920	11,599
Less: Weighted-average shares subject to repurchase	(4,710)	(6,813)	(7,410)	(4,732)
Weighted-average share used in computing basic and diluted net loss per common share	1,758	4,379	3,510	6,867
Basic and diluted net loss per common share	$ (4.51)	$ (3.17)	$ (1.84)	$ (.71)
Pro forma:				
Net loss		$(13,868)		$ (4,843)
Shares used above		4,379		6,867
Pro forma adjustment to reflect weighted effect of assumed conversion of convertible preferred stock		27,323		29,062
Shares used in computing pro forma basic and diluted net loss per common share (unaudited)		31,702		35,929
Pro forma basic and diluted net loss per common share (unaudited)		$ (.44)		$ (.14)

Extreme has excluded all convertible preferred stock, warrants for convertible preferred stock, outstanding stock options and shares subject to repurchase from the calculation of diluted loss per common share because all such securities are anti-dilutive for all periods presented. The total numbers of shares excluded from the calculations of diluted net loss per share was 30,834,912, 36,082,561, 30,818,069 and 36,514,805 for the years ended June 30, 1997 and 1998 and the six months ended December 31, 1997 and 1998. See Note 6 for further information on these securities.

Accounting for Stock-Based Compensation

Extreme's grants of stock options are for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. As permitted under SFAS Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), Extreme accounts for stock option grants to employees and directors in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and, accordingly, recognizes no compensation expense for stock option grants with an exercise price equal to the fair value of the shares at the date of grant.

Comprehensive Loss

Extreme adopted Statement of Financial Accounting Standards (SFAS) 130, "Reporting Comprehensive Income," at December 31, 1998. Under SFAS 130, Extreme is required to display comprehensive income and

its components as part of the financial statements. Other comprehensive income includes certain changes in equity that are excluded from net income. Specifically, SFAS 130 requires unrealized holding gains and losses on available-for-sale securities, to be included in accumulated other comprehensive income. Comprehensive loss for the years ended June 30, 1998 and 1997 and the six month period ended December 31, 1998 approximated net loss.

Recently Issued Accounting Standard

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" effective for financial statements for periods beginning after December 15, 1997. SFAS No. 131 establishes standards for the way that public business enterprises report financial and descriptive information about reportable operating segments in annual financial statements and interim financial reports issued to shareholders. SFAS No. 131 supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," but retains the requirement to report information about major customers. Extreme will adopt SFAS No. 131 effective June 30, 1999. Extreme expects that the implementation of this standard will not have a material effect on its financial statement disclosures.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Extreme is required to adopt SFAS No. 133 for the year ending June 30, 2002. SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. Because Extreme currently holds no derivative financial instruments and does not currently engage in hedging activities, adoption of SFAS No. 133 is expected to have no material impact on Extreme's financial condition or results of operations.

In March 1998, the American Institute of Certified Public Accountants issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," SOP 98-1 requires that entities capitalize certain costs related to internal use software once certain criteria have been met. Extreme is required to implement SOP 98-1 for the year ending June 30, 2000. Adoption of SOP 98-1 is expected to have no material impact on Extreme's financial condition or results of operations.

2. Investment Securities

The following is a summary of available-for-sale securities (in thousands). As of June 30, 1998 and December 31, 1998 at cost which approximates fair market value:

	June 30, 1998	December 31, 1998 (Unaudited)
Money market fund	$ 99	$ 78
U.S. corporate debt securities	12,410	6,821
Foreign corporate debt securities	6,938	--
	$19,447	$6,899
Classified as:		
Cash equivalents	$ 8,452	$ 78
Short-term investments	10,995	6,821
	$19,447	$6,899

At June 30, 1998 and December 31, 1998, all of the available-for-sale securities are due in one year or less by contractual maturity.

3. Property and Equipment

Property and equipment consist of the following (in thousands):

	June 30,		December 31,
	1997	1998	1998
			(Unaudited)
Computer and other related equipment	$ 745	$3,465	$3,799
Office equipment, furniture, and fixtures	199	522	1,927
Software	638	2,106	2,692
Leasehold improvements	88	145	145
	1,670	6,238	8,563
Less accumulated depreciation and amortization	(315)	(1,769)	(3,391)
Property and equipment, net	$1,355	$4,469	$5,172

Included in property and equipment are assets acquired under capital lease obligations with a cost and related accumulated amortization of approximately $2,093,000 and $490,000, respectively, at June 30, 1998, and approximately $2,731,000 and $870,000, respectively, at December 31, 1998.

4. Notes Payable

In October 1996, Extreme entered into a note payable with a bank that allowed the Company to borrow up to $400,000. Interest is payable monthly based on an annual rate of 11%. Principal outstanding was $49,909 at December 31, 1998. Payments of approximately $18,000 are due monthly through April 16, 1999. The note is secured by Extreme's assets.

In November 1996, Extreme entered into a $300,000 note payable agreement with a leasing company. The note accrues interest monthly based on an annual rate of 9%. Payments of approximately $11,000 are due monthly with a final $30,000 payment due May 1, 1999. The note is secured by all of Extreme's fixed assets.

In November 1997, Extreme entered into a $2,000,000 note payable with a leasing company. The note accrues interest monthly based on an annual rate of 9.75%. Payments of approximately $56,000 are due monthly through May 1, 2001. The note is secured by all of Extreme's fixed assets.

5. Commitments

Extreme has outstanding purchase order commitments for materials of approximately $4,400,000 and $12,300,000 at June 30, 1998 and December 31, 1998, respectively. Extreme expects these purchase orders to be fulfilled and the related invoices to be paid in fiscal year 1999. Of this amount, the Company has accrued and expensed approximately $893,000 of the outstanding purchase order commitments for materials due to obligations to suppliers as of June 30, 1998.

The Company has entered into equipment lease lines of credit for a total of $4,000,000, of which approximately $3.1 million remains available at December 31, 1998. These arrangements are secured by the

property and equipment subject to the leases. Under the terms of these lines of credit, Extreme may not declare or pay any dividends without prior consent of the lenders.

Extreme has entered into a revolving line of credit for $5.0 million. Borrowings under this line of credit bear interest at the bank's prime rate. At December 31, 1998, there were no outstanding borrowings under this line of credit.

Extreme leases its primary facilities under operating leases, all of which expire during 1999. Rent expense was approximately $220,000 and $712,000 for the years ended June 30, 1997 and 1998, respectively, and approximately $385,000 for the six months ended December 31, 1998.

Future payments under all noncancelable leases at December 31, 1998 are as follows (in thousands) (unaudited):

	Capital Leases	Operating Leases
Years ending June 30:		
1999	$ 360	$225
2000	721	42
2001	708	25
2002	409	--
Total minimum payments	2,198	$292
Less amount representing interest	(259)	
Present value of minimum payments	1,939	
Less current portion	(588)	
Long-term portion	$1,351	

See Note 8 for subsequent event regarding lease of new facility.

6. Shareholders' Equity

Convertible Preferred Stock

A summary of convertible stock is as follows (in thousands):

	June 30,						December 31, 1998		
	1997			1998					
	Authorized	Issued and Outstanding	Liquidation Preference	Authorized	Issued and Outstanding	Liquidation Preference	Authorized	Issued and Outstanding	Liquidation Preference
Series A	15,000	14,580	$ 5,249	15,000	14,580	$ 5,249	15,000	14,580	$ 5,249
Series B	9,000	8,886	12,263	9,000	8,886	12,263	9,000	8,886	12,263
Series C	--	--	--	5,900	5,595	20,534	5,900	5,595	20,534
	24,000	23,466	$17,512	29,900	29,061	$38,046	29,900	29,061	$38,046

In May 1996, under a stock purchase agreement, Extreme issued 14,580,000 Series A convertible preferred shares at a price of $.333 per share. In May and June 1997, under a stock purchase agreement, Extreme issued 8,886,485 Series B convertible preferred shares at a price of $1.38 per share. In January and March of 1998, under a stock purchase agreement, Extreme issued 5,595,088 Series C convertible preferred shares at a price of $3.67 per share.

Each share of Series A, B, and C convertible preferred stock is convertible, at the option of the holder, into one share of common stock, subject to certain provisions. The outstanding shares of convertible preferred stock automatically convert into common stock either upon the close of business on the day immediately preceding the closing of an underwritten public offering of common stock under the Securities Act of 1933 in which Extreme receives at least $10,000,000 in gross proceeds and the price per share is at least $5.00, or at the election of the holders of at least a majority of each series of the outstanding shares of preferred stock.

Series A, B, and C convertible preferred stockholders are entitled to annual noncumulative dividends of $.0267, $.1104, and $.2936, respectively, per share if and when declared by the board of directors. No dividends have been declared as of December 31, 1998.

The Series A, B, and C convertible preferred stockholders are entitled to receive, upon liquidation, the sum of (i) an amount per share equal to the issuance price; (ii) $.0267 per share of Series A preferred stock, $.1104 per share of Series B preferred stock, and $.2936 per share of Series C preferred stock per annum accruing annually on the anniversary date of issuance of the Series A, B, and C preferred stock, respectively; and (iii) all declared but unpaid dividends. Thereafter, the remaining assets and funds, if any, shall be distributed pro rata among the common stockholders. If the assets or property were not sufficient to allow full payment to the Series A, B, and C stockholders, the available assets shall be distributed ratably among the Series A, B, and C shareholders.

The Series A, B, and C convertible preferred stockholders have voting rights equal to the common shares issuable upon conversion.

Warrants

In November 1996, Extreme issued warrants to a lease financing company to purchase 210,000 shares of Series A convertible preferred stock with an exercise price of $.33 per share, in consideration for equipment leases and a loan. In July 1997, Extreme issued warrants to the same lease financing company to purchase 32,231 shares of Series B convertible preferred stock with an exercise price of $2.07 per share, in consideration for equipment leases. The warrants may be exercised at any time within a period of (i) 10 years or (ii) 5 years from the effective date of an initial public offering completed by Extreme, whichever is longer.

In November 1997, the Company issued warrants to a lease financing company to purchase 79,051 shares of Series C convertible preferred stock with an exercise price of $2.53, in consideration for a loan. The warrants may be exercised at any time within a period which expires the sooner of (i) 10 years or (ii) 3 years from the effective date of an initial public offering.

Common Stock

In May 1996, Extreme issued 4,725,000 shares of common stock to founders for cash. The common stock is subject to repurchase until vested; vesting with respect to 25% occurs on the first anniversary of the issuance date, with the balance vesting ratably over a period of three years as specified in the purchase agreements. At June 30, 1998 and December 31, 1998, approximately 1,771,875 and 1,181,250 shares, respectively, were subject to repurchase.

Extreme has reserved 15,000,000, 9,000,000, and 5,900,000 shares of its common stock for issuance upon conversion of its Series A, B, and C convertible preferred stock, respectively. Extreme has also reserved 13,025,000 common shares for issuance under the 1996 Stock Option Plan, of which 92,349 and 2,923,477 shares remain available at June 30, 1998 and December 31, 1998, respectively.

Stock-Based Compensation

Under the 1996 Stock Option Plan (the "Plan"), which was adopted in September 1996, options may be granted for common stock, pursuant to actions by the board of directors, to eligible participants. A total of 12,014,309 shares have been reserved under the Plan. Options granted are exercisable as determined by the board of directors. Options vest over a period of time as determined by the board of directors, generally four years. The term of the Plan is 10 years. Options to purchase approximately 4,297,346 and 2,990,009 shares of common stock have been exercised as of June 30, 1998 and December 31, 1998, respectively, but are subject to repurchase until vested.

The Company has elected to continue to follow APB 25 and related interpretations in accounting for its employee and director stock-based compensation plans. Because the exercise price of Extreme's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense was recognized.

Pro forma information regarding net income has been determined as if Extreme had accounted for its employee stock options under the fair value method prescribed by FAS 123. The resulting effect on pro forma net income disclosed is not likely to be representative of the effects on net income on a pro forma basis in future years, due to subsequent years including additional grants and years of vesting.

The fair value of each option granted through December 31, 1998 was estimated on the date of grant using the minimum value method with the following weighted-average assumptions: no dividends; an expected life of six years in the years ended June 30, 1997 and 1998, and four years in the six months ended December 31, 1998; and risk-free interest rate of 6.7%, 6.0% and 5.7% in the years ended June 30, 1997 and 1998, and the six months ended December 31, 1998, respectively. The weighted average fair value of options granted in the years ended June 30, 1997 and 1998 and the six months ended December 31, 1998 are $.01, $.37 and $1.17, respectively. For purposes of pro forma disclosures, the estimated fair value of options is amortized to pro forma expense over the options' vesting period. Pro forma information follows (in thousands, except share and per share amounts):

	Years ended June 30,		Six months ended December 31,
	1997	1998	1998
			(Unaudited)
Net Loss:			
As reported	$(7,923)	$(13,868)	$(4,853)
Pro forma	$(7,935)	$(13,985)	$(5,014)
Basic and diluted net loss per share:			
As reported		$ (3.17)	$ (.71)
Pro forma		$ (3.19)	$ (.73)

The following table summarizes stock options activity:

	Number of Shares	Weighted-Average Exercise Price Per Share
Granted	7,150,500	$ .03
Exercised	(5,409,750)	$ .02
Canceled	(165,000)	$ .03
Options outstanding at June 30, 1997	1,575,750	$ .05
Granted	1,771,460	$1.29
Exercised	(724,775)	$ .21
Canceled	(18,500)	$ .35
Options outstanding at June 30, 1998	2,603,935	$ .84
Granted (unaudited)	1,399,397	$5.83
Exercised (unaudited)	(256,670)	$1.82
Canceled (unaudited)	(36,334)	$2.59
Options outstanding at December 31, 1998 (unaudited)	3,710,328	$2.55

The options outstanding at December 31, 1998 have been segregated by exercise price as follows (unaudited):

	Outstanding Options		
Range of Exercise Prices	Options Outstanding and Exercisable	Weighted-Average Remaining Contractual Life (In years)	Weighted-Average Exercise Price
$ .02	988,000	7.94	$ .02
$ .14-1.00	660,279	8.62	.46
$1.25-1.75	618,950	9.19	1.70
$3.00-5.50	342,599	9.54	4.13
$5.75	831,500	9.79	5.75
$6.50-8.50	269,000	9.91	7.04
$ .02-8.50	3,710,328	8.98	$2.55

7. Income Taxes

The provision for income taxes consists of the following (in thousands):

	December 31, 1998 (unaudited)
Current provision:	
Federal	$100
State	100
Foreign	500
Total current provision	$700

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:

	June 30, 1997	June 30, 1998	December 31, 1998
			(unaudited)
Tax at federal statutory rate	$(2,773)	$(4,854)	$(1,450)
State income tax	--	--	100
Unutilized net operating losses	2,773	4,854	(1,450)
Federal alternative minimum taxes	--	--	100
Foreign tax	--	--	500
Total	$ --	$ --	$ 700

Significant components of Extreme's deferred tax assets are as follows (in thousands):

	June 30, 1997	June 30, 1998	December 31, 1998
			(unaudited)
Deferred tax assets:			
Net operating loss carryforwards	$ 3,120	$ 7,448	$ 6,586
Tax credit carryforwards	209	1,139	1,350
Accruals and reserves not currently deductible	--	984	1,700
Total deferred tax assets	3,329	9,571	$ 9,636
Valuation allowance	(3,329)	(9,571)	(9,636)
Net deferred tax assets	$ --	$ --	$ --

FASB Statement No. 109 provides for the recognition of deferred tax assets if realization of such assets is more likely than not. Based upon the weight of available evidence, which includes Extreme's historical operating performance and the reported cumulative net losses in all prior years, Extreme has provided a full valuation allowance against its net deferred tax assets.

The net valuation allowance increased by $3,329,000, $6,242,000, and $45,000 during the periods ended June 30, 1997, June 30, 1998, and December 31, 1998, respectively.

As of December 31, 1998, Extreme had federal and state net operating loss carryforwards of approximately $16.6 million and $16.0 million, respectively. Extreme also had federal and state research and development tax credit carryforwards of approximately $850,000 and $750,000, respectively. The net operating loss and tax credit carryforwards will expire at various dates beginning in 2004 through 2019, if not utilized.

Utilization of the net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation may result in the expiration of the net operating loss and credit carryforwards before utilization.

8. Subsequent Events

1999 Employee Stock Purchase Plan

In January 1999, the Board of Directors approved the adoption of Extreme's 1999 Employee Stock Purchase Plan (the "1999 Purchase Plan"), subject to stockholder approval. A total of 1,000,000 shares of common stock has been reserved for issuance under the 1999 Purchase Plan. The 1999 Purchase Plan permits eligible employees to acquire shares of Extreme's common stock through periodic payroll deductions of up to 15% of total compensation. No more than 625 shares may be purchased on any purchase date per employee. Each offering period will have a maximum duration of 12 months. The price at which the common stock may be purchased is 85% of the lesser of the fair market value of Extreme's common stock on the first day of the applicable offering period or on the last day of the respective purchase period. The initial offering period will commence on the effectiveness of the initial public offering and will end on April 30, 2000.

Reincorporation, Amendment to the Articles of Incorporation

During January 1999, Extreme's Board of directors authorized the reincorporation of the Company in the State of Delaware. This reincorporation is to be effective prior to Extreme's initial public offering. Upon reincorporation, Extreme will be authorized to issue 150,000,000 shares of Common Stock, $.001 par value and 2,000,000 shares of undesignated Preferred Stock, $.001 par value.

Facility Lease

In February, 1999 Extreme agreed to lease 77,000 square feet for the purpose of being its primary facility in Santa Clara, California. The related cost of this lease is approximately $120,000 per month. The lease expires in December 2001. Extreme expects to commence occupancy by March 1999.

Amended 1996 Stock Option Plan

In January 1999, the Board of Directors approved an amendment to the 1996 Stock Option Plan to (i) increase the share reserve by 5,000,000 shares, (ii) to remove certain provisions which are required to be in option plans maintained by California privately-held companies and (iii) to rename the Plan as the "Amended 1996 Stock Option Plan."

Depicted on this page are copies of some of the awards which Extreme Networks' products have won.

To date, Extreme Networks has won over 24 awards from trade magazines and industry organizations, including those shown above.

Extreme Networks, Inc.

Common Stock

[LOGO]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses to be paid by the Registrant, other than underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the registration fee and the NASD filing fee.

	Amount to be Paid
Registration fee	$14,387
NASD filing fee	5,675
Nasdaq National Market	*
Blue sky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Director and Officer liability insurance	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
	$

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*To be supplied by amendment.

Item 14. Indemnification of Officers and Directors.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to officers, directors and other corporate agents under certain circumstances and subject to certain limitations. The Registrant's Certificate of Incorporation and Bylaws provide that the Registrant shall indemnify its directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. In addition, the Registrant intends to enter into separate indemnification agreements with its directors, officers and certain employees which would require the Registrant, among other things, to indemnify them against certain liabilities which may arise by reason of their status as directors, officers or certain other employees. The Registrant also intends to maintain director and officer liability insurance, if available on reasonable terms.

These indemnification provisions and the indemnification agreement to be entered into between the Registrant and its officers and directors may be sufficiently broad to permit indemnification of the Registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the underwriters of the Registrant and its officers and directors for certain liabilities arising under the Securities Act, or otherwise.

Item 15. Recent Sales of Unregistered Securities.

Since May 1996, the Registrant has sold and issued the following unregistered securities:

(1) On May 17, 1996, the Registrant issued and sold an aggregate of 4,725,000 shares of common stock to certain executive officers of Extreme at a price of $0.0033 per share for a total offering price of $23,625.

(2) From June 1996 to December 31, 1998, the Registrant granted options to purchase 10,321,357 shares of common stock pursuant to its Amended 1996 Stock Option Plan at exercise prices ranging from $0.02 per share to $8.50 per share for a total offering price of $10,266,871.

(3) On May 28, 1996, the Registrant sold 14,580,000 shares of Series A Preferred Stock to a group of private investors at a price of $0.333 per share for a total offering price of $4,860,000.

(4) On November 7, 1996, in connection with an equipment lease, the Registrant issued a warrant to an equipment lessor to purchase 147,000 shares of Series A Preferred Stock at an exercise price of $0.333 per share.

(5) On November 7, 1996, in connection with an equipment lease, the Registrant issued a warrant to an equipment lessor to purchase 63,000 shares of Series A Preferred Stock at an exercise price of $0.333 per share.

(6) On May 7, 1997 and June 17, 1997, the Registrant sold an aggregate of 8,886,485 shares of Series B Preferred Stock to a group of private investors at a price of $1.38 per share for a total offering price of $12,263,359.

(7) On July 30, 1997, in connection with the extension of a line of credit, the Registrant issued a warrant to a bank to purchase 48,347 shares of Series B Preferred Stock at an exercise price of $1.38 per share.

(8) On January 12, 1998, March 23, 1998 and March 31, 1998, the Registrant sold an aggregate of 5,595,088 shares of Series C Preferred Stock to a group of private investors at a price of $3.67 per share for a total offering price of $20,533,973.

(9) On November 17, 1997, in connection with the extension of a line of credit, the Registrant issued a warrant to a bank to purchase 79,051 shares of Series C Preferred Stock at an exercise price of $2.53 per share in the event such extension is drawn down. As of December 31, 1998, the Registrant had not drawn down on this extension.

For additional information concerning these equity investment transactions, reference is made to the information contained under the caption "Certain Transactions" in the form of prospectus included herein.

The issuances of securities describe in Items 15(a)(2) were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 promulgated thereunder as transactions pursuant to a compensatory benefit plan or a written contract relating to compensation. The issuance of securities describe in item 15(a)(1) and 15(a)(3) through 15(a)(9) were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and other instruments issued in such transactions. All recipients either received adequate information about Extreme or had access, through employment or other relationships, to such information.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement.
2.1	Form of Agreement and Plan of Merger between Extreme Networks, a California corporation, and Extreme Networks, Inc., a Delaware corporation.
3.1	Certificate of Incorporation of Extreme Networks, Inc., a Delaware corporation.
3.2	Form of Certificate of Amendment of Certificate of Incorporation of Extreme Networks, Inc., a Delaware corporation.
3.3	Form of Amended and Restated Bylaws of Extreme Networks, Inc., a Delaware corporation.
4.1	Second Amended and Restated Rights Agreement dated January 12, 1998 between Extreme Network and certain stockholders.
5.1*	Opinion of Gray Cary Ware & Freidenrich, LLP.
10.1	Form of Indemnification Agreement for directors and officers.
10.2	Amended 1996 Stock Option Plan and forms of agreements thereunder.
10.3	1999 Employee Stock Purchase Plan.
10.4	Sublease, dated June 5, 1997, between NetManage, Inc. and Extreme Networks, Inc., a California corporation, to Master Lease, dated September 30, 1994, between Cupertino Industrial Associates and NetManage, Inc.
21.1	List of subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Auditors.
23.2*	Consent of Counsel (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-4 of the Registration Statement).
27.1	Financial Data Schedule (available in EDGAR format only).

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* To be filed by amendment.

(b) Financial Statement Schedules.

All schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 above or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cupertino, County of Santa Clara, State of California, on the 5th day of February 1999.

Extreme Networks, Inc.

By: /s/ Gordon L. Stitt
Gordon L. Stitt
President, Chief Executive Officer and Chairman
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Gordon L. Stitt and Vito E. Palermo, and each of them acting individually, as his true and lawful attorneys-in-fact and agents, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, with full power of each to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Gordon L. Stitt Gordon L. Stitt	President, Chief Executive Officer and Chairman (Principal Executive Officer)	February 5, 1999
/s/ Vito E. Palermo Vito E. Palermo	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 5, 1999
/s/ Charles Carinalli Charles Carinalli	Director	February 5, 1999
/s/ Promod Haque Promod Haque	Director	February 5, 1999
/s/ Lawrence K. Orr Lawrence K. Orr	Director	February 5, 1999
/s/ Peter Wolken Peter Wolken	Director	February 5, 1999

EXHIBITS

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement.
2.1	Form of Agreement and Plan of Merger between Extreme Networks, a California corporation, and Extreme Networks, Inc., a Delaware corporation.
3.1	Certificate of Incorporation of Extreme Networks, Inc., a Delaware corporation.
3.2	Form of Certificate of Amendment of Certificate of Incorporation of Extreme Networks, Inc., a Delaware corporation.
3.3	Form of Amended and Restated Bylaws of Extreme Networks, Inc., a Delaware corporation.
4.1	Second Amended and Restated Rights Agreement dated January 12, 1998 between Extreme Network and certain stockholders.
5.1*	Opinion of Gray Cary Ware & Freidenrich, LLP.
10.1	Form of Indemnification Agreement for directors and officers.
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21.1	List of subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Auditors.
23.2*	Consent of Counsel (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-4 of the Registration Statement).
27.1	Financial Data Schedule (available in EDGAR format only).

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* To be filed by amendment.

EXHIBIT 1.1

_____ Shares/1/

EXTREME NETWORKS, INC.

Common Stock, par value $0.001 per share

UNDERWRITING AGREEMENT

_____, 1999

- ----------
/1/ Insert number of shares to be sold (not including green shoe).

_____, 1999

Morgan Stanley & Co. Incorporated
BancBoston Robertson Stephens Inc.
Dain Rauscher Wessels
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Dear Sirs and Mesdames:

Extreme Networks, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "Underwriters") _____ shares of its common stock, $0.001 par value per share (the "Firm Shares"). The Company also proposes to issue and sell to the several Underwriters not more than an additional _____ shares of its common stock, $0.001 par value per share (the "Additional Shares"), if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "Shares." The shares of common stock, $0.001 par value per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "Common Stock."

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "Securities Act"), is hereinafter referred to as the "Registration Statement;" the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "Prospectus." If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement.

As part of the offering contemplated by this Agreement, Morgan Stanley & Co. Incorporated ("Morgan Stanley") has agreed to reserve out of the Shares set forth opposite its name on Schedule II to this Agreement, up to _____ shares, for sale to the Company's employees, officers and directors and other parties associated with the Company (collectively, "Participants"), as set forth in the Prospectus under the heading "Underwriters" (the "Directed Share Program"). The Shares to be sold by Morgan Stanley pursuant to the Directed Share Program (the "Directed Shares") will be sold by Morgan Stanley pursuant to this Agreement at the public offering price. Any Directed Shares not orally confirmed for purchase by any Participants by the end of the first business day after the date on which this Agreement is executed will be offered to the public by Morgan Stanley as set forth in the Prospectus.

1. Representations and Warranties. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the best knowledge of the Company, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph (b) do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent

that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole. The execution and delivery of the Agreement and Plan of Merger dated as of _____, 1999 (the "Merger Agreement") between Extreme Networks, a California corporation (the "California Corporation"), and the Company, effecting the reincorporation of the California Corporation under the laws of the State of Delaware, was duly authorized by all necessary corporate action on the part of each of the California Corporation and the Company. Each of the California Corporation and the Company had all corporate power and authority to execute and deliver the Merger Agreement, to file the Merger Agreement with the Secretary of State of California and the Secretary of State of Delaware and to consummate the reincorporation contemplated by the Merger Agreement. The Merger Agreement at the time of execution and filing constituted a binding obligation of each of the California Corporation and the Company, enforceable in accordance with its terms, and the reincorporation contemplated by the Merger Agreement has been consummated in accordance with its terms.

(d) Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims. No subsidiary of the Company is a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the Securities Act.

(e) This Agreement has been duly authorized, executed and delivered by the Company.

(f) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(g) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable.

(h) The Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(i) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(j) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

(k) There are no legal or governmental proceedings pending or, to the best knowledge of the Company threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(l) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(m) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, (1) the Company and its

subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (2) the Company has not purchased (except for the repurchase of shares of Common Stock from employees, officers, directors, consultants or other persons providing services to the Company or any of its subsidiaries pursuant to agreements under which the Company has to option to repurchase such shares at cost upon the occurrence of certain events, such as termination of employment) any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (3) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in the Prospectus.

(n) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Prospectus.

(o) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and, except as described in the Prospectus, neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(p) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its

principal suppliers, manufacturers or contractors that could have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) The Company and its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Prospectus.

(r) The Company and its subsidiaries have complied and are in material compliance with all federal, state, local and foreign statutes, executive orders, proclamations, regulations, rules, directives, decrees, ordinances and similar provisions having the force or effect of law and all judicial and administrative orders, rulings, determinations and common law concerning the importation of merchandise, the export or reexport of products, services and technology, and the terms and conduct of international transactions applicable to the Company and its subsidiaries in connection with the conduct of the Company's or any subsidiary's business (including as the same relates to record keeping requirements) ("International Trade Laws and Regulations"); neither the Company nor any of its subsidiaries has made or provided any material false statement or material omission to any agency of any federal, state or local government, purchasers of products, or foreign government or foreign agency, in connection with the exportation of merchandise (including with respect to export licenses, exceptions and other export authorizations and any filings required for or related to exportation of any item), the importation of merchandise or other approvals required by a foreign government or agency or any other requirement relating to any International Trade Laws and Regulations; neither the Company nor any of its subsidiaries has made any payment, offer, gift, promise to give, or authorized or otherwise participated in, assisted or facilitated any payment or gift related to the Company's or any subsidiary's business that is prohibited by the United States Foreign Corrupt Practices Act.

(s) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective business, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or

permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described the Prospectus.

(t) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (1) transactions are executed in accordance with management's general or specific authorizations; (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (3) access to assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(u) Ernst & Young LLP are independent public accountants with respect to the Company and its subsidiaries as required by the Securities Act.

(v) The consolidated financial statements included in the Registration Statement and the Prospectus (and any amendment or supplement thereto), together with related schedules and notes, present fairly the consolidated financial position, results of operations and changes in financial position of the Company and its subsidiaries on the basis stated therein at the respective dates or for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; the supporting schedules, if any, included in the Registration Statement present fairly in accordance with generally accepted accounting principles the information required to be stated therein; and the other financial and statistical information and data set forth in the Registration Statement and the Prospectus (and any amendment or supplement thereto) are, in all material respects, accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company.

(w) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(x) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic

substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(y) To the best knowledge of the Company, there are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(z) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, except such as have been validly waived.

(aa) The Company has reviewed its operations and the operations of its subsidiaries to evaluate the extent to which the business or operations of the Company or any of its subsidiaries will be affected by the Year 2000 Problem. As a result of such review, the Company has no reason to believe, and does not believe, that the Year 2000 Problem will have a material adverse effect on the Company and its subsidiaries taken as a whole. The "Year 2000 Problem" as used herein means any significant risk that the computer hardware or software used in the receipt, transmission, storage, retrieval, retransmission or other utilization of data or in the operation of mechanical or electrical systems of any kind will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000.

(bb) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

(cc) The Nasdaq Stock Market, Inc. has approved the Common Stock for listing on the Nasdaq National Market, subject only to official notice of issuance.

(dd) Except for the Shares, all outstanding shares of Common Stock, and all securities convertible into or exercisable or exchangeable for Common Stock, are subject to valid and binding agreements (collectively, the "Lock-up Agreements") that restrict the holders thereof from selling, making any short sale of, granting any option for the purchase of, or otherwise transferring or disposing of, any of such shares of Common Stock, or any such securities convertible into or exercisable or exchangeable for Common Stock, for a period of 180 days after the date of the Prospectus without the prior written consent of Morgan Stanley & Co. Incorporated.

(ee) The Company (i) has notified each holder of a currently outstanding option issued under the Amended 1996 Stock Option Plan (the "Option Plan") and each person who has acquired shares of Common Stock pursuant to the exercise of any option granted under the Option Plan that pursuant to the terms of the Option Plan, that none of such options or shares may be sold or otherwise transferred or disposed of for a period of 180 days after the date of the Prospectus and (ii) has imposed a stop-transfer instruction with the Company's transfer agent in order to enforce the foregoing lock-up provision imposed pursuant to the Option Plan.

(ff) The Company (i) has notified each shareholder who is party to the Second Amended and Restated Registration Rights Agreement dated January 12, 1998, (the "Registration Rights Agreement"), that pursuant to the terms of the Registration Rights Agreement, none of the shares of the Company's capital stock held by such shareholder may be sold or otherwise transferred or disposed of for a period of 180 days after the date of the Prospectus and (ii) has imposed a stop-transfer instruction with the Company's transfer agent in order to enforce the foregoing lock-up provision imposed pursuant to the Registration Rights Agreement.

Furthermore, the Company represents and warrants to Morgan Stanley that (i) the Registration Statement, the Prospectus and any preliminary prospectus comply in all material respects, and any further amendments or supplements thereto will comply in all material respects, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any preliminary prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and that (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been

obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States.

The Company has not offered, or caused the Underwriters to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

2. Agreements to Sell and Purchase. The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective numbers of Firm Shares set forth in Schedule I hereto opposite its name at $_____ a share (the "Purchase Price").

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have a one-time right to purchase, severally and not jointly, the Additional Shares at the Purchase Price. If you, on behalf of the Underwriters, elect to exercise such option, you shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such Additional Shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to

another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof as described in the Registration Statement or of which the Underwriters have been advised in writing, (C) the grant of options to purchase Common Stock pursuant to the Option Plan and (D) the issuance by the Company of shares of Common Stock pursuant to the Company's 1999 Employee Stock Purchase Plan.

3. Terms of Public Offering. The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at $_____ a share (the "Public Offering Price") and to certain dealers selected by you at a price that represents a concession not in excess of $_____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $_____ a share, to any Underwriter or to certain other dealers.

4. Payment and Delivery. Payment for the Firm Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on _____, 1999, or at such other time on the same or such other date, not later than _____, 1999, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Closing Date."

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the notice described in Section 2 or at such other time on the same or such other date, in any event not later than _____, 1999, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Option Closing Date."

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than two full business days prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters,

with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. Conditions to the Underwriters' Obligations. The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than [_____] (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in Section 5(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied in all material respects with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Gray Cary Ware & Freidenrich LLP, outside counsel to the Company, dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(ii) the execution and delivery of the Merger Agreement, effecting the reincorporation of the California Corporation into the State of Delaware pursuant to the laws of the State of California and the State of State of Delaware, was duly authorized by all necessary corporate action on the part of each of the California Corporation and the Company;

(iii) each of the California Corporation and the Company had all corporate power and authority to execute and deliver the Merger Agreement, to file the Merger Agreement with the Secretary of State of California and the Secretary of State of Delaware and to consummate the reincorporation contemplated by the Merger Agreement, the Merger Agreement at the time of execution and filing constituted a valid and binding obligation of each of the California Corporation and the Company, and the reincorporation contemplated by the Merger Agreement has been consummated in accordance with its terms;

(iv) the authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus;

(v) the shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable;

(vi) the Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly

issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights;

(vii) this Agreement has been duly authorized, executed and delivered by the Company;

(viii) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or bylaws of the Company or, to such counsel's knowledge, any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or, to such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares;

(ix) the statements (A) in the Prospectus under the captions "Risk Factors--Executive Officers and Directors of Extreme Will Control [__]% of Our Common Stock, "Risk Factors--Substantial Future Sales of Our Common Stock in the Public Market Could Cause Our Stock Price to Fall," "Risk Factors--Provisions in Our Charter or Agreements May Delay or Prevent a Change of Control," "Management--Amended 1996 Stock Option Plan," "Management--1999 Employee Stock Purchase Plan," "Management--Change of Control Arrangements," "Management--Limitation of Liability and Indemnification," "Certain Transactions," "Description of Capital Stock," "Shares Eligible for Future Sale" and "Underwriters" and (B) in the Registration Statement in Items 14 and 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(x) after due inquiry, such counsel does not know of any legal or governmental proceedings pending or, to such counsel's knowledge, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is

subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(xi) the Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(xii) such counsel (A) is of the opinion that the Registration Statement and Prospectus (except for financial statements and schedules included therein and financial and statistical data included therein and derived therefrom, as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (B) has no reason to believe that (except for financial statements and schedules included therein and financial and statistical data included therein and derived therefrom, as to which such counsel need not express any belief) the Registration Statement and the prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (C) has no reason to believe that (except for financial statements and schedules included therein and financial and statistical data included therein and derived therefrom, as to which such counsel need not express any belief) the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Underwriters shall have received on the Closing Date an opinion of Blakely Sokoloff, intellectual property counsel to the Company, dated the Closing Date, with respect to certain intellectual property matters, to the effect that:

(i) The Company owns all patents, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, licenses, inventions, trade secrets and rights described in the Prospectus as being owned by it or necessary for the conduct of its business, and such counsel is not aware of any claim to the contrary or any

challenge by any other person to the rights of the Company with respect to the foregoing other than those identified in the Prospectus;

(ii) Such counsel is not aware of any legal actions, claims or proceedings pending or threatened against the Company alleging that the Company is infringing or otherwise violating any patents or trade secrets owned by others other than those identified in the Prospectus;

(iii) Such counsel has reviewed the descriptions of patents and patent applications under the captions "Risk Factors--We May Not Adequately Protect Our Intellectual Property and Our Products May Infringe on the Intellectual Property Rights of Third Parties" and "Business--Intellectual Property" in the Registration Statement and Prospectus, and, to the extent they constitute matters of law or legal conclusions, these descriptions are accurate and fairly and completely present the patent situation of the Company;

(iv) For each copyrightable product described in the Prospectus, the Company either (i) has registered all copyrights for such product and has obtained and properly recorded written assignments of all rights and title therein to the Company from all authors and owners of such copyrights other than the Company, including without limitation any and all independent contractors; or (ii) was vested with original title to all copyrights for such product and no written assignments for such copyrights are required to perfect Company's rights and title thereto;

(v) After review of the file history and patent attorney's file with respect to the security of patent protection on the Company's technology for each patent or patent application described in the Prospectus as being owned by the Company or necessary for the conduct of its business, such counsel is aware of nothing that causes such counsel to believe that, as of the date of the Registration Statement became effective and as of the date of such opinion, the description of patents and patent applications under the captions "Risk Factors--We May Not Adequately Protect Our Intellectual Property and Our Products May Infringe on the Intellectual Property Rights of Third Parties" and "Business--Intellectual Property" in the Registration Statement and Prospectus contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, including without limitation, any undisclosed material issue with respect to the subsequent validity or enforceability of

such patent or patent issuing from any such pending patent application; and

(vi) [Additional opinions to follow pending due diligence investigation.]

(e) The Underwriters shall have received on the Closing Date an opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in Sections 5(c)(vi), 5(c)(vii), 5(c)(ix) (but only as to the statements in the Prospectus under "Description of Capital Stock" and "Underwriters") and 5(c)(xii) above.

With respect to Section 5(c)(xii) above, Gray Cary Ware & Freidenrich LLP and Wilson Sonsini Goodrich & Rosati, Professional Corporation, may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

The opinion of Gray Cary Ware & Freidenrich LLP described in Section 5(c) above shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(f) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Ernst & Young LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(g) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and the securityholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such

documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

6. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, five (5) signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending [March 31, 2000] that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc. (the "NASD"), (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the Nasdaq National Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road

show, (ix) all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program, and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 7 entitled "Indemnity and Contribution," and the last paragraph of Section 9 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

(g) That in connection with the Directed Share Program, the Company will direct the transfer agent to place stop transfer restrictions restricting, to the extent required by the NASD or the NASD rules, the sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. Morgan Stanley will notify the Company as to which Participants will need to be so restricted.

Furthermore, the Company covenants with Morgan Stanley that the Company will comply with all applicable securities and other applicable laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

7. Indemnity and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) The Company agrees to indemnify and hold harmless Morgan Stanley and each person, if any, who controls Morgan Stanley within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act ("Morgan Stanley Entities"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in the prospectus wrapper material prepared by or with the consent of the Company for distribution in foreign jurisdictions in connection with the Directed Share Program attached to the Prospectus or any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statement therein, when considered in conjunction with the Prospectus or any applicable preliminary prospectus, not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of the shares which, immediately following the effectiveness of the Registration Statement, were subject to a properly confirmed agreement to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, provided that, the Company shall not be responsible under this subparagraph (iii) for any losses, claim, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of Morgan Stanley Entities.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity set forth in paragraph (a) above from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 7(a) or 7(c), such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have

mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Morgan Stanley, in the case of parties indemnified pursuant to Section 7(a), and by the Company, in the case of parties indemnified pursuant to Section 7(c). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding. Notwithstanding anything contained herein to the contrary, if indemnity may be sought pursuant to Section 7(b) hereof in respect of such action or proceeding, then in addition to such separate firm for the indemnified parties, the indemnifying party shall be liable for the reasonable fees and expenses of not more than one separate firm (in addition to any local counsel) for Morgan Stanley for the defense of any losses, claims, damages and liabilities arising out of the Directed Share Program, and all persons, if any, who control Morgan Stanley within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act.

(e) To the extent the indemnification provided for in Section 7(a), 7(b) or 7(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 7(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 7(e)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective

proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(f) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 7 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

8. Termination. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange,

the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses 8(a)(i) through 8(a)(iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

9. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 9 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option (i) to terminate

their obligation hereunder to purchase Additional Shares or (ii) to purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

10. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

12. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

EXTREME NETWORKS, INC.

By: _____
Gordon L. Stitt
President and Chief Executive Officer

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
BancBoston Robertson Stephens Inc.
Dain Rauscher Wessels

Acting severally on behalf
of themselves and the
several Underwriters named
in Schedule I hereto.

By: Morgan Stanley & Co. Incorporated

By: _____
Name:
Title:

SCHEDULE I

Underwriter	Number of Shares to be Purchased
Morgan Stanley & Co. Incorporated	
BancBoston Robertson Stephens Inc.	
Dain Rauscher Wessels	
Total.....	

Exhibit A

FORM OF LOCK-UP LETTER

January 8, 1999

Morgan Stanley & Co. Incorporated
BancBoston Robertson Stephens Inc.
Dain Rauscher Wessels
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("Morgan Stanley") proposes to enter into an Underwriting Agreement (the "Underwriting Agreement") with Extreme Networks, a California corporation (together with any successor Delaware corporation, the "Company"), providing for the public offering (the "Public Offering") by the several Underwriters, including Morgan Stanley (the "Underwriters"), of shares (the "Shares") of the Common Stock, par value $____ per share, of the Company (the "Common Stock").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the final prospectus relating to the Public Offering (the "Prospectus"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the sale of any Shares to the Underwriters pursuant to the Underwriting Agreement or (b) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering. In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

Notwithstanding the foregoing, if the undersigned is an individual, he or she may transfer any shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock

either during his or her lifetime or on death by will or intestacy to his or her immediate family or to a trust the beneficiaries of which are exclusively the undersigned and/or a member or members of his or her immediate family; provided further, if the undersigned is a partnership, it may transfer any shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock to a partner of such partnership or a retired partner of such partnership who retires after the date hereof, or to the estate of any such partner or retired partner, and any partner who is an individual may transfer such shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock either during his or her lifetime or on death by will or intestacy to his or her immediate family or to a trust the beneficiaries of which are exclusively the undersigned and/or a member or members of his or her immediate family; provided, however, that prior to any transfer pursuant to this paragraph, each transferee shall execute an agreement, satisfactory to Morgan Stanley, pursuant to which each transferee shall agree to receive and hold such shares of Common Stock, or securities convertible into or exchangeable or exercisable for Common Stock, subject to the provisions hereof, and there shall be no further transfer except in accordance with the provisions hereof. For the purposes of this paragraph, "immediate family" shall mean spouse, lineal descendant, father, mother, brother or sister of the transferor.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

In the event that the Registration Statement shall not have been declared effective on or before May 31, 1999, this Agreement shall be of no further force or effect.

Very truly yours,

_____
(Name of Shareholder)

_____
(Signature of Authorized Signatory)

_____
(Address)

EXHIBIT 2.1

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") is entered into as of _____ __, 1999 by and between Extreme Networks, a California corporation ("Extreme California"), and Extreme Networks, Inc., a Delaware corporation ("Extreme Delaware").

WITNESSETH:

WHEREAS, Extreme Delaware is a corporation duly organized and existing under the laws of the State of Delaware;

WHEREAS, Extreme California is a corporation duly organized and existing under the laws of the State of California;

WHEREAS, on the date of this Merger Agreement, Extreme Delaware has authority to issue One Thousand (1,000) shares of Common Stock, par value $0.001 per share (the "Extreme Delaware Common Stock"), of which One Thousand (1,000) shares are issued and outstanding and owned by Extreme California;

WHEREAS, on the date of this Merger Agreement, Extreme California has authority to issue 50,000,000 shares of Common Stock (the "Extreme California Common Stock"), of which 11,732,613 shares are issued and outstanding, and 29,900,000 shares of Preferred Stock (the "Extreme California Preferred Stock"), of which 15,000,000 shares are designated as Series A Preferred Stock, 9,000,000 shares are designated as Series B Preferred Stock and 5,900,000 shares are designated as Series C Preferred Stock and 14,579,999 shares of Series A Preferred Stock are issued and outstanding, 8,886,228 shares of Series B Preferred Stock are issued and outstanding and 5,595,088 shares of Series C Preferred Stock are issued and outstanding;

WHEREAS, the respective Boards of Directors for Extreme Delaware and Extreme California have determined that, for the purpose of effecting the reincorporation of Extreme California in the State of Delaware, it is advisable and to the advantage of said two corporations and their shareholders that Extreme California merge with and into Extreme Delaware upon the terms and conditions herein provided; and

WHEREAS, the respective Boards of Directors of Extreme Delaware and Extreme California, the stockholders of Extreme California, and the sole stockholder of Extreme Delaware have adopted and approved this Merger Agreement.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, Extreme California and Extreme Delaware hereby agree to merge as follows:

1. Merger. Extreme California shall be merged with and into Extreme Delaware, and Extreme Delaware shall survive the merger ("Merger"), effective upon the date when this Merger Agreement is made effective in accordance with applicable law (the "Effective Date").

2. Governing Documents. The Certificate of Incorporation of Extreme Delaware shall be amended to read in full as follows:

"FIRST: The name of the corporation is Extreme Networks, Inc. (hereinafter sometimes referred to as the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is Incorporating Services, Ltd., 15 East North Street, in the City of Dover, County of Kent. The name of the registered agent at that address is Incorporating Services, Ltd.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH: The Corporation is authorized to issue two classes of shares to be designated respectively Preferred Stock ("Preferred") and Common Stock ("Common"). The total number of shares of Preferred this Corporation shall have authority to issue is 31,900,000 par value $0.001 per share, and the total number of shares of Common this Corporation shall have authority to issue is 150,000,000, par value $0.001 per share. The shares of Preferred authorized by this Certificate of Incorporation may be issued from time to time in one or more series.

There shall be three series of Preferred with one series designated as Series A Preferred Stock ("Series A Preferred"), which shall consist of 15,000,000 shares, one series designated as Series B Preferred Stock ("Series B Preferred"), which shall consist of 9,000,000 shares, and a third series designated Series C Preferred Stock ("Series C Preferred"), which shall consist of 5,900,000 shares. The remaining 2,000,000 authorized shares of Preferred shall initially be undesignated. As used herein, the term "Preferred" without designation shall refer to shares of Series A Preferred, Series B Preferred, and Series C Preferred.

The relative rights, preferences, privileges and restrictions granted to or imposed upon the Common and the Preferred are as follows:

1. Dividends.

(a) The holders of outstanding Preferred shall be entitled to receive in any fiscal year, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, non cumulative dividends in cash at the rate of $0.0267 per share of Series A Preferred, $0.1104 per share of Series B Preferred and $0.2936 per share of Series C Preferred, as adjusted for any consolidations, combinations, stock distributions, stock dividends, stock splits or similar events (collectively a "Recapitalization Event") per annum. Dividends may be declared and paid upon Common in any fiscal year of the Corporation only if dividends in the total amount of $0.0267 per share, $0.1104 per share, and $0.2936 per share (as adjusted for any Recapitalization Event) shall have been paid or declared and set apart upon all shares of Series A Preferred, Series B Preferred and Series C Preferred, respectively, during that

fiscal year, and no dividends shall be paid on any share of Common unless a dividend (including the amount of any dividends paid pursuant to the above provisions of this Section 1(a)) is paid with respect to all outstanding shares of Preferred in an amount for each such share of Preferred equal to or greater than the aggregate amount of such dividends for all shares of Common into which each such share of Preferred could then be converted. The right to dividends on Preferred shall not be cumulative, and no right shall accrue to holders of Preferred by reason of the fact that distributions on said shares are not declared in any prior year, nor shall any undeclared or unpaid distribution bear or accrue interest.

(i) Each holder of shares of Preferred shall be deemed to have consented to distributions made by the Corporation in connection with the repurchase of shares of Common issued to or held by employees, directors or consultants upon termination of their employment or services pursuant to agreements providing for such repurchase.

2. Liquidation Preference.

(a) In the event of any liquidation, dissolution, or winding up of the Corporation, either voluntary or involuntary, distributions to the shareholders of the Corporation shall be made in the following manner:

(i) The holders of Preferred shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of the Common or any other class or series of stock of the Corporation by reason of their ownership of such stock, an amount for each share of Preferred then held by them equal to the sum of (i) $0.333 per share of Series A Preferred (hereinafter such amount shall be referred to as the "Original Series A Issue Price"), $1.38 per share of Series B Preferred (hereinafter such amount shall be referred to as the "Original Series B Issue Price"), and $3.67 per share of Series C Preferred (hereinafter such amount shall be referred to as "Original Series C Issue Price"), appropriately adjusted for any Recapitalization Event with respect to such shares; (ii) $0.0267 per share of Series A Preferred, $0.1104 per share of Series B Preferred, and $0.2936 per share of Series C Preferred per annum accruing annually on the anniversary of the date of issuance of the Series A Preferred, Series B Preferred, or Series C Preferred, respectively, and (iii) all declared and unpaid dividends thereon of the Series A Preferred, the Series B Preferred, and the Series C Preferred, respectively. If upon occurrence of such event of liquidation, dissolution or winding up, the assets and property legally available to be distributed among the holders of the Preferred shall be insufficient to permit the payment to such holders of the liquidation preferences set forth in this section 2(a)(i), then the entire assets and property of the Corporation legally available for distribution shall be distributed ratably among the holders of Preferred.

(ii) After payment has been made to the holders of the Preferred of the full amounts to which they shall be entitled pursuant to Section 2(a)(i) above, all

remaining assets available for distribution, if any, shall be distributed, (x) first, ratably among the holders of the Common and the Series A Preferred, Series B Preferred and Series C Preferred based upon the number of shares of Common then held (assuming for such purpose the conversion of Preferred unto common) until the holders of the Series C Preferred have received under this Section 2(a)(ii) an amount (in addition to any amounts received under Section 2(a)(i)) of $1.23 per share of Common then held (assuming for such purpose the conversion of Preferred into Common, and (y) thereafter, ratable among the holders of the Common and the Series A Preferred and Series B Preferred based upon the number of shares of Common then held (assuming for such purposes the conversion of Preferred into Common).

(b) For purposes of this Section 2, a merger or consolidation of the Corporation with or into any other corporation or corporations, or the merger or consolidation of any other corporation or corporations into the Corporation, shall be treated as a liquidation, dissolution or winding up of the Corporation if as a result of such consolidation or merger, or a sale of all or substantially all of the assets of the Corporation holders of capital stock of the Corporation (but without taking into account the shares of Series C Preferred) would receive distributions in cash or securities of another corporation or corporations of less than $3.33 per share of capital stock of the Corporation, on an as converted basis and appropriately adjusted for any Recapitalization Event; provided further, that any such transaction which is not treated as a liquidation, dissolution or winding up under this Section 2(b), the Series C Preferred shall be entitled to receive the liquidation amount to which its would otherwise be entitled to under Section 2(a)(i) and (ii) and the Series A Preferred and Series B Preferred shall be entitled to receive the liquidation amount to which they would otherwise be entitled under Section 2(a)(i) above. The valuation of any securities or other property other than cash received by the Corporation in any transaction covered by this Section 2(b) shall be computed at the fair value thereof at the time of receipt as determined in good faith by the Board of Directors.

(c) The holders of Preferred shall have no priority or preference with respect to distributions made by the Corporation in connection with the repurchase of shares of Common issued to or held by employees, directors or consultants upon termination of their employment or services pursuant to agreements providing for the right of said repurchase between the Corporation and such persons.

3. Conversion. The holders of the Preferred shall have
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conversion rights (the "Conversion Rights") as follows:

(a) Each share of Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for the Preferred, into Common as more fully described below. The number of shares of fully paid and nonassessable Common into which each share of Series A Preferred, Series B Preferred, and Series C Preferred may be converted shall be determined, respectively, by dividing $0.333 by the Series A Conversion Price

(as hereinafter defined), $1.38 by the Series B Conversion Price (as hereinafter defined), and $3.67 by the Series C Conversion Price (as hereinafter defined) in effect at the time of conversion. The Series A Conversion Price, Series B Conversion Price, and Series C Conversion Price shall initially be $0.333, $1.38, and $3.67, respectively, subject to adjustment as provided in Section 4 below.

(b) Each share of Preferred shall automatically be converted into shares of Common utilizing the then effective Conversion Price for each such share upon the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common for the account of the Corporation to the public at a price to the public of not less than $5.00 per share (subject to adjustment in the event of any recapitalization, stock split, stock dividend or other similar event) and an aggregate offering price to the public of not less than $10,000,000. In the event of such an offering, the person(s) entitled to receive the Common issuable upon such automatic conversion of Preferred shall not be deemed to have converted such Preferred until immediately prior to the closing of such sale of securities.

(c) Each share of Series A Preferred, Series B Preferred, and Series C Preferred shall automatically be converted into shares of Common utilizing the then effective respective Conversion Price for each such share upon the written consent of holders of at least a majority of each series voting separately of the then outstanding shares of Preferred voting on an as-converted basis.

(d) No fractional shares of Common shall be issued upon conversion of Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of the Common on the Conversion Date, as determined by the Corporation's board of directors. Before any holder of Preferred shall be entitled to convert the same into full shares of Common, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Preferred, and shall give written notice to the Corporation at such office that he elects to convert the same; provided, however, that in the event of an automatic conversion pursuant to subparagraph 3(b) or subparagraph 3(c), the outstanding shares of all Preferred shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; and provided further, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common issuable upon such automatic conversion unless either the certificates evidencing such shares of Preferred are delivered to the Corporation or its transfer agent as provided above, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates.

(e) The Corporation shall, as soon as practicable after such delivery, or after such agreement and indemnification, issue and deliver at such office to such holder of

Preferred, a certificate or certificates for the number of shares of Common to which he shall be entitled as aforesaid and a check payable to the holder, or order, in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common, plus any declared and unpaid dividends on the converted Preferred, and a certificate for any shares of Preferred not so converted. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred to be converted, or in the case of automatic conversion on the date of the closing of the offering or the receipt of the written consent (as the case may be), and the person or persons entitled to receive the shares of Common issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common on such date.

(f) Upon the conversion of any outstanding shares of Preferred into Common pursuant to this Section 3, all such shares of Preferred previously designated Series A Preferred, Series B Preferred, and Series C Preferred shall resume the status of authorized but unissued shares of Preferred, undesignated as to series.

(g) In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of Preferred, at least 20 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

4. Adjustments to Conversion Price.

(a) In the event the Corporation at any time or from time to time effects a subdivision or combination of its outstanding Common into a greater or lesser number of shares without a proportionate and corresponding subdivision or combination of its outstanding Preferred, then and in each such event the respective Conversion Price of each outstanding series of Preferred shall be decreased or increased proportionately.

(b) In the event the Corporation at any time or from time to time shall make or issue, or fix a record date for the determination of holders of Common entitled to receive, a dividend or other distribution payable in additional shares of Common or other securities or rights (hereinafter referred to as "Common Stock Equivalents") convertible into or entitling the holder thereof to receive additional shares of Common without payment of any consideration by such holder for such Common Stock Equivalents or the additional shares of Common, then and in each such event the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common issuable in payment of such dividend or distribution or upon conversion or exercise of such Common Stock Equivalents shall be deemed to be issued and outstanding as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date. In each such event, the Conversion Price shall be

proportionately decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date.

(c) If at any time after the first date on which a share of Series A Preferred is first issued ("Series A Original Issue Date"), Series B Preferred is first issued ("Series B Original Issue Date"), or Series C Preferred is first issued ("Series C Original Issue Date"), the Corporation shall issue or sell Equity Securities, as defined in subsection (A) below, at a consideration per share (the "Lower Price") less than the Series A Preferred, Series B Preferred, or Series C Preferred Conversion Price, as applicable, in effect immediately prior to the time of such issue or sale, then forthwith upon such issue or sale, the Conversion Price of each share of Series A Preferred, Series B Preferred, and Series C Preferred, as applicable, shall be adjusted to a price (calculated to the nearest cent) determined by:

(i) an amount equal to the sum of (x) the number of shares of Common outstanding immediately prior to such issue or sale multiplied by the then existing Series A Preferred, Series B Preferred, or Series C Preferred Conversion Price, as applicable, (y) the number of shares of Common issuable upon conversion or exchange of any obligations or of any shares of stock of the Corporation outstanding immediately prior to such issue or sale multiplied by the then existing Series A Preferred, Series B Preferred, or Series C Preferred Conversion Price, as applicable, and (z) an amount equal to the aggregate "consideration actually received" by the Corporation upon such issue or sale, divided by

(ii) an amount equal to the sum of the number of shares of Common outstanding immediately after such issue or sale and the number of shares of Common issuable upon conversion or exchange of any obligations or of any shares of stock of the Corporation outstanding immediately prior to such issue or sale and the additional shares of Common issued and/or issuable upon conversion or exchange of the Equity Securities issued in such issuance or sale.

For purposes hereof the following provisions shall be applicable:

(A) The term "Equity Securities" shall mean any shares of Common, or any other security of the Corporation convertible into or exchangeable for Common, except for (1) up to 9,014,309 shares of Common issued or issuable, after the Series A Original Issue Date, to officers, directors, full time employees or consultants of the Corporation pursuant to stock grant, stock purchase and/or stock option plans or any other stock incentive program, agreement or arrangement approved by the Board of Directors, (2) securities issued pursuant to the acquisition of all or part of another company by the Corporation by merger or other reorganization, or by the purchase of all or part of the assets of another company, pursuant to a plan, agreement or arrangement approved by the Board of Directors, (3) shares issued pursuant to subsection 4(a) or 4(b) of this Article III, (4) Common and/or Preferred issuable upon exercise,

conversion or exchange of warrants to purchase Common or Preferred issued in connection with a bank line or equipment financing approved by the Board of Directors, (5) shares of Common and/or Preferred reissued by the Corporation following repurchase of such shares pursuant to any restricted stock purchase agreement, and (6) shares of Common Stock issued upon conversion of the Preferred Stock.

(B) In the case of an issue or sale for cash of shares of Common, the "consideration actually received" by the Corporation therefor shall be deemed to be the amount of cash received, before deducting therefrom any commissions or expenses paid by the Corporation.

(C) In case of the issuance (otherwise than upon conversion or exchange of obligations or shares of stock of the Corporation) of additional shares of Common for consideration other than cash or consideration partly other than cash, the amount of the consideration other than cash received by the Corporation for such shares shall be deemed to be the fair value of such consideration as determined in good faith by the Board of Directors.

(D) In case of the issuance by the Corporation in any manner of any rights to subscribe for or to purchase shares of Common , or any options for the purchase of shares of Common or stock convertible into Common, all shares of Common or stock convertible into Common to which the holders of such rights or options shall be entitled to subscribe for or purchase pursuant to such rights or options shall be deemed "outstanding" as of the date of the offering of such rights or the granting of such options, as the case may be, and the minimum aggregate consideration named in such rights or options for the shares of Common or stock convertible into Common covered thereby, plus the consideration, if any, received by the Corporation for such rights or options, shall be deemed to be the "consideration actually received" by the Corporation (as of the date of the offering of such rights or the granting of such options, as the case may be) for the issuance of such shares.

(E) In case of the issuance or issuances by the Corporation in any manner of any obligations or of any shares of stock of the Corporation that shall be convertible into or exchangeable for Common, all shares of Common issuable upon the conversion or exchange of such obligations or shares shall be deemed issued as of the date such obligations or shares are issued, and the amount of the "consideration actually received" by the Corporation for such additional shares of Common shall be deemed to be the total of (1) the amount of consideration received by the Corporation upon the issuance of such obligations or shares, as the case may be, plus (2) the minimum aggregate consideration, if any, other than such

obligations or shares, receivable by the Corporation upon such conversion or exchange, except in adjustment of dividends.

(F) The amount of the "consideration actually received" by the Corporation upon the issuance of any rights or options referred to in subsection (D) above or upon the issuance of any obligations or shares which are convertible or exchangeable as described in subsection (E) above, and the amount of the consideration, if any, other than such obligations or shares so convertible or exchangeable, receivable by the Corporation upon the exercise, conversion or exchange thereof shall be determined in the same manner provided in subsections (B) and (C) above with respect to the consideration received by the Corporation in case of the issuance of additional shares of Common; provided, however, that if such obligations or shares of stock so convertible or exchangeable are issued in payment or satisfaction of any dividend upon any stock of the Corporation other than Common, the amount of the "consideration actually received" by the Corporation upon the original issuance of such obligations or shares of stock so convertible or exchangeable shall be deemed to be the fair value of such obligations or shares of stock, as of the date of the adoption of the resolution declaring such dividend, as determined by the Board of Directors at or as of that date. On the expiration of any rights or options referred to in subsection (D), or the termination of any right of conversion or exchange referred to in subsection (E), or any change in the number of shares of Common deliverable upon exercise of such options or rights or upon conversion of or exchange of such convertible or exchangeable securities, the Series A, Series B, and Series C Conversion Prices then in effect shall forthwith be readjusted to such Conversion Prices as would have been obtained had the adjustments made upon the issuance of such option, right or convertible or exchangeable securities been made upon the basis of the delivery of only the number of shares of Common Stock actually delivered or to be delivered upon the exercise of such rights or options or upon the conversion or exchange of such securities.

(G) In the event this Corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this Corporation or other persons or options or rights not referred to in this subsection (c), then, in each such case, the holders of Preferred shall be entitled to the distributions provided for in Section 1 of this Article III above, and no adjustment to the Conversion Prices provided for in this subsection (c) shall be applicable.

(d) Without the consent of the holders of a majority in interest of the outstanding Preferred, the Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed

hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Preferred against impairment.

(e) Upon the occurrence of each adjustment or readjustment of the Series A Preferred, Series B Preferred, or Series C Preferred Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of shares of the respective series of Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Series A, Series B, or Series C Conversion Price at the time in effect, and (iii) the number of shares of Common and the amount, if any, of other property which at the time would be received upon the conversion of Series A, Series B, or Series C Preferred.

(f) This Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common solely for the purpose of effecting the conversion of the shares of the Series A Preferred, Series B Preferred, and Series C Preferred such number of its shares of Common as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred, Series B Preferred, and Series C Preferred; and if at any time the number of authorized but unissued shares of Common shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred, Series B Preferred and Series C Preferred, in addition to such other remedies as shall be available to the holder of such shares, this Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common to such number of shares as shall be sufficient for such purposes.

5. Voting Rights.

(a) Each share of Common issued and outstanding shall have one vote, and each share of Preferred issued and outstanding shall have the number of votes equal to the number of Common shares into which such share of Preferred could be converted at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited, such votes to be counted together with all other shares of stock of the Corporation having general voting power and not separately as a class. The Preferred and the Common shall vote as a single class on all matters except as otherwise required by this Certificate or by law.

(b) Three (3) members of the Board of Directors shall be subject to election and removal by the holders of Preferred voting as a separate class. All remaining members of the Board of Directors shall be subject to election and removal by the holders of Common voting as a separate class.

6. Protective Provisions.

(a) So long as shares of Preferred are outstanding, the consent of the majority in interest of the holders of each of the Series A Preferred , Series B Preferred and Series C Preferred then outstanding, voting as separate series, shall be required for any action which:

(i) amends or repeals any provision of the Corporation's Certificate of Incorporation or Bylaws, if such action would alter or change the designations, preferences and relative, participating, optional and other special rights, or the restrictions provided for the Series A Preferred, Series B Preferred or Series C Preferred;

(ii) authorizes or issues shares of any class of stock having any preference or priority as to dividends or liquidation preference superior to any such preference or priority of any series of the Series A Preferred, Series B Preferred, or Series C Preferred;

(b) So long as shares of Preferred are outstanding, the consent of the majority in interest of the holders of the Preferred then outstanding shall be required for any action which:

(i) authorizes or issues shares of any class of stock having any preference or priority as to dividends or liquidation preference on parity with any such preference or priority of any series of the Series A Preferred, Series B Preferred, or Series C Preferred;

(ii) pays or declares any dividend on any junior securities;

(iii) authorizes a merger, sale of all or substantially all its assets, consolidation, recapitulation, or reorganization of the Corporation; or

(iv) involves any repurchase or other acquisition by the Corporation of its own shares other than pursuant to the Certificate of Incorporation or employee stock purchase agreements which provided for the right of repurchase by the Corporation upon termination.

7. Status of Converted Stock.. In case any shares of Series A Preferred, Series B Preferred or Series C Preferred shall be converted pursuant to Section 3 hereof, all certificates of the shares so converted shall be appropriately canceled on the books of the Corporation and the shares so converted shall not be reissued by the Corporation.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the Bylaws of

the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

2. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

3. On and after the closing date of the first sale of the Corporation's Common Stock pursuant to a firmly underwritten registered public offering which results in the automatic conversion of the Corporation's Preferred Stock (the "IPO"), any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Prior to such sale, unless otherwise provided by law, any action which may otherwise be taken at any meeting of the stockholders may be taken without a meeting and without prior notice, if a written consent describing such actions is signed by the holders of outstanding shares having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

4. Special meetings of stockholders of the Corporation may be called only (1) by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) or (2) by the holders of not less than ten percent (10%) of all of the shares entitled to cast votes at the meeting.

SIXTH:
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1. The number of directors shall initially be set at five (5) and, thereafter, shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption). Upon the closing of the IPO, the directors shall be divided into three classes with the term of office of the first class (Class I) to expire at the first annual meeting of the stockholders following the IPO; the term of office of the second class (Class II) to expire at the second annual meeting of stockholders held following the IPO; the term of office of the third class (Class III) to expire at the third annual meeting of stockholders; and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election. Subject to the rights of the holders of any series of Preferred Stock then outstanding, a vacancy resulting from the removal of a director by the stockholders as provided in Section 3 below may be filled at a special meeting of the stockholders held for that purpose. All directors shall hold office until the expiration of the term for which elected, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director.

2. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized

number of directors or any vacancies in the Board of Directors resulting from death, resignation or other cause (other than removal from office by a vote of the stockholders) may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

3. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, with or without cause, but only by the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class. Vacancies in the Board of Directors resulting from such removal may be filled by a majority of the directors then in office, though less than a quorum, or by the stockholders as provided in Section 1 above. Directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director.

SEVENTH: The Board of Directors is expressly empowered to adopt, amend or repeal Bylaws of the Corporation. Any adoption, amendment or repeal of Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any resolution providing for adoption, amendment or repeal is presented to the Board). The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of Bylaws of the Corporation by the stockholders shall require, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

EIGHTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

If the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director

of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing provisions of this Article EIGHTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

NINTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least 66-2/3% of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal this Article NINTH, Article FIFTH, Article SIXTH, Article SEVENTH or Article EIGHTH.

The Certificate of Incorporation of Extreme Delaware, as amended herein, shall continue to be the Certificate of Incorporation of Extreme Delaware as the surviving Corporation without change or amendment until further amended in accordance with the provisions thereof and applicable laws. The Bylaws of Extreme Delaware, in effect on the Effective Date, shall continue to be the Bylaws of Extreme Delaware as the surviving Corporation without change or amendment until further amended in accordance with the provisions thereof and applicable laws."

3. Directors and Officers. The directors and officers of Extreme California shall become the directors and officers of Extreme Delaware upon the Effective Date and any committee of the Board of Directors of Extreme California shall become the members of such committees for Extreme Delaware.

4. Succession. On the Effective Date, Extreme Delaware shall succeed to Extreme California in the manner of and as more fully set forth in Section 259 of the General Corporation Law of the State of Delaware.

5. Further Assurances. From time to time, as and when required by Extreme Delaware or by its successors and assigns, there shall be executed and delivered on behalf of Extreme California such deeds and other instruments, and there shall be taken or caused to be taken by it such further and other action, as shall be appropriate or necessary in order to vest, perfect or confirm, of record or otherwise, in Extreme Delaware the title to and possession of all the property, interests, assets, rights, privileges, immunities, powers, franchises and authority of Extreme California, and otherwise to carry out the purposes of this Merger Agreement and the officers and directors of Extreme Delaware are fully authorized in the name and on behalf of

Extreme California or otherwise to take any and all such action and to execute and deliver any and all such deeds and other instruments.

6. Stock of Extreme California.

a. Common Stock. Upon the Effective Date, by virtue of the Merger and without any action on the part of the holder thereof, each share of Extreme California Common Stock outstanding immediately prior thereto shall be changed and converted into one fully paid and nonassessable share of Extreme Delaware Common Stock.

b. Preferred Stock. Upon the Effective Date, by virtue of the Merger and without any action on the part of the holder thereof, each share of each series of Extreme California Preferred Stock outstanding immediately prior thereto shall be changed and converted into one fully paid and nonassessable share of Extreme Delaware Preferred Stock of an equivalent series.

7. Stock Certificates. On and after the Effective Date, all of the outstanding certificates which prior to that time represented shares of Extreme California stock shall be deemed for all purposes to evidence ownership of and to represent the shares of Extreme Delaware stock into which the shares of Extreme California stock represented by such certificates have been converted as herein provided. The registered owner on the books and records of Extreme Delaware or its transfer agent of any such outstanding stock certificate shall, until such certificate shall have been surrendered for transfer or otherwise accounted for to Extreme Delaware or its transfer agent, have and be entitled to exercise any voting and other rights with respect to and to receive any dividend and other distributions upon the shares of Extreme Delaware stock evidenced by such outstanding certificate as above provided.

8. Options, Warrants and All Other Rights to Purchase Stock. Upon the Effective Date, each outstanding option, warrant or other right to purchase shares of Extreme California stock, including those options granted under the Amended 1996 Stock Option Plan (the "Option Plan") of Extreme California, shall be converted into and become an option, warrant or right to purchase the identical number of shares of Extreme Delaware stock at a price per share equal to the exercise price of the option, warrant or right to purchase Extreme California stock, and upon the same terms and subject to the same conditions as set forth in the Option Plan and other agreements entered into by Extreme California pertaining to such options, warrants, or rights. A number of shares of Extreme Delaware stock shall be reserved for purposes of such options, warrants and rights equal to the number of shares of Extreme California stock so reserved as of the Effective Date. As of the Effective Date, Extreme Delaware shall assume all obligations of Extreme California under agreements pertaining to such options and rights, including the Option Plan, and the outstanding options, warrants or other rights, or portions thereof, granted pursuant thereto.

9. Other Employee Benefit Plans. As of the Effective Date, Extreme Delaware hereby assumes all obligations of Extreme California under any and all employee benefit plans in effect as of said date or with respect to which employee rights or accrued benefits are outstanding as of said date, including but not limited to the 1999 Employee Stock Purchase Plan. A number

of shares of Extreme Delaware stock shall be reserved for purposes of such plans equal to the number of shares of Extreme California stock so reserved as of the Effective Date. As of the Effective Date, Extreme Delaware shall assume all obligations of Extreme California under agreements pertaining to such plans, and the outstanding rights granted pursuant thereto.

10. Outstanding Common Stock of Extreme Delaware. Forthwith upon the Effective Date, the One Thousand (1,000) shares of Extreme Delaware Common Stock presently issued and outstanding in the name of Extreme California shall be canceled and retired and resume the status of authorized and unissued shares of Extreme Delaware Common Stock, and no shares of Extreme Delaware Common Stock or other securities of Extreme Delaware shall be issued in respect thereof.

11. Covenants of Extreme Delaware. Extreme Delaware covenants and agrees that it will, on or before the Effective Date:

a. Qualify to do business as a foreign corporation in the State of California, and in all other states in which Extreme California is so qualified and in which the failure so to qualify would have a material adverse impact on the business or financial condition of Extreme Delaware. In connection therewith, Extreme Delaware shall irrevocably appoint an agent for service of process as required under the provisions of Section 2105 of the California Corporations Code and under applicable provisions of state law in other states in which qualification is required hereunder.

b. File any and all documents with the California Franchise Tax Board necessary to the assumption by Extreme Delaware of all of the franchise tax liabilities of Extreme California.

12. Amendment. At any time before or after approval and adoption by the stockholders of Extreme California, this Merger Agreement may be amended in any manner as may be determined in the judgment of the respective Boards of Directors of Extreme Delaware and Extreme California to be necessary, desirable or expedient in order to clarify the intention of the parties hereto or to effect or facilitate the purposes and intent of this Merger Agreement.

13. Abandonment. At any time before the Effective Date, this Merger Agreement may be terminated and the Merger may be abandoned by the Board of Directors of either Extreme California or Extreme Delaware or both, notwithstanding approval of this Merger Agreement by the sole stockholder of Extreme Delaware and the shareholders of Extreme California.

14. Counterparts. In order to facilitate the filing and recording of this Merger Agreement, the same may be executed in any number of counterparts, each of which shall be deemed to be an original.

IN WITNESS WHEREOF, this Merger Agreement, having first been duly approved by resolution of the Board of Directors of Extreme California and Extreme Delaware, is hereby executed on behalf of each of said two corporations by their respective officers thereunto duly authorized.

EXTREME NETWORKS, INC.,
a Delaware corporation

By:

Gordon L. Stitt,
President and Chief Executive Officer

EXTREME NETWORKS,
a California corporation

By:

Gordon L. Stitt,
President and Chief Executive Officer

CERTIFICATE OF SECRETARY

OF

EXTREME NETWORKS, INC.

(a Delaware corporation)

I, Vito Palermo, the Secretary of Extreme Networks, Inc., a Delaware corporation (the "Corporation"), hereby certify that the Agreement and Plan of Merger to which this Certificate is attached was duly signed on behalf of the Corporation by its President under the corporate seal of the Corporation and was duly approved and adopted by a unanimous vote of the outstanding stock entitled to vote thereon by written consent of the sole stockholder of the Corporation dated _____ ____, 1999.

Executed effective on the _____ day of _____, 1999.

By: _____
Vito Palermo, Secretary

CERTIFICATE OF APPROVAL OF

AGREEMENT AND PLAN OF MERGER OF

EXTREME NETWORKS

(a California corporation)

Gordon L. Stitt and Vito Palermo certify that:

1. They are the duly elected and acting President and Secretary, respectively, of Extreme Networks, a California corporation (the "Corporation").

2. This Certificate is attached to the Agreement and Plan of Merger dated as of _____, 1999, providing for the merger of the Corporation with and into Extreme Networks, Inc., a Delaware corporation.

3. The Agreement and Plan of Merger in the form attached hereto (the "Merger Agreement") was approved by the Board of Directors of the Corporation at a meeting duly noticed and held on January 22, 1999.

4. The total number of outstanding shares of the Corporation entitled to vote on the merger was 11,732,613 shares of Common Stock, 14,579,999 shares of Series A Preferred Stock, 8,886,228 shares of Series B Preferred Stock and 5,595,088 shares of Series C Preferred Stock.

5. The principal terms of the Merger Agreement were approved by an affirmative vote which exceeded the vote required, such vote being a majority of the total number of outstanding shares of Common Stock and a majority of the outstanding shares of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock, each voting separately as a class.

Dated: _____, 1999.

Gordon L. Stitt, President

Vito Palermo, Secretary

The undersigned, Gordon L. Stitt and Vito Palermo, President and Secretary, respectively, of Extreme Networks, a California corporation, declare under penalty of perjury under the laws of the State of California that the matters set forth in this Certificate are true and correct of their own knowledge.

Executed at Cupertino, California, on _____ _____, 1999.

Gordon L. Stitt, President

Vito Palermo, Secretary

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION

OF

EXTREME NETWORKS, INC.

FIRST: The name of this corporation is Extreme Networks, Inc. (hereinafter sometimes referred to as the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is Incorporating Services, Ltd., 15 East North Street, in the City of Dover, County of Kent. The name of the registered agent at that address is Incorporating Services, Ltd.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is One Thousand (1,000) shares of Common Stock, par value $0.001 per share (the "Common Stock").

FIFTH: The name and mailing address of the incorporator is:

Roberta Jones
c/o Gray Cary Ware & Freidenrich LLP
400 Hamilton Avenue
Palo Alto, CA 94301

SIXTH: The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by Statute or by this Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as

may be exercised or done by the Corporation. Election of directors need not be by written ballot unless the Bylaws so provide.

SEVENTH: The Board of Directors is authorized to make, adopt, amend, alter or repeal the Bylaws of the Corporation. The stockholders shall also have power to make, adopt, amend, alter or repeal the Bylaws of the Corporation.

EIGHTH: This Corporation reserves the right to amend or repeal any of the provisions contained in this Certificate of Incorporation in any manner now or hereafter permitted by law, and the rights of the stockholders of this Corporation are granted subject to this reservation.

NINTH: To the fullest extent permitted by the Delaware General Corporation Law, a director of this Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of the foregoing provisions of this Article NINTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

I, THE UNDERSIGNED, being the incorporator, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate of Incorporation, do certify that the facts herein stated are true, and accordingly, have hereto set my hand this 7th day of January, 1999.

/s/ Roberta Jones

Roberta Jones

EXHIBIT 3.2

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION OF
EXTREME NETWORKS, INC.

Gordon L. Stitt and Vito Palermo certify that:

1. They are the duly elected and acting President and Secretary, respectively, of Extreme Networks, Inc. (the "Corporation"), a corporation duly organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Sections 228 and 242 thereof, DO HEREBY CERTIFY:

2. That the amendment to the Corporation's Certificate of Incorporation set forth in the following resolution has been approved in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

"RESOLVED, that the first Paragraph of Article FOURTH of the Corporation's Certificate of Incorporation is hereby amended to read in its entirety as follows:

FOURTH:

Stock. The Corporation is authorized to issue two classes of stock to
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be designated, respectively, "Preferred Stock" and "Common Stock." The total number of shares of Preferred Stock the Corporation shall have authority to issue is 31,061,315 $0.001 par value per share, and the total number of shares of Common Stock the Corporation shall have authority to issue is 150,000,000, $0.001 par value per share. Of the authorized shares of Preferred Stock, 14,579,999 shares shall be designated as "Series A Preferred Stock," 8,886,228 shares shall be designated as "Series B Preferred Stock,"and 5,595,088 shall be designated as "Series C Preferred Stock." The remaining 2,000,000 authorized shares of Preferred Stock shall initially be undesignated and may be issued from time to time in one or more additional series. The Board of Directors is authorized within the limitations and restrictions stated in this amended Certificate of Incorporation (i) to determine and alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock other than the Series A Preferred, the Series B Preferred and the Series C Preferred and the number of shares constituting any such series and the designation thereof, or any of them; and (ii) to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series. If the number of shares of any such series of Preferred Stock shall be so decreased, the shares constituting such decrease shall be retired and shall not be reissued by the Corporation. This Corporation shall from time to time in accordance with the laws of the State of Delaware increase the authorized amount of its Common Stock if at any time the number of shares of Common Stock remaining unissued and available for issuance shall

not be sufficient to permit conversion of the Preferred Stock in accordance with the applicable conversion provisions. References hereafter to "Preferred Stock" shall mean the Series A Preferred, the Series B Preferred and the Series C Preferred collectively."

IN WITNESS WHEREOF, this Certificate of Amendment of Certificate of Incorporation has been executed on behalf of the Corporation by its President and attested by Vito Palermo, its Secretary, this ____ day of _____, 1999.

EXTREME NETWORKS, INC.

By:_____
Gordon L. Stitt, President

ATTEST:

By:_____
Vito Palermo, Secretary

EXHIBIT 3.3

AMENDED AND RESTATED BYLAWS

OF

EXTREME NETWORKS, INC.

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EXTREME NETWORKS, INC.

A DELAWARE CORPORATION

AMENDED AND RESTATED BYLAWS

ARTICLE I

STOCKHOLDERS

Section 1.1 Annual Meeting. An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 1.2 Special Meetings. Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called only (i) by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exists any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption) or (ii) by the holders of not less than 10% of all shares entitled to cast votes at the meeting, voting together as a single class and shall be held at such place, on such date, and at such time as they shall fix. Business transacted at special meetings shall be confined to the purpose or purposes stated in the notice.

Section 1.3 Notice of Meetings. Written notice of the place, date, and time of all meetings of the stockholders shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the Corporation).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 1.4 Quorum. At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

Section 1.5 Conduct of the Stockholders' Meeting. At every meeting of the stockholders, the Chairman, if there is such an officer, or if not, the President of the Corporation, or in his absence the Vice President designated by the President, or in the absence of such designation any Vice President, or in the absence of the President or any Vice President, a chairman chosen by the majority of the voting shares represented in person or by proxy, shall act as Chairman. The Secretary of the Corporation or a person designated by the Chairman shall act as Secretary of the meeting. Unless otherwise approved by the Chairman, attendance at the stockholders' meeting is restricted to stockholders of record, persons authorized in accordance with Section 8 of these Bylaws to act by proxy, and officers of the Corporation.

Section 1.6 Conduct of Business. The Chairman shall call the meeting to order, establish the agenda, and conduct the business of the meeting in accordance therewith or, at the Chairman's discretion, it may be conducted otherwise in accordance with the wishes of the stockholders in attendance. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

The Chairman shall also conduct the meeting in an orderly manner, rule on the precedence of and procedure on, motions and other procedural matters, and exercise discretion with respect to such procedural matters with fairness and good faith toward all those entitled to take part. The Chairman may impose reasonable limits on the amount of time taken up at the meeting on discussion in general or on remarks by any one stockholder. Should any person in attendance become unruly or obstruct the meeting proceedings, the Chairman shall have the power to have such person removed from participation. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 1.6 and Section 1.7, below. The Chairman of a meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 1.6 and Section 1.7, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 1.7 Notice of Stockholder Business. At an annual or special meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) properly brought before the meeting by or at the direction of the Board of Directors, (c) properly brought before an annual meeting by a stockholder, or (d) properly

brought before a special meeting by a stockholder, but if, and only if, the notice of a special meeting provides for business to be brought before the meeting by stockholders. For business to be properly brought before a meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder proposal to be presented at an annual meeting shall be received at the Corporation's principal executive offices not less than 120 calendar days in advance of the date that the Corporation's (or the Corporation's predecessor's) proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, or in the event of a special meeting, notice by the stockholder to be timely must be received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual or special meeting (a) a brief description of the business desired to be brought before the annual or special meeting and the reasons for conducting such business at the special meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business.

Section 1.8 Proxies and Voting. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting. No stockholder may authorize more than one proxy for his shares.

Each stockholder shall have one vote for every share of stock entitled to vote which is registered in his or her name on the record date for the meeting, except as otherwise provided herein or required by law.

All voting, including on the election of directors but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballots shall be counted by an inspector or inspectors appointed by the chairman of the meeting.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast.

Section 1.9 Stock List. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within

the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1 Number and Term of Office. The number of directors shall be Five (5), and the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption). Upon the closing of the first sale of the Corporation's common stock pursuant to a firmly underwritten registered public offering (the "IPO"), the directors shall be divided into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders held after the IPO, the term of office of the second class to expire at the second annual meeting of stockholders held after the IPO, the term of office of the third class to expire at the third annual meeting of stockholders held after the IPO and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election. A vacancy resulting from the removal of a director by the stockholders as provided in Article II, Section 2.3 below may be filled at special meeting of the stockholders held for that purpose. All directors shall hold office until the expiration of the term for which elected and until their respective successors are elected, except in the case of the death, resignation or removal of any director.

Section 2.2 Vacancies and Newly Created Directorships. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification or other cause (other than removal from office by a vote of the stockholders) may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 2.3 Removal. Subject to the rights of holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, with or without cause, but only by the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class. Vacancies in the Board of Directors resulting from such removal may be filled by a majority of the directors then in office, though less than a quorum, or by the stockholders as

provided in Article II, Section 2.1 above. Directors so chosen shall hold office until the new annual meeting of stockholders.

Section 2.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 2.5 Special Meetings. Special meetings of the Board of Directors may be called by one-third of the directors then in office (rounded up to the nearest whole number) or by the chief executive officer and shall be held at such place, on such date, and at such time as they or he or she shall fix. Notice of the place, date, and time of each such special meeting shall be given each director by whom it is not waived by mailing written notice not fewer than five (5) days before the meeting or by telegraphing or personally delivering the same not fewer than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 2.6 Quorum. At any meeting of the Board of Directors, a majority of the total number of authorized directors shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 2.7 Participation in Meetings by Conference Telephone. Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 2.8 Conduct of Business. At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or requited by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 2.9 Powers. The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

(a) To declare dividends from time to time in accordance with law;

(b) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(c) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;

(d) To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(e) To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;

(f) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine;

(g) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine; and

(h) To adopt from time to time regulations, not inconsistent with these bylaws, for the management of the Corporation's business and affairs.

Section 2.10 Compensation of Directors. Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors.

Section 2.11 Nomination of Director Candidates. Subject to the rights of holders of any class or series of Preferred Stock then outstanding, nominations for the election of Directors may be made by the Board of Directors or a proxy committee appointed by the Board of Directors or by any stockholder entitled to vote in the election of Directors generally. However, any stockholder entitled to vote in the election of Directors generally may nominate one or more persons for election as Directors at a meeting only if timely notice of such stockholder's intent to make such nomination or nominations has been given in writing to the Secretary of the Corporation. To be timely, a stockholder nomination for a director to be elected at an annual meeting shall be received at the Corporation's principal executive offices not less than 120 calendar days in advance of the date that the Corporation's (or the Corporation's Predecessor's) Proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, or in the event of a nomination for director to be elected at a special meeting, notice by the stockholders to be timely must be received not later than the close of business on the tenth day following the day on which such notice of the date of the special meeting was mailed or such public disclosure was made. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the

stockholder is a holder of record of stock of the Corporation entitled to vote for the election of Directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected.

In the event that a person is validly designated as a nominee in accordance with this Section 2.11 and shall thereafter become unable or unwilling to stand for election to the Board of Directors, the Board of Directors or the stockholder who proposed such nominee, as the case may be, may designate a substitute nominee upon delivery, not fewer than five days prior to the date of the meeting for the election of such nominee, of a written notice to the Secretary setting forth such information regarding such substitute nominee as would have been required to be delivered to the Secretary pursuant to this Section 2.11 had such substitute nominee been initially proposed as a nominee. Such notice shall include a signed consent to serve as a director of the Corporation, if elected, of each such substitute nominee.

If the chairman of the meeting for the election of Directors determines that a nomination of any candidate for election as a Director at such meeting was not made in accordance with the applicable provisions of this Section 2.11, such nomination shall be void; provided, however, that nothing in this Section 2.11 shall be deemed to limit any voting rights upon the occurrence of dividend arrearages provided to holders of Preferred Stock pursuant to the Preferred Stock designation for any series of Preferred Stock.

ARTICLE III

COMMITTEES

Section 3.1 Committees of the Board of Directors. The Board of Directors, by a vote of a majority of the whole Board, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by

unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 3.2 Conduct of Business. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third of the authorized members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

ARTICLE IV

OFFICERS

Section 4.1 Generally. The officers of the Corporation shall consist of a President, one or more Vice Presidents, a Secretary and a Treasurer. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board and such other officers as may from time to time be appointed by the Board of Directors. Officers shall be elected by the Board of Directors, which shall consider that subject at its first meeting after every annual meeting of stockholders. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. The Chairman of the Board, if there shall be such an officer, and the President shall each be members of the Board of Directors. Any number of offices may he held by the same person.

Section 4.2 Chairman of the Board. The Chairman of the Board, if there shall be such an officer, shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by these bylaws.

Section 4.3 President. The President shall be the chief executive officer of the Corporation. Subject to the provisions of these bylaws and to the direction of the Board of Directors, he or she shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him or her by the Board of Directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

Section 4.4 Vice President. Each Vice President shall have such powers and duties as may be delegated to him or her by the Board of Directors. One Vice President shall be

designated by the Board to perform the duties and exercise the powers of the President in the event of the President's absence or disability.

Section 4.5 Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President, the Chief Executive Officer, or the directors, upon request, an account of all his or her transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Section 4.6 Secretary. The Secretary shall issue all authorized notices for, and shall keep, or cause to be kept, minutes of all meetings of the stockholders, the Board of Directors, and all committees of the Board of Directors. The Secretary shall have the authority to designate and appoint assistant secretaries to assist in the administration and performance of his or her duties. He or she shall have charge of the corporate books and shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 4.7 Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 4.8 Removal. Any officer of the Corporation may be removed at any time, with or without cause, by the Board of Directors.

Section 4.9 Action With Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, the President or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE V

STOCK

Section 5.1 Certificates of Stock. Each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the

number of shares owned by him or her. Any of or all the signatures on the certificate may be facsimile.

Section 5.2 Transfers of Stock. Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

Section 5.3 Record Date. The Board of Directors may fix a record date, which shall not be more than sixty (60) nor fewer than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for the other action hereinafter described, as of which there shall be determined the stockholders who are entitled: to notice of or to vote at any meeting of stockholders or any adjournment thereof; to receive payment of any dividend or other distribution or allotment of any rights; or to exercise any rights with respect to any change, conversion or exchange of stock or with respect to any other lawful action.

Section 5.4 Lost, Stolen or Destroyed Certificates. In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5.5 Regulations. The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI

NOTICES

Section 6.1 Notices. Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram, mailgram, telecopy or commercial courier service. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice shall be deemed to be given shall be the time such notice is received by such stockholder, director, officer, employee or agent, or by any person accepting such notice on behalf of such person, if hand delivered, or the time such notice is dispatched, if delivered through the mails or be telegram or mailgram.

Section 6.2 Waivers. A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such

stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 7.2 Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

Section 7.3 Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation, including reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

Section 7.4 Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 7.5 Time Periods. In applying any provision of these bylaws which require that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE VIII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 8.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative ("proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, or of a Partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is

alleged action in an official capacity as a director, officer or employee or in any other capacity while serving as a director, officer or employee, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by Delaware Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said Law permitted the Corporation to provide prior to such amendment) against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, amounts paid or to be paid in settlement and amounts expended in seeking indemnification granted to such person under applicable law, this bylaw or any agreement with the Corporation) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Section 8.2 of this Article VIII, - --------- --------
the Corporation shall indemnify any such person seeking indemnity in connection with an action, suit or proceeding (or part thereof) initiated by such person only if (a) such indemnification is expressly required to be made by law, (b) the action, suit or proceeding (or part thereof) was authorized by the Board of Directors of the Corporation, (c) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the Delaware General Corporation Law, or (d) the action, suit or proceeding (or part thereof) is brought to establish or enforce a right to indemnification under an indemnity agreement or any other statute or law or otherwise as required under Section 145 of the Delaware General Corporation Law. Such right shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, unless the Delaware General
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Corporation Law then so prohibits, the payment of such expenses incurred by a director or officer of the Corporation in his or her capacity as a director or officer (and not in any other capacity in which service was or is tendered by such person while a director or officer, including, without limitation. service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this Section or otherwise.

Section 8.2 Right of Claimant to Bring Suit. If a claim under Section 8.1
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of this Article VIII is not paid in full by the Corporation within ninety (90) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if such suit is not frivolous or brought in bad faith, the claimant shall be entitled to be paid also the expense of prosecuting such claim. The burden of proving such claim shall be on the claimant. It shall be a defense to any such action (other then an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to this Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is

proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 8.3 Non-Exclusivity of Rights. The rights conferred on any person in Sections 8.1 and 8.2 shall not be exclusive of any other right which such persons may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 8.4 Indemnification Contracts. The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VIII.

Section 8.5 Insurance. The Corporation shall maintain insurance to the extent reasonably available, at its expense, to protect itself and any such director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 8.6 Effect of Amendment. Any amendment, repeal or modification of any provision of this Article VIII by the stockholders and the directors of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such amendment, repeal or modification.

ARTICLE IX

AMENDMENTS

Section 9.1 Amendment of Bylaws. The Board of Directors is expressly empowered to adopt, amend or repeal Bylaws of the Corporation. Any adoption, amendment or repeal of Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any resolution providing for adoption, amendment or repeal is presented to the Board). The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of Bylaws of the Corporation by the stockholders shall require, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the

then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting Secretary of Extreme Networks, Inc., a Delaware corporation (the "Corporation"), and that the foregoing Bylaws, comprising thirteen (13) pages, constitute the Bylaws of the Corporation as duly adopted by the unanimous written consent at of the Board of Directors of the Corporation on _____, 1999.

IN WITNESS WHEREOF, I have hereunto subscribed my name on _____, 1999.

Vito Palermo, Secretary

EXHIBIT 4.1

EXTREME NETWORKS

SECOND AMENDED AND RESTATED
RIGHTS AGREEMENT

THIS RIGHTS AGREEMENT is entered into as of January 12, 1997, by and among Extreme Networks, a California corporation (the "Company"), the holders of Series A Preferred Stock of the Company (the "Series A Holders"), the holders of the Series B Preferred Stock of the Company (the "Series B Holders"), and the undersigned purchasers of Series C Preferred Stock of the Company (the "Series C Purchasers," and together with the Series A Holders and Series B Holders, the "Preferred Holders") and the undersigned holders of Common Stock of the Company (the "Common Holders").

RECITALS:

A. The Company, the Common Holders, the Series A Holders, and the Series B Holders are parties to that certain Amended and Restated Registration Rights Agreement made and entered into as of May 7, 1997 (the "Restated Rights Agreement").

B. The Series C Purchasers and the Company have entered into or concurrently herewith are entering into a Series C Preferred Stock Purchase Agreement (the "Series C Agreement"), pursuant to which the Series C Purchasers are purchasing from the Company shares of its Series C Preferred Stock.

C. The obligations of the Company and the Series C Purchasers under the Series C Agreement are conditioned, among other things, upon the execution and delivery of this Agreement by the Company and the Series C Purchasers and the approval of the amendment of the Restated Rights Agreement by the parties thereto in accordance with the provisions of such agreement.

D. Pursuant to Sections 1.11, 3.9 and 4.1 of the Restated Rights Agreement, the Restated Rights Agreement may be amended as set forth herein with the written consent of the Company (as authorized by its Board of Directors), the Common Holders and a majority of the Series A Holders and Series B Holders, voting together as a single class.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises and covenants contained herein, the parties agree that, effective as of the Closing (as defined in the Series C Agreement), the Restated Rights Agreement is hereby amended and restated to read in its entirety as follows:

1. Registration Rights.

1.1 Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

(a) The terms "register", "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act of 1933, as amended (the "Securities Act"), and the declaration or ordering of the effectiveness of such registration statement.

(b) The term "Registrable Securities" means (i) any and all shares of Common Stock of the Company issued or issuable upon conversion of the shares of Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock issued and sold by the Company pursuant to the Series A Preferred Stock Purchase Agreement, dated May 28, 1996 (which shares of Series A Preferred Stock are referred to herein as the "Series A Shares") or the Series B Agreement, dated May 7, 1997 (which shares of Series B Preferred Stock are referred to herein as "Series B Shares"), or the Series C Agreement (which shares of Series C Preferred Stock are referred to herein as "Series C Shares"), respectively, and any and all Common Shares (as defined in Section 3.1(d) below); (ii) stock issued in lieu thereof in any reorganization which has not been sold to the public; or (iii) stock issued in respect of the stock referred to in (i) and (ii) as a result of a stock split, stock dividend, recapitalization or the like, which has not been sold to the public.

(c) The terms "Holder" or "Holders" means any person or persons to whom Registrable Securities were originally issued or qualifying transferees under subsection 1.10 hereof who hold Registrable Securities.

(d) The term "Initiating Holders" means any Holder or Holders of 50% or greater of the aggregate of the Series A Shares, Series B Shares and Series C Shares then outstanding, voting as a single class.

(e) The term "SEC" means the Securities and Exchange Commission.

(f) The term "Registration Expenses" shall mean all expenses incurred by the Company in complying with subsections 1.2, 1.3 and 1.4 hereof, including, without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company.)

1.2 Demand Registration.

(a) Request for Registration. In case the Company shall receive from Initiating Holders a written request that the Company effect any registration, qualification or compliance with respect to Registrable Securities with an anticipated aggregate offering price

before deduction of standard underwriting discounts and commissions, in excess of $10,000,000, the Company will:

(i) promptly give written notice of the proposed registration, qualification or compliance to all other Holders; and

(ii) as soon as practicable, use its best efforts to effect all such registrations, qualifications and compliances (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualifications under the applicable blue sky or other state securities laws and appropriate compliance with exemptive regulations issued under the Securities Act and any other governmental requirements or regulations) as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Initiating Holder's or Initiating Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such request as are specified in a written request given within thirty (30) days after receipt of such written notice from the Company; provided that the Company shall not be obligated to take any action to effect such registration, qualification or compliance pursuant to this subsection 1.2:

(A) at any time prior to six (6) months following the effective date of the registration statement under the Securities Act for the Company's initial registered underwritten public offering (the "IPO") of its securities to the general public (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or a SEC Rule 145 transaction);

(B) in any particular jurisdiction in which the Company would be required to execute a general qualification or compliance unless the Company is already subject to service in such jurisdiction and except as required by the Securities Act; or

(C) after the Company has effected two (2) such registrations pursuant to this subsection 1.2(a) and such registrations have been declared or ordered effective.

Subject to the foregoing clauses (A) through (C), the Company shall file a registration statement covering the Registrable Securities so requested to be registered as soon as practical, but in any event within ninety (90) days, after receipt of the request or requests of the Initiating Holders; provided, however, that if the Company shall furnish to such holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors it would be detrimental to the Company and its shareholders for such registration statement to be filed at the date filing would be required and it is therefore essential to defer the filing of such registration statement, the Company shall have an additional period of not more than sixty (60) days after the expiration of the initial sixty (60) day period within which to file such registration statement.

(b) Underwriting. If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as part of their request made pursuant to subsection 1.2 and the Company shall include such information in the written notice referred to in subsection 1.2(a)(i). In such event, the underwriter shall be selected by a majority in interest of the Initiating Holders and shall be reasonably acceptable to the Company. The right of any Holder to registration pursuant to subsection 1.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. The Company shall (together with all Holders proposing to distribute their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters. Notwithstanding any other provision of this subsection 1.2, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, the Initiating Holders shall so advise all Holders, and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated among all Holders thereof in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by such Holders; provided, however, that the number of shares of Registrable Securities, other than the Common Shares, to be included in such underwriting shall not be reduced unless all other securities, including the Common Shares, are first entirely excluded from the underwriting. If any Holder of Registrable Securities disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Company, the underwriter and the Initiating Holders. Any Registrable Securities which are excluded from the underwriting by reason of the underwriter's marketing limitation or withdrawn from such underwriting shall be withdrawn from such registration.

(c) Company Shares. If the managing underwriter has not limited the number of Registrable Securities to be underwritten, the Company may include securities for its own account or for the account of others in such registration if the managing underwriter so agrees and if the number of Registrable Securities which would otherwise have been included in such registration and underwriting will not thereby be limited.

1.3 Company Registration.

(a) Registration. If at any time or from time to time, the Company shall determine to register any of its securities, for its own account or the account of any of its shareholders, other than a registration on Form S-1 or S-8 relating solely to employee stock option or purchase plans, or a registration on Form S-4 relating solely to an SEC Rule 145 transaction, or a registration on any other form (other than Form S-1, S-2, S-3 or S-18, or their successor forms) or any successor to such forms, which does not include substantially the same information as would be required to be included in a registration statement covering the sale of Registrable Securities, the Company will:

(i) promptly give to each Holder written notice thereof and

(ii) include in such registration (and compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made within twenty (20) days after receipt of such written notice from the Company, by any Holder or Holders, except as set forth in subsection 1.3(b) below.

(b) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to subsection 1.3(a)(i). In such event the right of any Holder to registration pursuant to subsection 1.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and the other shareholders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this subsection 1.3, if the underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, and (i) if such registration is the IPO, the underwriter may limit the number of Registrable Securities to be included in the registration and underwriting, or may exclude Registrable Securities entirely from such registration and underwriting, or (ii) if such registration is other than the IPO, the underwriter may limit the amount of securities to be included in the registration and underwriting by the Company's shareholders; provided however, the number of Registrable Securities to be included in such registration and underwriting under this subsection 1.3(b)(ii) shall not be reduced to less than thirty percent (30%) of the aggregate securities included in such registration without the prior consent of at least a majority of the Holders who have requested their shares to be included in such registration and underwriting. The Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated first, to the Company; second, among the Preferred Holders requesting registration in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by each of such Preferred Holders as of the date of the notice pursuant to subsection 1.3(a)(i) above; and third, among the other Holders on a pro rata basis. If any Holder disapproves of the terms of the any such underwriting, he may elect to withdraw therefrom by written notice to the Company and the underwriter. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from such registration.

(c) Registration Rights of Officers, Directors and Employees. Upon any sale by the Company of its securities to the public in a firmly underwritten public offering, the officers, directors and employees of the Company shall be entitled to include any of their securities of the Company in any registration by the Company under this subsection 1.3 provided that such inclusion shall not diminish the number of securities included by the Company or the number of Registrable Securities which may be included by the Holders as set forth in subsection 1.3(b) above in the event that the underwriters determine that marketing factors require a limitation on the number of shares included in the registration and underwriting.

1.4 Form S-3. In addition to the rights and obligations set forth in subsection 1.2 above, if Initiating Holders request that the Company file a registration statement on Form S-3 (or any successor to Form S-3) for a public offering of shares of Registrable Securities, the reasonably anticipated aggregate price to the public of which (net of underwriting discounts and commissions) would exceed $1,000,000 and the Company is then a registrant entitled to use Form S-3 to register the shares for such an offering, the Company shall use its best efforts to cause such shares to be registered for the offering as soon as practicable on Form S-3 (or any successor form to Form S-3); provided, however the Company shall not be required to effect a registration pursuant to this subsection 1.4:

(a) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(b) if the Company, within ten (10) days of the receipt of the request of the Initiating Holders, gives notice of its bona fide intention to effect the filing of a registration statement with the SEC within forty-five (45) days of receipt of such request (other than with respect to a registration statement relating to a Rule 145 transaction, an offering solely to employees or any other registration which is not appropriate for the registration of Registrable Securities);

(c) during a period of one hundred eighty (180) days following the effective date of a registration statement;

(d) if the Company has effected 1 registration pursuant to this subsection 1.4 within a twelve (12) month period from the date of such request; or

(e) if the Company shall furnish to such Initiating Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be detrimental to the Company and its shareholders for such registration statement to be filed on or before the date filing would be required and it is therefore essential to defer the filing of such registration statement, in which case the Company shall have the right to defer such filing for a period of not more than ninety (90) days after the furnishing of such a certificate of deferral, provided that the Company may not defer such filing pursuant to this subsection 1.4 more than once in any twelve (12) month period.

In the event such Initiating Holders propose to offer the shares of Registrable Securities pursuant to this subsection 1.4 by means of an underwriting, the proposed underwriter(s) shall be selected by a majority in interest of the Initiating Holders and shall be reasonably acceptable to the Company, provided, however, that in the event such underwriter(s) is (are) not reasonably acceptable to the Company, the Company shall be required to furnish to the Holders, within twenty (20) days of the receipt of the request for registration from Initiating Holders pursuant to this subsection 1.4, the names of at least 2 underwriters acceptable to the Company, who agree to act as underwriter for the proposed offering on terms no less favorable to the Holders than those

terms proposed in writing by the underwriter(s) selected by the Initiating Holders. The Company shall give written notice to all Holders of the receipt of a request for registration pursuant to this subsection 1.4 and shall provide a reasonable opportunity for other Holders to participate in the registration, provided that if the registration is for an underwritten offering, the terms of subsection 1.2(b) shall apply to all participants in such offering.

1.5 Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to this Section 1 shall be borne by the Company except as follows:

(a) The Company shall not be required to pay for expenses of any registration proceeding begun pursuant to subsection 1.2, the request for which has been subsequently withdrawn by the Initiating Holders, in which latter such case, such expenses shall be borne pro rata by the Holders requesting such withdrawal.

(b) The Company shall not be required to pay fees or disbursements of legal counsel of a Holder unless all the Holders specify one special counsel.

(c) The Company shall not be required to pay underwriters' fees, discounts or commissions relating to Registrable Securities.

1.6 Registration Procedures. In the case of each registration, qualification or compliance effected by the Company pursuant to this Rights Agreement, the Company will keep each Holder participating therein advised in writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. Except as otherwise provided in subsection 1.5, at its expense the Company will:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as

shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act or the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

1.7 Indemnification.

(a) The Company will indemnify each Holder of Registrable Securities and each of its officers, directors and partners, and each person controlling such Holder, with respect to which such registration, qualification or compliance has been effected pursuant to this Rights Agreement, and each underwriter, if any, and each person who controls any underwriter of the Registrable Securities held by or issuable to such Holder, against all claims, losses, expenses, damages and liabilities (or actions in respect thereto) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statement therein not misleading, or any violation or alleged violation by the Company of the Securities Act, the Securities Exchange Act of 1934, as amended, ("Exchange Act") or any state securities law applicable to the Company or any rule or regulation promulgated under the Securities Act, the Exchange Act or any such state law and relating to action or inaction required of the Company in connection with any such registration, qualification of compliance, and will reimburse each such Holder, each of its officers, directors and partners, and each person controlling such Holder, each such underwriter and each person who controls any such underwriter, within a reasonable amount of time after incurred for any reasonable legal and any other expenses incurred in connection with investigating, defending or settling any such claim, loss, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 1.7(a) shall not apply to amounts paid in settlement of any such claim, loss, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld); and provided further, that the Company will not be liable in any such case to the extent that any such claim, loss, damage or liability arises out of or is based on any untrue statement or omission based upon written information furnished to the Company by an instrument duly executed by such Holder or underwriter specifically for use therein.

(b) Each Holder will, if Registrable Securities held by or issuable to such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers, each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company within the meaning of the Securities Act, and each other such Holder, each of its officers, directors and partners and each person controlling such Holder, against all claims, losses, expenses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company, such Holders, such directors, officers, partners, persons or underwriters for any reasonable legal or any other expenses incurred in connection with investigating, defending or settling any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by the Holder in an instrument duly executed by such Holder specifically for use therein; provided, however, that the indemnity agreement contained in this subsection 1.7(b) shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if such settlement is effected without the consent of the Holder, (which consent shall not be unreasonably withheld); and provided further, that the total amount for which any Holder shall be liable under this subsection 1.7(b) shall not in any event exceed the aggregate proceeds received by such Holder from the sale of Registrable Securities held by such Holder in such registration.

(c) Each party entitled to indemnification under this subsection 1.7 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at such party's expense; and provided further, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations hereunder, unless such failure resulted in prejudice to the Indemnifying Party; and provided further, that an Indemnified Party (together with all other Indemnified Parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the Indemnifying Party, if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between such Indemnified Party and any other party represented by such counsel in such proceeding. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which

does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

(d) If the indemnification provided for in this Section 1.7 is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any losses, claims, damages or liabilities referred to herein, the Indemnifying Party, in lieu of indemnifying such Indemnified Party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the proceeds from the offering by such Holder.

(e) The obligations of the Company and Holders under this Section 1.7 shall survive completion of any offering of Registrable Securities in a registration statement and the termination of this Agreement. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

1.8 Information by Holder. Any Holder or Holders of Registrable Securities included in any registration shall promptly furnish to the Company such information regarding such Holder or Holders and the distribution proposed by such Holder or Holders as the Company may request in writing and as shall be required in connection with any registration, qualification or compliance referred to herein.

1.9 Rule 144 Reporting. With a view to making available to Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees at all times to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, after ninety (90) days after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements) ; and

(c) so long as a Holder owns any Registrable Securities, to furnish to such Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), and of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed by the Company as the Holder may reasonably request in complying with any rule or regulation of the SEC allowing the Holder to sell any such securities without registration.

1.10 Transfer of Registration Rights. Holders' rights to cause the Company to register their securities and keep information available, granted to them by the Company under subsections 1.2, 1.3, 1.4 and 1.9, may be assigned to a transferee or assignee of at least 75,000 shares (as adjusted for stock splits, stock dividends, recapitalization and like events) of a Holder's Registrable Securities not sold to the public, provided, that the Company is given written notice by such Holder at the time of or within a reasonable time after said transfer, stating the name and address of said transferee or assignee and identifying the securities with respect to which such registration rights are being assigned. The Company may prohibit the transfer of any Holders' rights under this subsection 1.10 to any proposed transferee or assignee who the Company reasonably believes is a competitor of the Company. Notwithstanding anything else in this subsection 1.10, any Holder may transfer rights to a transferee of fewer than 75,000 shares (as adjusted for stock splits, stock dividends, recapitalizations and like events) of a Holder's Registrable Securities if such transferee is a partner or a retired partner of such Holder.

1.11 Limitations on Subsequent Registration Rights. From and after the date hereof, the Company shall not, without the prior written consent (which consent will not be unreasonably withheld) of not less than a majority of the Registrable Securities held by all of the Preferred Holders then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder to demand any registration or include such securities in any registration filed under subsections 1.2, 1.3 or 1.4 hereof if such inclusion would adversely affect the rights of any Holder (or any qualifying transferee under subsection 1.10) under such subsections.

1.12 "Market Stand-Off" Agreement. Each Holder hereby agrees that, during the period of duration (not to exceed one hundred eighty (180) days) specified by the Company and an underwriter of common stock or other securities of the Company following the effective date of a registration statement of the Company filed under the Securities Act, it shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase, pledge or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except common stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only to the first such registration statement of the Company which covers common stock (or other securities) to be sold on its behalf to the public in an underwritten offering; and

(b) such agreement shall not be required unless all officers and directors and employees of the Company and all other persons with registration rights (whether or not pursuant to this Agreement) or purchasing common stock of the Company enter into similar agreements.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares of securities of every other person subject to the foregoing restriction) until the end of such period.

1.13 Termination of Registration Rights. The obligations of the Company pursuant to this Section 1 ("Registration Rights") shall terminate with respect to any Holder on the earlier of (i) ten (10) years after the IPO (as defined in subsection 1.2 above), or (ii) the date on which the Holder can sell any Registrable Securities under Rule 144K or sell all of his/her remaining Registrable Securities under Rule 144 during any three (3) month period.

2. Affirmative Covenants of the Company. The Company hereby covenants and agrees as follows:

2.1 Annual Financial Information. The Company shall deliver to each Preferred Holder, so long as such Preferred Holder (each a "Qualified Preferred Holder") holds at least 750,000 Series A Shares, Series B Shares, Series C Shares or shares of Common Stock issued or issuable upon conversion of such Series A Shares, Series B Shares or Series C Shares (as adjusted for stock dividends, stock splits, recapitalizations and the like) ("Qualifying Shares") within ninety (90) days after the end of each fiscal year of the Company, income, shareholders' equity and cash flow statements of the Company for such year, and a balance sheet of the Company as of the end of such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), and audited by independent public accountants of national standing selected by the Company's Board of Directors.

2.2 Quarterly Financial Information. The Company shall deliver to each Qualified Preferred Holder within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited balance sheets of the Company as of the end of each such quarter, and consolidated statements of income and cash flows of the Company for each such quarter, all prepared in accordance with GAAP.

2.3 Monthly Financial Information. The Company shall deliver to each Qualified Preferred Holder within twenty (20) days after the monthly accounting period of the Company an unaudited monthly report including a balance sheet, income statement, cash flow analysis, and comparison to previous year's and projected results.

2.4 Budgets; Additional Information. The Company will provide each Qualified Preferred Holder with the Company's annual (and, as applicable, quarterly) budget as approved by the Company's Board of Directors and within thirty (30) days after the end of each fiscal quarter, a report on financial and operational highlights for such quarter.

2.5 Termination of Information Covenants and Confidentiality of Information. The covenants of the Company set forth in subsections 2.1, 2.2 and 2.3 shall terminate as to all Qualified Preferred Holders and be of no further force or effect (i) upon the consummation by the Company of the IPO (as defined in subsection 1.2 above), or (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange, whichever event shall first occur. Notwithstanding this Section 2, the Company reserves the right to withhold from 3Com Corporation ("3Com") any information provided to Qualified Preferred Holders pursuant to this Section 2 which the Company deems to be confidential; provided, however, that the Company's annual and monthly income, shareholders' equity and cash flow statements and balance sheets shall not be withheld from 3Com, except to the extent that notes thereto contain confidential information, in which case each such note may be withheld from 3Com. Each Qualified Preferred Holder agrees that it will keep confidential and will not disclose or divulge any confidential, proprietary or secret information which such Qualified Preferred Holder may obtain from the Company, and which the Company has prominently marked "confidential", "proprietary" or "secret" or has otherwise identified as being such, pursuant to financial statements, reports and other materials submitted by the Company as required hereunder, unless such information is or becomes known to the Qualified Preferred Holder from a source other than the Company without violation of any rights of the Company, or is or becomes publicly known, or unless the Company gives its written consent to the Qualified Preferred Holder's release of such information, except that no such written consent shall be required (and the Qualified Preferred Holder shall be free to release such information to such recipient) if such information is to be provided to a Qualified Preferred Holder's counsel or accountant (and the provision of such information is directly necessary in order for such recipient to provide services to Qualified Preferred Holder), or to an officer, director or partner of a Qualified Preferred Holder, provided that the Qualified Preferred Holder shall inform the recipient of the confidential nature of such information, and such recipient agrees in writing in advance of disclosure to treat the information as confidential.

2.6 Assignment of Rights of Information. The rights granted pursuant to subsections 2.1, 2.2, 2.3 and 2.4 may be assigned by each Qualified Preferred Holder upon sale or transfer by such Qualified Preferred Holder of at least that number and type of shares that would constitute Qualifying Shares. Notwithstanding anything else in this subsection 2.6, rights may not be assigned to a transferee which the Company reasonably believes is a competitor or intends to become a competitor of the Company and provided further that any transferee shall agree to become subject to the obligations of the transferring party hereunder.

2.7 Right of First Refusal on New Issuances.

(a) If, at any time prior to the termination of this right of first refusal pursuant to subsection 2.6(f), the Company should desire to issue in a transaction not registered

under the Securities Act in reliance upon a claimed exemption thereunder, any Equity Securities (as hereinafter defined), it shall give each Series B Holder that holds at least 375,000 Series B Shares or shares of Common Stock issued or issuable upon conversion of such Series B Shares (as adjusted for stock dividends, stock splits recapitalizations and the like), each Series C Holder that holds at least 375,000 Series C Shares or shares of Common Stock issued or issuable upon conversion of such Series C Shares (as adjusted for stock dividends, stock splits recapitalizations and the like), and each Series A Holder (each a "Qualified Participant") the first right to purchase such Qualified Participant's pro rata share (or any part thereof) of all such privately offered Equity Securities on the same terms as the Company is willing to sell such Equity Securities to any other person. Each Qualified Participant's pro rata share of the Equity Securities shall be equal to that percentage of the outstanding Common Stock of the Company held by such Qualified Participant on the date hereof. For purposes of this subsection 2.7, the outstanding Common Stock of the Company shall include (i) outstanding shares of Common Stock, and (ii) shares of Common Stock issued or issuable upon conversion of any then outstanding Preferred Stock of the Company.

(b) Prior to any sale or issuance by the Company of any Equity Securities, the Company shall notify each Qualified Participant in writing of its intention to sell and issue such securities, setting forth the terms under which it proposes to make such sale. Within thirty (30) days after receipt of such notice, each Qualified Participant shall notify the Company whether such Qualified Participant desires to exercise the option to purchase such Qualified Participant's pro rata share (or any part thereof) of the Equity Securities so offered. If a Qualified Participant elects to purchase such Qualified Participant's pro rata share, then such Qualified Participant shall have a right of over-allotment such that if any other Qualified Participant fails to purchase such Qualified Participant's pro rata share of the Equity Securities, such Qualified Participant(s) who have elected to purchase their pro rata shares may purchase, on a pro rata basis, that portion of the Equity Securities which such other Qualified Participants elected not to purchase.

(c) After termination of the thirty (30) day period specified in subsection 2.7(b) above, the Company may, during a period of sixty (60) days following the end of such thirty (30) day period, sell and issue such Equity Securities as to which the Qualified Participants do not indicate a desire to purchase to another person as well as those additional shares of Equity Securities it originally intended to issue to other persons, upon the same terms and conditions as those set forth in the notice to the Qualified Participants. In the event the Company has not sold the Equity Securities, or has not entered into an agreement to sell the Equity Securities, within said sixty (60) day period, the Company shall not thereafter issue or sell any Equity Securities without first offering such securities to the Qualified Participants in the manner provided above.

(d) If a Qualified Participant gives the Company notice that such Qualified Participant desires to purchase any of the Equity Securities offered by the Company, payment for the Equity Securities shall be by check, or wire transfer, against delivery of the Equity Securities at the executive offices of the Company within ten (10) days after giving the Company such notice, or, if later, the closing date for the sale of such Equity Securities. The

Company shall take all such action as may be required by any regulatory authority in connection with the exercise by a Qualified Participant of the right to purchase Equity Securities as set forth in this subsection 2.7.

(e) The right of first refusal contained in this Section 2 shall not apply to the issuance by the Company of Equity Securities (i) of up to 1,285,691 shares of Common Stock reserved for issuance to employees, consultants, directors or officers of the Company pursuant to stock grant, stock purchase and/or stock option plans or any other stock incentive program, agreement or arrangement approved by the Board of Directors, (ii) of up to 7,514,309 shares of Common Stock reserved for the exercise of outstanding options to purchase Common Stock issued pursuant to stock option plans, (iii) as part of an acquisition by the Company of all or substantially all of the assets or shares of another company or entity whether through a merger, exchange, reorganization or the like, (vi) pursuant to equipment financing or leasing arrangements or in connection with strategic partnering transactions approved by the Company's Board of Directors, (v) issued upon conversion of the Series A Shares, Series B Shares or Series C Shares (vi) issued in connection with any stock split, stock dividend, recapitalization or similar event or (vii) issued in connection with the IPO (as defined in subsection 1.2 above).

(f) The right of first refusal contained in this subsection 2.7 shall terminate upon the closing of the IPO (as defined in subsection 1.2 above).

(g) The term "Equity Securities" shall mean (i) Common Stock, rights, options or warrants to purchase Common Stock; (ii) any security other than Common Stock having voting rights in the election of the Board of Directors, not contingent upon a failure to pay dividends; (iii) any security convertible into or exchangeable for any of the foregoing except that Equity Securities shall not include the Series A Shares, Series B Shares or Series C Shares issued as of the date hereof; and (iv) any agreement or commitment to issue any of the foregoing.

(h) A Qualified Participant's right to purchase any Equity Securities pursuant to this subsection 2.7 may be assigned by a Qualified Participant to an affiliate of a Qualified Participant. For the purposes of this subsection 2.7, an "affiliate" shall mean any partner or shareholder of a Qualified Participant or any person or entity that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with a Qualified Participant.

2.8 3Com's and Compaq's Right to Notification. In the event that, after the date hereof, the Board of Directors determines to offer a majority controlling interest in the Company and/or its subsidiaries, if any, taken as a whole ("Controlling Interest") for sale, or the Board of Directors receives a serious indication of interest from a third party to purchase a Controlling Interest, the Company agrees that it shall immediately notify each of 3Com and Compaq of such intention or indication of interest; provided, however, that the Company shall not be obligated to disclose to 3Com or Compaq the identity of any third party which indicates its interest or the terms thereof.

3. Agreements Between Preferred Holders and Common Holders.

3.1 Right of First Refusal on Sales by Common Holders. Before any Common Shares (as defined in Section 3.1(d) below) registered in the name of any Common Holder may be sold or transferred, such shares shall first be offered to the Company, which will have the right to purchase all or any part of such shares proposed to be transferred and subsequently to the Preferred Holders, who will have the right to purchase up to his/her pro rata portion of the Common Shares offered by the Common Holder and not purchased by the Company, if any, (each such right shall hereinafter be referred to as a "Right of First Refusal"):

(a) Transfer Notice. The Common Holder or his or her legal representative shall first give written notice (the "Transfer Notice") of any proposed transfer to the Company and the Preferred Holders. The Transfer Notice shall name the proposed transferee, state the number of Common Shares to be transferred, the price per share and all other terms of the offer. The Transfer Notice shall be signed by the Common Holder or his or her representative and the prospective transferee and must constitute a binding agreement for the transfer of the Common Shares subject only to the Right of First Refusal.

(b) Bona Fide Determination. Within 15 days of delivery of the Transfer Notice, the Company's Board of Directors shall determine the bona fide nature of the proposed transfer and give the Common Holder written notice of its determination. If the proposed transfer is deemed to be bona fide, the remaining subsections of this section shall apply to the sale. If the proposed transfer is deemed not to be bona fide, the Common Holder will be responsible for providing additional information to the Board to show the bona fide nature of the proposed transfer and no Common Shares will be transferred on the books of the Company until the Board has approved the proposed transfer as bona fide.

(c) Failure to Exercise; Exercise. The Company's and the Preferred Holders' Rights of First Refusal with respect to each other are as follows:

(i) If the Company elects not to exercise in full the Right of First Refusal within 15 days from the later of the date the Transfer Notice is delivered to the Company or the date the transfer is determined to be bona fide (if the Common Holder is required to provide additional information as provided in Section 3(b)), each Preferred Holder shall have the right to exercise his/her Right of First Refusal to purchase up to his/her pro rata portion of Common Shares offered by the Common Holder and not purchased by the Company, if any. For the purposes of this subsection 3.1, the "pro rata portion" which each Preferred Holder shall be entitled to purchase shall be an amount of Common Shares equal to a fraction of the total amount of Common Shares proposed to be sold to such third party. The numerator of such fraction shall be the number of Equity Securities (assuming the conversion of all such securities to Common Stock) owned by the respective Preferred Holder and the denominator shall be the total number of Equity Securities (assuming the conversion of all such securities to Common Stock) owned by all Preferred Holders electing to exercise such right of first refusal.

(ii) The Company shall have 15 days from the later of the date the Transfer Notice is delivered to the Company or the date the transfer is determined to be bona fide (if the Common Holder is required to provide additional information as provided in Section 3(b)), to deliver to the Common Holder and the Preferred Holders written notice indicating the number of Common Shares it intends to purchase, if any. If the Company fails to provide written notice during such period, its Right of First Refusal shall lapse as to such proposed transfer. If the Company elects not to exercise its Right of First Refusal in part or in full or such right lapses, each Preferred Holder shall have 10 days from the date of such election or lapse, as applicable, to deliver to the Company and the Common Holder written notice indicating the number of Common Shares he/she intends to purchase pursuant to his/her Right of First Refusal. If any Preferred Holder fails to provide written notice during such period, his/her Right of First Refusal shall lapse as to such proposed transfer.

(iii) If the Preferred Holders elect not to exercise in full or in part their Rights of First Refusal within 10 days from the earlier of the date the Company provides the Preferred Holders with written notice of its intent to exercise or not to exercise or the date on which the Company's Right of First Refusal lapses, the Common Holder may, at any time after 30 days from the later of the date of delivery of the Transfer Notice to the Company and the Preferred Holders or the date the transfer is determined to be bona fide (if the Common Holder is required to provide additional information as provided in Section 3(b)), conclude a transfer of the Common Shares subject to the Transfer Notice which have not been purchased by the Company and/or Preferred Holders pursuant to the exercise of their Rights of First Refusal on the terms and conditions described in the Transfer Notice.

(vi) Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Common Holder, shall again be subject to the Rights of First Refusal and shall require compliance by the Common Holder with the procedure described in this Section 3.1.

(v) Within 15 days from the date on which the Company or any of the Preferred Holders elects to exercise its Rights of First Refusal, the applicable Company or Preferred Holder (s) and the Common Holder shall consummate the sale of Common Shares on the terms set forth in the Transfer Notice; provided, however, in the event the Transfer Notice provides for the payment for the Common Shares other than in cash, the Company and/or the Preferred Holders shall have the option of paying for the Common Shares by the discounted cash equivalent of the consideration described in the Transfer Notice as reasonably determined by the Company or the Preferred Holders in the event that the Company does not exercise its Right of First Refusal.

(d) Definition. The term "Common Shares" shall mean all shares
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of Common Stock of the Company owned or subsequently acquired by Common Holder and all shares of Common Stock issuable upon exercise or conversion of any exercisable or convertible securities held or subsequently acquired by Common Holder.

3.2 Right of Co-Sale.

(a) The Right. If at any time one or more of the Common Holders propose to sell or otherwise transfer any Common Shares to parties (other than the Company or the Preferred Holders pursuant to their Rights of First Refusal described in Section 3.1 above) in a transaction (the "Transaction") not registered under the Securities Act then any Preferred Holder (a "Selling Preferred Holder " for purposes of this subsection 3.2) which notifies such Common Holder in writing within 15 days after receipt of the notification from such Common Holder referred to in subsection 3.2(b), shall have the opportunity to sell up to a pro rata portion of the Common Shares which the Common Holder proposes to sell to such third party in the Transaction. In such instance, the Common Holder shall assign so much of his interest in the proposed agreement of sale as the Selling Preferred Holder shall be entitled to and shall request hereunder, and the Selling Preferred Holder shall assume such part of the obligations of the Common Holder under such agreement as shall relate to the sale of the securities by the Selling Preferred Holder. For the purposes of this subsection 3.2, the "pro rata portion" which the Selling Preferred Holder shall be entitled to sell shall be an amount of Common Shares equal to a fraction of the total amount of Common Shares proposed to be sold to such third party. The numerator of such fraction shall be the number of Equity Securities (assuming the conversion of all such securities to Common Stock) owned by a Selling Preferred Holder and the denominator shall be the total number of Equity Securities (assuming the conversion of all such securities to Common Stock) owned by all participating Selling Preferred Holders and the Common Holder proposing to sell shares in the Transaction. Each Selling Preferred Holder shall notify the Common Holder whether it elects to sell an amount equal to or less than its pro rata share of the Common Shares so offered. Each Selling Preferred Holder shall be entitled to apportion Common Shares to be sold among its partners and affiliates (as defined in subsection 2.6(h) above), provided that such Selling Preferred Holder notifies the Common Holder of such allocation, and provided that such allocation does not threaten the Company's reliance on any exemption from the registration provisions of the Securities Act or the applicable qualifications provisions.

(b) Failure to Notify. If within 15 days after the Common Holder gives his aforesaid notice to the Preferred Holders, the Preferred Holders do not notify the Common Holder that they desire to sell all of their pro rata portions of the Common Shares described in such notice for the price and on the terms and conditions set forth therein, then the Common Holder may sell during the period set forth in subsection 3.2(c) such Common Shares as to which the Preferred Holders do not elect to sell. Any such sale shall be made only to persons identified in the Common Holder's notice and at the same price and upon the same terms and conditions as those set forth in the notice. In the event the Common Holder has not sold the Common Shares or entered into an agreement to sell the Common Shares within the period set forth in Section 3.2(c), the Common Holder shall not thereafter sell any Common Shares without first notifying the Preferred Holders in the manner provided above.

(c) Notice. Prior to any sale by a Common Holder of any Common Shares, the Common Holder shall notify each Preferred Holder, in writing, of his intention to sell and issue such securities (the "Offered Securities"), setting forth in reasonable detail the general terms under which he proposed to make such sale including the number of Common Shares to be

sold or transferred, the nature of the sale or transfer, the consideration to be paid and the identity of the Preferred Holder. Within 15 days after receipt of such notice, any Preferred Holder which desires to exercise its rights under this subsection 3.2 shall notify the Common Holder that it desires to sell its pro rata share of the Offered Securities. Each Preferred Holder shall be entitled to apportion Offered Securities to be sold among its partners and affiliates (as defined in subsection 2.6(h) above), provided that such Preferred Holder notifies the Common Holder of such allocation.

3.3 Limitations to Rights of First Refusal and Rights of Co-Sale.

Without regard and not subject to the provisions of subsection 3.1 and 3.2;

(a) A Common Holder may sell or otherwise assign, without consideration, Common Shares to any or all of his ancestors, descendants, spouse, or members of his immediate family, or to a custodian, trustee (including a trustee of a voting trust), executor, or other fiduciary for the account of his ancestors, descendants, spouse, or members of his immediate family without compliance with this Section 3, provided that each such transferee or assignee, prior to the completion of the sale, transfer, or assignment, shall have executed documents assuming the obligations of such Common Holder under this Agreement with respect to the transferred securities;

(b) A Common Holder may sell, transfer or pledge up to five percent (5%), in the aggregate, of the Common Stock of the Company held by such Common Holder as of the date hereof without compliance with this Section 3.

(c) A Common Holder may sell the Common Stock of the Company held by such Common Holder in connection with the IPO without compliance with this Section 3.

3.4 Condition to Transfer. All transferees of Common Shares or any interest therein other than the Company shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that they will receive and hold such shares of Common Shares or interests subject to the provisions of the Founder Stock Purchase Agreement, including the "Market Stand-Off" Agreement.

3.5 Legends. All instruments evidencing Common Shares held by the Common Holders shall be legended, describing the obligations of the Common Holders under this Section 3.

3.6 Adjustments. For purposes of this Section 3, the stock of the Company shall be arithmetically adjusted for stock dividends, stock splits, recapitalizations and the like.

3.7 Termination. The obligations of the Common Holders under this Section 3 shall terminate and be of no further force and effect upon the closing of the registration statement relating to the IPO (as defined in subsection 1.2 above).

3.8 Assignment. Upon written notice to the Common Holders, the rights granted pursuant to this Section 3 may be assigned by a Preferred Holder or its transferees upon a sale or transfer (other than a sale thereof to the public) of Preferred Shares and/or Common Shares held by such Preferred Holder or transferee; provided that any transferee of a Preferred Holder shall agree to become subject to the obligations of the Preferred Holders hereunder.

3.9 Amendment. The rights and obligations of the Common Holders under this Section 3 may only be amended (either generally or in a particular instance) by a statement in writing signed by each Common Holder whose rights and obligations are to be amended.

3.10 No Waiver. The exercise or non-exercise of the rights of a Preferred Holder hereunder to participate in one or more sales of Common Shares made by a Common Holder shall not adversely affect their rights to participate in subsequent sales of Common Shares subject to Section 3.

4. General.

4.1 Waivers and Amendments. Subject to subsection 3.9, with the written consent of the record or beneficial holders of at least a majority of the Registrable Securities other than the Common Shares, the obligations of the Company and the rights of the parties under this agreement may be waived (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely), and with the same consent the Company, when authorized by resolution of its Board of Directors, may enter into a supplementary agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such modification, amendment or waiver shall reduce the aforesaid percentage of Registrable Securities without the consent of all of the Holders of the Registrable Securities and provided, further, however, that no such modification, amendment or waiver shall be binding as to a holder who did not consent thereto, unless such modification, amendment or waiver applies equally to all Registrable Securities. Upon the effectuation of each such waiver, consent, agreement of amendment or modification, the Company shall promptly give written notice thereof to the record holders of the Registrable Securities who have not previously consented thereto in writing. This Agreement or any provision hereof may be changed, waived, discharged or terminated only by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought, except to the extent provided in this subsection 4.1.

4.2 Governing Law. This Agreement shall be governed in all respects 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 California.

4.3 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

4.4 Entire Agreement. Except as set forth below, this Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof, and this Agreement shall supersede and cancel all prior agreements between the parties hereto with regard to the subject matter hereof.

4.5 Notices, etc. All notices and other communications required or permitted hereunder shall be in writing and shall be delivered by overnight courier service of mailed by first class mail, postage prepaid, certified or registered mail, return receipt requested, addressed (a) if to any Preferred Holder, at such party's address as set forth in the Company's records, or at such other address as such party shall have furnished to the Company in writing, or (b) if to the Company, at 10460 Bandley Drive, Cupertino, California 95014, or at such other address as the Company shall have furnished to the Purchaser in writing.

4.6 Severability. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement or any provision of the other Agreement s shall not in any way be affected or impaired thereby.

4.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

4.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

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IN WITNESS WHEREOF, the parties hereby have executed this Agreement on the date first above written.

"COMPANY"

EXTREME NETWORKS, a California corporation

/s/ Gordon Stitt

Gordon Stitt, President

"COMMON HOLDERS"

/s/ Gordon Stitt

Gordon Stitt

/s/ Stephen Haddock

Stephen Haddock

/s/ Herb Schneider

Herb Schneider

SERIES A AND SERIES B PURCHASERS' COUNTERPART SIGNATURE PAGE
EXTREME NETWORKS AMENDED AND RESTATED RIGHTS AGREEMENT

If the signatory is an individual, please sign and print your name to the right.

(Printed Name)

Signature(s)

Date: _____, 1998

If the signatory is an organization, please print the legal name of the organization and have an authorized person sign to the right.

Name of Organization:

By:

Title:

Date: _____, 1998

If the signatory is an individual, please sign and print your name to the right.

(Printed Name)

Signature(s)

Date: _____, 1998

If the signatory is an organization, please print the legal name of the organization and have an authorized person sign to the right.

Name of Organization:

By:

Title:

Date: _____, 1998

EXHIBIT 10.1

INDEMNITY AGREEMENT

This Indemnity Agreement, dated as of _____, 199___, is made by and between Extreme Networks, Inc., a Delaware corporation (the "Company"), and _____ (the "Indemnitee").

RECITALS

A. The Company is aware that competent and experienced persons are increasingly reluctant to serve as directors, officers or agents of corporations unless they are protected by comprehensive liability insurance or indemnification, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no reasonable relationship to the compensation of such directors, officers and other agents.

B. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors, officers and agents with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take.

C. Plaintiffs often seek damages in such large amounts and the costs of litigation may be so enormous (whether or not the case is meritorious), that the defense and/or settlement of such litigation is often beyond the personal resources of directors, officers and other agents.

D. The Company believes that it is unfair for its directors, officers and agents and the directors, officers and agents of its subsidiaries to assume the risk of huge judgments and other expenses which may occur in cases in which the director, officer or agent received no personal profit and in cases where the director, officer or agent was not culpable.

E. The Company recognizes that the issues in controversy in litigation against a director, officer or agent of a corporation such as the Company or its subsidiaries are often related to the knowledge, motives and intent of such director, officer or agent, that he is usually the only witness with knowledge of the essential facts and exculpating circumstances regarding such matters, and that the long period of time which usually elapses before the trial or other disposition of such litigation often extends beyond the time that the director, officer or agent can reasonably recall such matters; and may extend beyond the normal time for retirement for such director, officer or agent with the result that he, after retirement or in the event of his death, his spouse, heirs, executors or administrators, may be faced with limited ability and undue hardship in maintaining an adequate defense, which may discourage such a director, officer or agent from serving in that position.

F. Based upon their experience as business managers, the Board of Directors of the Company (the "Board") has concluded that, to retain and attract talented and experienced individuals to serve as directors, officers and agents of the Company and its subsidiaries and to encourage such individuals to take the business risks necessary for the success of the Company and its subsidiaries, it is necessary for the Company to contractually indemnify its directors,

officers and agents and the directors, officers and agents of its subsidiaries, and to assume for itself maximum liability for expenses and damages in connection with claims against such directors, officers and agents in connection with their service to the Company and its subsidiaries, and has further concluded that the failure to provide such contractual indemnification could result in great harm to the Company and its subsidiaries and the Company's stockholders.

G. Section 145 of the General Corporation Law of Delaware, under which the Company is organized ("Section 145"), empowers the Company to indemnify its directors, officers, employees and agents by agreement and to indemnify persons who serve, at the request of the Company, as the directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive.

H. The Company desires and has requested the Indemnitee to serve or continue to serve as a director, officer or agent of the Company and/or one or more subsidiaries of the Company free from undue concern for claims for damages arising out of or related to such services to the Company and/or one or more subsidiaries of the Company.

I. Indemnitee is willing to serve, or to continue to serve, the Company and/or one or more subsidiaries of the Company, provided that he is furnished the indemnity provided for herein.

AGREEMENT

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

(a) Agent. For the purposes of this Agreement, "agent" of the Company means any person who is or was a director, officer, employee or other agent of the Company or a subsidiary of the Company; or is or was serving at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the Company or a subsidiary of the Company, or was a director, officer, employee or agent of another enterprise at the request of, for the convenience of, or to represent the interests of such predecessor corporation.

(b) Expenses. For purposes of this Agreement, "expenses" include all out-of-pocket costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements), actually and reasonably incurred by the Indemnitee in connection with either the investigation, defense or appeal of a proceeding or establishing or

enforcing a right to indemnification under this Agreement or Section 145 or otherwise; provided, however, that "expenses" shall not include any judgments, fines, ERISA excise taxes or penalties, or amounts paid in settlement of a proceeding.

(c) Proceeding. For the purposes of this Agreement, "proceeding" means any threatened, pending, or completed action, suit or other proceeding, whether civil, criminal, administrative, or investigative.

(d) Subsidiary. For purposes of this Agreement, "subsidiary" means any corporation of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company, by the Company and one or more other subsidiaries, or by one or more other subsidiaries.

2. Agreement to Serve. The Indemnitee agrees to serve and/or continue to serve as agent of the Company, at its will (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an agent of the Company, so long as he is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company or any subsidiary of the Company or until such time as he tenders his resignation in writing; provided, however, that nothing contained in this Agreement is intended to create any right to continued employment by Indemnitee.

3. Liability Insurance.

(a) Maintenance of D&O Insurance. The Company hereby covenants and agrees that, so long as the Indemnitee shall continue to serve as an agent of the Company and thereafter so long as the Indemnitee shall be subject to any possible proceeding by reason of the fact that the Indemnitee was an agent of the Company, the Company, subject to Section 3(c), shall promptly obtain and maintain in full force and effect directors' and officers' liability insurance ("D&O Insurance") in reasonable amounts from established and reputable insurers.

(b) Rights and Benefits. In all policies of D&O Insurance, the Indemnitee shall be named as an insured in such a manner as to provide the Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if the Indemnitee is a director; or of the Company's officers, if the Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, if the Indemnitee is not a director or officer but is a key employee.

(c) Limitation on Required Maintenance of D&O Insurance. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance if the Company determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or the Indemnitee is covered by similar insurance maintained by a subsidiary of the Company.

4. Mandatory Indemnification. Subject to Section 9 below, the Company shall indemnify the Indemnitee as follows:

(a) Successful Defense. To the extent the Indemnitee has been successful on the merits or otherwise in defense of any proceeding (including, without limitation, an action by or in the right of the Company) to which the Indemnitee was a party by reason of the fact that he is or was an Agent of the Company at any time, against all expenses of any type whatsoever actually and reasonably incurred by him in connection with the investigation, defense or appeal of such proceeding.

(b) Third Party Actions. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Company) by reason of the fact that he is or was an agent of the Company, or by reason of anything done or not done by him in any such capacity, the Company shall indemnify the Indemnitee against any and all expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred by him in connection with the investigation, defense, settlement or appeal of such proceeding, provided the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(c) Derivative Actions. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding by or in the right of the Company by reason of the fact that he is or was an agent of the Company, or by reason of anything done or not done by him in any such capacity, the Company shall indemnify the Indemnitee against all expenses actually and reasonably incurred by him in connection with the investigation, defense, settlement, or appeal of such proceeding, provided the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and its stockholders; except that no indemnification under this subsection 4(c) shall be made in respect to any claim, issue or matter as to which such person shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction unless and only to the extent that the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such amounts which the court shall deem proper.

(d) Actions where Indemnitee is Deceased. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that he is or was an agent of the Company, or by reason of anything done or not done by him in any such capacity, and if prior to, during the pendency of after completion of such proceeding Indemnitee becomes deceased, the Company shall indemnify the Indemnitee's heirs, executors and administrators against any and all expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred to the extent Indemnitee would have been entitled to indemnification pursuant to Sections 4(a), 4(b), or 4(c) above were Indemnitee still alive.

(e) Notwithstanding the foregoing, the Company shall not be obligated to indemnify the Indemnitee for expenses or liabilities of any type whatsoever (including, but not

limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) for which payment is actually made to or on behalf of Indemnitee under a valid and collectible insurance policy of D&O Insurance, or under a valid and enforceable indemnity clause, by-law or agreement.

5. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) incurred by him in the investigation, defense, settlement or appeal of a proceeding, but not entitled, however, to indemnification for all of the total amount hereof, the Company shall nevertheless indemnify the Indemnitee for such total amount except as to the portion hereof to which the Indemnitee is not entitled.

6. Mandatory Advancement of Expenses. Subject to Section 8(a) below, the Company shall advance all expenses incurred by the Indemnitee in connection with the investigation, defense, settlement or appeal of any proceeding to which the Indemnitee is a party or is threatened to be made a party by reason of the fact that the Indemnitee is or was an agent of the Company. Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall be determined ultimately that the Indemnitee is not entitled to be indemnified by the Company as authorized hereby. The advances to be made hereunder shall be paid by the Company to the Indemnitee within twenty (20) days following delivery of a written request therefor by the Indemnitee to the Company.

7. Notice and Other Indemnification Procedures.

(a) Promptly after receipt by the Indemnitee of notice of the commencement of or the threat of commencement of any proceeding, the Indemnitee shall, if the Indemnitee believes that indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company of the commencement or threat of commencement thereof.

(b) If, at the time of the receipt of a notice of the commencement of a proceeding pursuant to Section 7(a) hereof, the Company has D&O Insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event the Company shall be obligated to pay the expenses of any proceeding against the Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by the Indemnitee, upon the delivery to the Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same proceeding, provided that (i) the Indemnitee shall have the right to employ his counsel in any such proceeding at the Indemnitee's expense; and (ii) if (A) the employment of counsel by the Indemnitee has been previously authorized by

the Company, (B) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Initiated by Indemnitee. To indemnify or advance expenses to the Indemnitee with respect to proceedings or claims initiated or brought voluntarily by the Indemnitee and not by way of defense, unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board, (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the General Corporation Law of Delaware or (iv) the proceeding is brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145.

(b) Lack of Good Faith. To indemnify the Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by the Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous; or

(c) Unauthorized Settlements. To indemnify the Indemnitee under this Agreement for any amounts paid in settlement of a proceeding unless the Company consents to such settlement, which consent shall not be unreasonably withheld.

9. Non-exclusivity. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights which the Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, the vote of the Company's stockholders or disinterested directors, other agreements, or otherwise, both as to action in his official capacity and to action in another capacity while occupying his position as an agent of the Company, and the Indemnitee's rights hereunder shall continue after the Indemnitee has ceased acting as an agent of the Company and shall inure to the benefit of the heirs, executors and administrators of the Indemnitee.

10. Enforcement. Any right to indemnification or advances granted by this Agreement to Indemnitee shall be enforceable by or on behalf of Indemnitee in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. Indemnitee, in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. It shall be a defense to any action for which a claim for indemnification is made under this Agreement (other than an action brought to enforce a claim for expenses pursuant to Section 6 hereof, provided that the required undertaking has been tendered to the Company) that Indemnitee is not entitled to indemnification because of the limitations set forth in Sections 4 and 8 hereof. Neither the failure of the Corporation (including

its Board of Directors or its stockholders) to have made a determination prior to the commencement of such enforcement action that indemnification of Indemnitee is proper in the circumstances, nor an actual determination by the Company (including its Board of Directors or its stockholders) that such indemnification is improper, shall be a defense to the action or create a presumption that Indemnitee is not entitled to indemnification under this Agreement or otherwise.

11. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

12. Survival of Rights.

(a) All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an agent of the Company and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that Indemnitee was serving in the capacity referred to herein.

(b) The Company shall require any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

13. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to the Indemnitee to the fullest extent permitted by law including those circumstances in which indemnification would otherwise be discretionary.

14. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of the Agreement (including without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 13 hereof.

15. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any

other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee or (ii) if mailed by certified or registered mail with postage prepaid, on the third business day after the mailing date. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

17. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware.

The parties hereto have entered into this Indemnity Agreement effective as of the date first above written.

THE COMPANY:
EXTREME NETWORKS, INC.

_____
By: _____, President

INDEMNITEE:
_____

_____
Address:

EXHIBIT 10.2

EXTREME NETWORKS

AMENDED 1996 STOCK OPTION PLAN

1. Establishment, Purpose and Term of Plan.

1.1 Establishment. The Extreme Networks 1996 Stock Option Plan (the "Plan") was established effective as of September 3, 1996. On [January ___, 1999] (the ("Amendment Date"), the Plan was amended and retitled the "Amended 1996 Stock Option Plan." The increase in the Plan share reserve shall be effective as of the Amendment Date. All other Plan amendments adopted by the Board on the Amendment Date shall be effective as of the date the Company first registers its Stock under Section 12 of the Exchange Act.

1.2 Purpose. The purpose of the Plan is to advance the interests of the Participating Company Group and its shareholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group.

1.3 Term of Plan. The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares under the terms of the Plan and the agreements evidencing Options granted under the Plan have lapsed. However, all Options shall be granted, if at all, within ten (10) years from the earlier of the date the Plan is adopted by the Board or the date the Plan is duly approved by the shareholders of the Company.

2. Definitions and Construction.

2.1 Definitions. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "Board" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "Board" also means such Committee(s).

(b) "Code" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(c) "Committee" means the Compensation Committee or other committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(d) "Company" means Extreme Networks, a California corporation, or any successor corporation thereto.

(e) "Consultant" means any person, including an advisor, engaged by a Participating Company to render services other than as an Employee or a Director.

(f) "Director" means a member of the Board or of the board of directors of any other Participating Company.

(g) "Employee" means any person treated as an employee (including an officer or a Director who is also treated as an employee) in the records of a Participating Company; provided, however, that neither service as a Director nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" means, as of any date, the value of a share of Stock or other property as determined by the Board, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) If, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock (or the mean of the closing bid and asked prices of a share of Stock if the Stock is so quoted instead) as quoted on the Nasdaq National Market, The Nasdaq SmallCap Market or such other national or regional securities exchange or market system constituting the primary market for the Stock, as reported in The Wall Street Journal or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion.

(ii) If, on such date, there is no public market for the Stock, the Fair Market Value of a share of Stock shall be as determined by the Board in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.

(j) "Incentive Stock Option" means an Option intended to be (as set forth in the Option Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(k) "Insider" means an officer or a Director of the Company or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(l) "Nonstatutory Stock Option" means an Option not intended to be (as set forth in the Option Agreement) or which does not qualify as an Incentive Stock Option.

(m) "Option" means a right to purchase Stock (subject to adjustment as provided in Section 4.2) pursuant to the terms and conditions of the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(n) "Option Agreement" means a written agreement between the Company and an Optionee setting forth the terms, conditions and restrictions of the Option granted to the Optionee and any shares acquired upon the exercise thereof.

(o) "Optionee" means a person who has been granted one or more Options.

(p) "Parent Corporation" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(q) "Participating Company" means the Company or any Parent Corporation or Subsidiary Corporation.

(r) "Participating Company Group" means, at any point in time, all corporations collectively which are then Participating Companies.

(s) "Rule 16b-3" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(t) "Stock" means the common stock, without par value, of the Company, as adjusted from time to time in accordance with Section 4.2.

(u) "Subsidiary Corporation" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(v) "Ten Percent Owner Optionee" means an Optionee who, at the time an Option is granted to the Optionee, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company within the meaning of Section 422(b)(6) of the Code.

2.2 Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. 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.

3. Administration.

3.1 Administration by the Board. The Plan shall be administered by the Board, including any duly appointed Committee of the Board. All questions of interpretation of the Plan or of any Option shall be determined by the Board, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Option. Any officer of a Participating Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination 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, determination or election.

3.2 Administration with Respect to Insiders. With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3. In addition, the Board may, but need not, administer the Plan (which includes, but is not limited to, establishing a committee of "Outside Directors") in accordance with the provisions of Section 162(m) of the Code and the regulations thereunder.

3.3 Powers of the Board. In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Board shall have the full and final power and authority, in its sole discretion:

(a) to determine the persons to whom, and the time or times at which, Options shall be granted and the number of shares of Stock to be subject to each Option;

(b) to designate Options as Incentive Stock Options or Nonstatutory Stock Options;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Option (which need not be identical) and any shares acquired upon the exercise thereof, including, without limitation, (i) the exercise price of the Option, (ii) the method of payment for shares purchased upon the exercise of the Option, (iii) the method for satisfaction of any tax withholding obligation arising in connection with the Option or such shares, including by the withholding or delivery of shares of stock, (iv) the timing, terms and conditions of the exercisability of the Option or the vesting of any shares acquired upon the exercise thereof, (v) the time of the expiration of the Option, (vi) the effect of the Optionee's termination of employment or service with the Participating Company Group on any of the foregoing, and (vii) all other terms, conditions and restrictions applicable to the Option or such shares not inconsistent with the terms of the Plan;

(e) to approve one or more forms of Option Agreement;

(f) to amend, modify, extend, or renew, or grant a new Option in substitution for, any Option or to waive any restrictions or conditions applicable to any Option or any shares acquired upon the exercise thereof;

(g) to accelerate, continue, extend or defer the exercisability of any Option or the vesting of any shares acquired upon the exercise thereof, including with respect to the period following an Optionee's termination of employment or service with the Participating Company Group;

(h) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt supplements to, or alternative versions of, the Plan, including, without limitation, as the Board deems necessary or desirable to comply with the laws of, or to accommodate the tax policy or custom of, foreign jurisdictions whose citizens may be granted Options; and

(i) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Option Agreement and to make all other determinations and take such other actions with respect to the Plan or any Option as the Board may deem advisable to the extent consistent with the Plan and applicable law.

4. Shares Subject to Plan.

4.1 Maximum Number of Shares Issuable. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be [Seventeen Million Fourteen Thousand Three Hundred and Nine (17,014,309)] and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. If an outstanding Option for any reason expires or is terminated or canceled or shares of Stock acquired, subject to repurchase, upon the exercise of an Option are repurchased by the Company, the shares of Stock allocable to the unexercised portion of such Option, or such repurchased shares of Stock, shall again be available for issuance under the Plan.

4.2 Adjustments for Changes in Capital Structure. In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, appropriate adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Options and in the exercise price per share of any outstanding Options. If a majority of the shares which are of the same class as the shares that are subject to outstanding Options are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event, as defined in Section 8.1) shares of another corporation (the "New Shares"), the Board may unilaterally amend the outstanding Options to provide that such Options are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Options shall be adjusted in a fair and equitable manner as determined by the Board, in its sole discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded up or down to the nearest whole number, as determined by the Board, and in no event may the exercise price of any Option be

decreased to an amount less than the par value, if any, of the stock subject to the Option. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

5. Eligibility and Option Limitations.

5.1 Persons Eligible for Options. Options may be granted only to Employees, Consultants, and Directors. For purposes of the foregoing sentence, "Employees" shall include prospective Employees to whom Options are granted in connection with written offers of employment with the Participating Company Group, and "Consultants" shall include prospective Consultants to whom Options are granted in connection with written offers of engagement with the Participating Company Group. Eligible persons may be granted more than one (1) Option.

5.2 Option Grant Restrictions. Any person who is not an Employee on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences service with a Participating Company, with an exercise price determined as of such date in accordance with Section 6.1.

5.3 Fair Market Value Limitation. To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by an Optionee for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section 5.3, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 5.3, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section 5.3, the Optionee may designate which portion of such Option the Optionee is exercising and may request that separate certificates representing each such portion be issued upon the exercise of the Option. In the absence of such designation, the Optionee shall be deemed to have exercised the Incentive Stock Option portion of the Option first.

5.4 [Per Person Limitation. Upon the earliest of the following: (i) the expiration of the Plan, (ii) a material modification of the Plan, (iii) the issuance of all shares reserved under the Plan or (iv) the first meeting of shareholders at which directors are elected that occurs after the close of the third calendar year following the calendar year of the Company's initial public offering (the "IPO"), no person shall be eligible to receive an Option

which is exercisable for more than that number of shares equal to 5% of the outstanding shares of Common Stock on the closing date of the IPO.]

6. Terms and Conditions of Options. Options shall be evidenced by Option Agreements specifying the number of shares of Stock covered thereby, in such form as the Board shall from time to time establish. Option Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 Exercise Price. The exercise price for each Option shall be established in the sole discretion of the Board; provided, however, that (a) the exercise price per share for an Incentive Stock Option shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option, (b) the exercise price per share for a Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option, and (c) the exercise price of an Incentive Stock Option granted to a Ten Percent Owner Optionee shall not be less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

6.2 Exercise Period. Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria, and restrictions as shall be determined by the Board and set forth in the Option Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner Optionee shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option, and (c) no Option granted to a prospective Employee or prospective Consultant may become exercisable prior to the date on which such person commences service with a Participating Company.

6.3 Payment of Exercise Price.

(a) Forms of Consideration Authorized. Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check, or cash equivalent, (ii) by tender to the Company of shares of Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the exercise price, (iii) by the assignment of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a "Cashless Exercise"), (iv) by the Optionee's promissory note in a form

approved by the Company, (v) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Board may at any time or from time to time, by adoption of or by amendment to the standard form of Option Agreement described in Section 7, or by other means, grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) Tender of Stock. Notwithstanding the foregoing, an Option may not be exercised by tender to the Company of shares of Stock to the extent such tender of Stock would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. Unless otherwise provided by the Board, an Option may not be exercised by tender to the Company of shares of Stock unless such shares either have been owned by the Optionee for more than six (6) months or were not acquired, directly or indirectly, from the Company.

(c) Cashless Exercise. The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise.

(d) Payment by Promissory Note. No promissory note shall be permitted if the exercise of an Option using a promissory note would be a violation of any law. Any permitted promissory note shall be on such terms as the Board shall determine at the time the Option is granted. The Board shall have the authority to permit or require the Optionee to secure any promissory note used to exercise an Option with the shares of Stock acquired upon the exercise of the Option or with other collateral acceptable to the Company. Unless otherwise provided by the Board, if the Company at any time is subject to the regulations promulgated by the Board of Governors of the Federal Reserve System or any other governmental entity affecting the extension of credit in connection with the Company's securities, any promissory note shall comply with such applicable regulations, and the Optionee shall pay the unpaid principal and accrued interest, if any, to the extent necessary to comply with such applicable regulations.

6.4 Tax Withholding. The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable upon the exercise of an Option, or to accept from the Optionee the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the federal, state, local and foreign taxes, if any, required by law to be withheld by the Participating Company Group with respect to such Option or the shares acquired upon the exercise thereof. Alternatively or in addition, in its sole discretion, the Company shall have the right to require the Optionee, through payroll withholding, cash payment or otherwise, including by means of a Cashless Exercise, to make adequate provision for any such tax withholding obligations of the Participating Company Group arising in connection with the Option or the shares acquired upon the exercise thereof. The Company shall have no obligation to deliver shares of Stock or to release shares of Stock

from an escrow established pursuant to the Option Agreement until the Participating Company Group's tax withholding obligations have been satisfied by the Optionee.

6.5 Repurchase Rights. Shares issued under the Plan may be subject to a right of first refusal, one or more repurchase options, or other conditions and restrictions as determined by the Board in its sole discretion at the time the Option is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Optionee shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

7. Standard Forms of Option Agreement.

7.1 General. Unless otherwise provided by the Board at the time the Option is granted, an Option shall comply with and be subject to the terms and conditions set forth in the form of Option Agreement adopted by the Board concurrently with its adoption of the Plan and as amended from time to time.

7.2 Authority to Vary Terms. The Board shall have the authority from time to time to vary the terms of the standard form of Option Agreement described in this Section 7 either in connection with the grant or amendment of an individual Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Option Agreement shall be in accordance with the terms of the Plan.

8. Transfer of Control.

8.1 Definitions.

(a) An "Ownership Change Event" shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the shareholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

(b) A "Transfer of Control" shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, the "Transaction") wherein the shareholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or the corporation or corporations to which the assets

of the Company were transferred (the "Transferee Corporation(s)"), as the case may be. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting stock of one or more corporations which, as a result of the Transaction, own the Company or the Transferee Corporation(s), as the case may be, either directly or through one or more subsidiary corporations. The Board shall have the right to determine whether multiple sales or exchanges of the voting stock of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

8.2 Effect of Transfer of Control on Options. In the event of a Transfer of Control, the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "Acquiring Corporation"), may either assume the Company's rights and obligations under outstanding Options or substitute for outstanding Options substantially equivalent options for the Acquiring Corporation's stock. The Board may, in its sole discretion, provide in any Option Agreement that in the event the Acquiring Corporation elects not to assume or substitute for outstanding Options in connection with a Transfer of Control (or regardless of whether the Acquiring Corporation so elects), any unexercisable or unvested portion of the outstanding Option shall be immediately exercisable and vested in full as of the date ten (10) days prior to the date of the Transfer of Control. The exercise or vesting of any Option that was permissible solely by reason of this Section 8.2 and the provisions of such Option Agreement shall be conditioned upon the consummation of the Transfer of Control. Any Options which are neither assumed or substituted for by the Acquiring Corporation in connection with the Transfer of Control nor exercised as of the date of the Transfer of Control shall terminate and cease to be outstanding effective as of the date of the Transfer of Control. Notwithstanding the foregoing, shares acquired upon exercise of an Option prior to the Transfer of Control and any consideration received pursuant to the Transfer of Control with respect to such shares shall continue to be subject to all applicable provisions of the Option Agreement evidencing such Option except as otherwise provided in such Option Agreement. Furthermore, notwithstanding the foregoing, if the corporation the stock of which is subject to the outstanding Options immediately prior to an Ownership Change Event described in Section 8.1(a)(i) constituting a Transfer of Control is the surviving or continuing corporation and immediately after such Ownership Change Event less than fifty percent (50%) of the total combined voting power of its voting stock is held by another corporation or by other corporations that are members of an affiliated group within the meaning of Section 1504(a) of the Code without regard to the provisions of Section 1504(b) of the Code, the outstanding Options shall not terminate unless the Board otherwise provides in its sole discretion.

9. Nontransferability of Options. During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee or the Optionee's guardian or legal representative. No Option shall be assignable or transferable by the Optionee, except by will or by the laws of descent and distribution, except as provided in an Option Agreement.

10. Compliance with Securities Laws. The grant of Options and the issuance of shares of Stock upon exercise of Options shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. Options may not be

exercised if the issuance of shares of Stock upon exercise 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. In addition, no Option may be exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. 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 and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of any Option, the Company may require the Optionee 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.

11. Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Participating Company Group, members of the Board and any officers or employees of the Participating Company Group to whom authority to act for the Board is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

12. Termination or Amendment of Plan. The Board may terminate or amend the Plan at any time. However, subject to changes in applicable law, regulations or rules that would permit otherwise, without the approval of the Company's shareholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's shareholders under any applicable law, regulation or rule. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Option or any unexercised portion thereof, without the consent of the Optionee, unless such termination or amendment is required to enable an Option designated as an Incentive Stock Option to qualify as an Incentive Stock Option or is necessary to comply with any applicable law, regulation or rule.

13. Shareholder Approval. The Plan or any increase in the maximum number of shares of Stock issuable thereunder as provided in Section 4.1 (the "Maximum Shares") shall be approved by the shareholders of the Company within twelve (12) months of the date of adoption thereof by the Board. Options granted prior to shareholder approval of the Plan or in excess of the Maximum Shares previously approved by the shareholders shall become exercisable no earlier than the date of shareholder approval of the Plan or such increase in the Maximum Shares, as the case may be.

PLAN HISTORY

September 3, 1996	Board adopts Plan, with an initial reserve of 3,500,000 shares.
September 3, 1996	Shareholders approve Plan, with an initial reserve of 3,500,000 shares.
March 8, 1997	Board approves share reserve increase of 2,200,000 shares for a total share reserve of 5,700,000.
March 8, 1997	Shareholders approve shares reserve increase of 2,200,000 shares for a total share reserve of 5,700,000.
September 15, 1997	Board approves 3-for-2 stock split for all common stock. Total post-split share reserve is 8,550,000.
December 10, 1997	Board approves share reserve increase of 464,309 shares for a total share reserve of 9,014,309.
December 10, 1997	Shareholders approve share reserve increase of 464,309 shares for a total reserve of 9,014,309.
[January __, 1999]	Board approves share reserve increase of 5,000,000 shares for a total share reserve of [17,014,309]. Other amendments adopted to eliminate California securities laws rules, effective upon IPO. Plan retitled "Amended 1996 Stock Option Plan."
[February 20, 1999]	Shareholders approves share reserve increase of 5,000,000 shares and other amendments adopted to eliminate California securities laws rules, effective upon IPO. Plan retitled "Amended 1996 Stock Option Plan."

EXTREME NETWORKS

TERMS OF STOCK OPTION AGREEMENT

The Company has granted to the Optionee, pursuant to a Stock Option Grant Agreement (the "Grant Agreement") and the Company's Amended 1996 Stock Option Plan (the "Plan"), an Option to purchase certain shares of Stock, upon the terms and conditions set forth in this Agreement. The Option shall in all respects be subject to the terms and conditions of the Grant Agreement and the Plan, the provisions of which are incorporated herein by reference.

1. Definitions and Construction.

1.1 Definitions. Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Agreement 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. Tax Consequences.

2.1 Tax Status of Option. As indicated in the Grant Agreement, this Option is intended to be either an Incentive Stock Option ("ISO") within the meaning of Section 422(b) of the Code or a nonstatutory stock option, which is not intended to qualify as an ISO. The Optionee should consult with the Optionee's own tax advisor regarding the tax effects of this Option (and any requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements).

2.2 ISO Fair Market Value Limitation. If this Option is designated an ISO in the Grant Agreement, to the extent that the Option (together with all Incentive Stock Options granted to the Optionee under all stock option plans of the Participating Company Group, including the Plan) becomes exercisable for the first time during any calendar year for shares having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion of such options which exceeds such amount will be treated as Nonstatutory Stock Options. For purposes of this Section 2.2, options designated as Incentive Stock Options are taken into account in the order in which they were granted, and the Fair Market Value of stock is determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 2.2, such different limitation shall be deemed incorporated herein effective as of the date required or permitted by such amendment to the Code. If the Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section 2.2, the Optionee may designate which portion of such Option the Optionee is exercising. In the absence of such designation, the Optionee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion shall be issued upon the exercise of the Option. (NOTE: If the aggregate Exercise Price of the Option (that is,

the Exercise Price multiplied by the Number of Option Shares) plus the aggregate exercise price of any other Incentive Stock Options you hold (whether granted pursuant to the Plan or any other stock option plan of the Participating Company Group) is greater than $100,000, you should contact the Chief Financial Officer of the Company to ascertain whether the entire Option qualifies as an Incentive Stock Option.

2.3 Election Under Section 83(b) of the Code. (NOTE: IGNORE this Section 2.3 unless this Option is designated in the Grant Agreement as Immediately Exercisable). If an Optionee exercises this Option prior to vesting (or otherwise nontransferable and subject to a substantial risk of forfeiture), the Optionee understands that the Optionee should consult with the Optionee's tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code. This election must be filed no later than thirty (30) days after the date on which the Optionee exercises the Option. Shares acquired upon exercise of the Option are nontransferable and subject to a substantial risk of forfeiture if, for example, (a) they are unvested and are subject to a right of the Company to repurchase such shares at the Optionee's original purchase price if the Optionee's Service terminates, (b) the Optionee is an Insider and, under certain circumstances, exercises the Option within six (6) months of the Date of Option Grant (if a class of equity security of the Company is registered under Section 12 of the Exchange Act), or (c) the Optionee is subject to a restriction on transfer to comply with "Pooling-of-Interests Accounting" rules. Failure to file an election under Section 83(b), if appropriate, may result in adverse tax consequences to the Optionee. The Optionee acknowledges that the Optionee has been advised to consult with a tax advisor prior to the exercise of the Option regarding the tax consequences to the Optionee of the exercise of the Option. AN ELECTION UNDER SECTION 83(b) MUST BE FILED WITHIN 30 DAYS AFTER THE DATE ON WHICH THE OPTIONEE PURCHASES SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. THE OPTIONEE ACKNOWLEDGES THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS THE OPTIONEE'S SOLE RESPONSIBILITY, EVEN IF THE OPTIONEE REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO FILE SUCH ELECTION ON HIS OR HER BEHALF.

3. Exercise of the Option.

3.1 Right to Exercise. Except as otherwise provided herein, the Option shall be exercisable on and after the Date of Option Grant and prior to the termination of the Option (as provided in Section 5) in an amount not to exceed the Number of Option Shares less the number of shares previously acquired upon exercise of the Option, subject to the Optionee's agreement that any shares purchased upon exercise are subject to the Company's Unvested Share Repurchase Option and Right of First Refusal (as such terms are defined herein).

3.2 Method of Exercise. Exercise of the Option shall be by written notice to the Company which must state the election to exercise the Option, the number of whole shares of Stock for which the Option is being exercised and such other representations and agreements as to the Optionee's investment intent with respect to such shares as may be required pursuant to the provisions of this Agreement. The written notice must be signed by the Optionee and must be delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the Chief

Financial Officer of the Company, or other authorized representative of the Participating Company Group, prior to the termination of the Option as set forth in Section 5, accompanied by (i) full payment of the aggregate Exercise Price for the number of shares of Stock being purchased and (ii) an executed copy, if required herein, of the then current form of escrow agreement referenced below. The Option shall be deemed to be exercised upon receipt by the Company of such written notice, the aggregate Exercise Price, and, if required by the Company, such executed agreement.

3.3 Payment of Exercise Price.

(a) Forms of Consideration Authorized. Except as otherwise provided below, payment of the aggregate Exercise Price for the number of shares of Stock for which the Option is being exercised shall be made (i) in cash, by check, or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of whole shares of Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the aggregate Exercise Price, (iii) by means of a Cashless Exercise, as defined in Section 3.3(b), or (iv) by any combination of the foregoing.

(b) Limitations on Forms of Consideration.

(i) Tender of Stock. Notwithstanding the foregoing, the Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender, or attestation to the ownership, of Stock would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. The Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Optionee for more than six (6) months or were not acquired, directly or indirectly, from the Company.

(ii) Cashless Exercise. A "Cashless Exercise" means the assignment in a form acceptable to the Company of the proceeds of a sale or loan with respect to some or all of the shares of Stock acquired upon the exercise of the Option pursuant to a program or procedure approved by the Company (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to decline to approve or terminate any such program or procedure. Generally, and without limiting the Company's absolute discretion, a "cashless exercise" will only be permitted at such times in which the shares underlying this Option are publicly traded.

3.4 Tax Withholding. At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by the Company, the Optionee hereby authorizes withholding from payroll and any other amounts payable to the Optionee, and otherwise agrees to make adequate provision for (including by means of a Cashless Exercise to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Participating Company Group, if any, which arise in connection

with the Option, including, without limitation, obligations arising upon (i) the exercise, in whole or in part, of the Option, (ii) the transfer, in whole or in part, of any shares acquired upon exercise of the Option, (iii) the operation of any law or regulation providing for the imputation of interest, or (iv) the lapsing of any restriction with respect to any shares acquired upon exercise of the Option. The Optionee is cautioned that the Option is not exercisable unless the tax withholding obligations of the Participating Company Group are satisfied. Accordingly, the Optionee may not be able to exercise the Option when desired even though the Option is vested, and the Company shall have no obligation to issue a certificate for such shares or release such shares from any escrow provided for herein.

3.5 Certificate Registration. Except in the event the Exercise Price is paid by means of a Cashless Exercise, the certificate for the shares as to which the Option is exercised shall be registered in the name of the Optionee, or, if applicable, the Optionee's heirs.

3.6 Restrictions on Grant of the Option and Issuance of Shares. The grant of the Option and the issuance of shares of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of shares of Stock upon exercise 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. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. THE OPTIONEE IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE OPTIONEE MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED. 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 and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Optionee 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.

3.7 Fractional Shares. The Company shall not be required to issue fractional shares upon the exercise of the Option.

4. Nontransferability of the Option.

The Option may be exercised during the lifetime of the Optionee only by the Optionee or the Optionee's guardian or legal representative and may not be assigned or transferred in any manner except by will or by the laws of descent and distribution. Following the death of the Optionee, the Option, to the extent provided in Section 6, may be exercised by

the Optionee's legal representative or by any person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution.

5. Termination of the Option.

The Option shall terminate and may no longer be exercised on the first to occur of (a) the Option Expiration Date, (b) the last date for exercising the Option following termination of the Optionee's Service as described in Section 6, or (c) pursuant to a Change in Control, to the extent provided in the Plan.

6. Effect of Termination of Service.

6.1 Option Exercisability.

(a) Disability. If the Optionee's Service with the Participating Company Group is terminated because of the Disability of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee (or the Optionee's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. (NOTE: If the Option is exercised more than three (3) months after the date on which the Optionee's Service as an Employee terminated as a result of a Disability other than a permanent and total disability as defined in Section 22(e)(3) of the Code, the Option will be treated as a Nonstatutory Stock Option and not as an Incentive Stock Option to the extent required by Section 422 of the Code.)

(b) Death. If the Optionee's Service with the Participating Company Group is terminated because of the death of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee's legal representative or other person who acquired the right to exercise the Option by reason of the Optionee's death at any time prior to the expiration of twelve (12) months after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. The Optionee's Service shall be deemed to have terminated on account of death if the Optionee dies within one (1) month after the Optionee's termination of Service.

(c) Other Termination of Service. If the Optionee's Service with the Participating Company Group terminates for any reason, except Disability or death, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service terminated, may be exercised by the Optionee within thirty (30) days (or such other longer period of time as determined by the Board, in its sole discretion) after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date.

6.2 Additional Limitations on Option Exercise. Notwithstanding the provisions of Section 7.1, the Option may not be exercised after the Optionee's termination of Service to the extent that the shares to be acquired upon exercise of the Option would be subject to the Unvested Share Repurchase Option.

6.3 Extension if Exercise Prevented by Law. Notwithstanding the foregoing, if the exercise of the Option within the applicable time periods set forth in Section 6.1 is prevented by the provisions of Section 3.6, the Option shall remain exercisable until one (1) month after the date the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date. The Company makes no representation as to the tax consequences of any such delayed exercise. The Optionee should consult with the Optionee's own tax advisor as to the tax consequences of any such delayed exercise.

6.4 Extension if Optionee Subject to Section 16(b). Notwithstanding the foregoing, if a sale within the applicable time periods set forth in Section 6.1 of shares acquired upon the exercise of the Option would subject the Optionee to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Optionee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Optionee's termination of Service, or (iii) the Option Expiration Date. The Company makes no representation as to the tax consequences of any such delayed exercise. The Optionee should consult with the Optionee's own tax advisor as to the tax consequences of any such delayed exercise.

7. Rights as a Stockholder, Employee or Consultant.

The Optionee shall have no rights as a stockholder with respect to any shares covered by the Option until the date of the issuance of a certificate for the shares for which the Option has been exercised (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 such certificate is issued, except as provided in Section 4.2 of the Plan. If the Optionee is an Employee, the Optionee understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Optionee, the Optionee's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Optionee 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 Optionee's Service as an Employee or Consultant, as the case may be, at any time.

8. Unvested Share Repurchase Option.

8.1 Grant of Unvested Share Repurchase Option. (NOTE: IGNORE Section 8 unless this Option is designated as Immediately Exercisable in the Grant Agreement). If Optionee's Service with the Participating Company Group is terminated for any reason or no reason, with or without cause, or, if the Optionee, the Optionee's legal representative, or other holder of shares acquired upon exercise of the Option attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to an Ownership Change Event) any shares acquired upon exercise of the Option which exceed the Vested Shares as defined in Section 8.2 below (the "Unvested Shares"), the Company shall have the right to repurchase the Unvested Shares under the terms and subject to the conditions set forth in this Section 8 (the "Unvested Share Repurchase Option").

8.2 Vested Shares and Unvested Shares Defined. The "Vested Shares" shall mean, on any given date, a number of shares of Stock equal to the Number of Option Shares multiplied by the Vested Ratio determined as of such date and rounded down to the nearest whole share. On such given date, the "Unvested Shares" shall mean the number of shares of Stock acquired upon exercise of the Option which exceed the Vested Shares determined as of such date.

8.3 Exercise of Unvested Share Repurchase Option. The Company may exercise the Unvested Share Repurchase Option by written notice to the Optionee within sixty (60) days after (a) termination of the Optionee's Service (or exercise of the Option, if later) or (b) the Company has received notice of the attempted disposition of Unvested Shares. If the Company fails to give notice within such sixty (60) day period, the Unvested Share Repurchase Option shall terminate unless the Company and the Optionee have extended the time for the exercise of the Unvested Share Repurchase Option. The Unvested Share Repurchase Option must be exercised, if at all, for all of the Unvested Shares, except as the Company and the Optionee otherwise agree.

8.4 Payment for Shares and Return of Shares to Company. The purchase price per share being repurchased by the Company shall be an amount equal to the Optionee's original cost per share, as adjusted pursuant to Section 4.2 of the Plan (the "Repurchase Price"). The Company shall pay the aggregate Repurchase Price to the Optionee in cash within thirty (30) days after the date of the written notice to the Optionee of the Company's exercise of the Unvested Share Repurchase Option. For purposes of the foregoing, cancellation of any purchase money indebtedness of the Optionee to any Participating Company for the shares shall be treated as payment to the Optionee in cash to the extent of the unpaid principal and any accrued interest canceled. The shares being repurchased shall be delivered to the Company by the Optionee at the same time as the delivery of the Repurchase Price to the Optionee.

8.5 Assignment of Unvested Share Repurchase Option. The Company shall have the right to assign the Unvested Share Repurchase Option at any time, whether or not such option is then exercisable, to one or more persons as may be selected by the Company.

8.6 Ownership Change Event. Upon the occurrence of an Ownership Change Event, any and all new, substituted or additional securities or other property to which the Optionee is entitled by reason of the Optionee's ownership of Unvested Shares shall be immediately subject to the Unvested Share Repurchase Option and included in the terms "Stock" and "Unvested Shares" for all purposes of the Unvested Share Repurchase Option with the same force and effect as the Unvested Shares immediately prior to the Ownership Change Event. While the aggregate Repurchase Price shall remain the same after such Ownership Change Event, the Repurchase Price per Unvested Share upon exercise of the Unvested Share Repurchase Option following such Ownership Change Event shall be adjusted as appropriate. For purposes of determining the Vested Ratio 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.

9. Right of First Refusal.

9.1 Grant of Right of First Refusal. Except as provided in Section 9.7 below, in the event the Optionee, the Optionee's legal representative, or other holder of shares acquired upon exercise of the Option proposes to sell, exchange, transfer, pledge, or otherwise dispose of any Vested Shares (the "Transfer Shares") to any person or entity, including, without limitation, any stockholder of a Participating Company, the Company shall have the right to repurchase the Transfer Shares under the terms and subject to the conditions set forth in this Section 9 (the "Right of First Refusal"). This Right of First Refusal terminates in accordance with Section 9.9.

9.2 Notice of Proposed Transfer. Prior to any proposed transfer of the Transfer Shares, the Optionee shall deliver written notice (the "Transfer Notice") to the Company describing fully the proposed transfer, including the number of Transfer Shares, the name and address of the proposed transferee (the "Proposed Transferee") and, if the transfer is voluntary, the proposed transfer price, and containing such information necessary to show the bona fide nature of the proposed transfer. In the event of a bona fide gift or involuntary transfer, the proposed transfer price shall be deemed to be the Fair Market Value of the Transfer Shares, as determined by the Board in good faith. If the Optionee proposes to transfer any Transfer Shares to more than one Proposed Transferee, the Optionee shall provide a separate Transfer Notice for the proposed transfer to each Proposed Transferee. The Transfer Notice shall be signed by both the Optionee and the Proposed Transferee and must constitute a binding commitment of the Optionee and the Proposed Transferee for the transfer of the Transfer Shares to the Proposed Transferee subject only to the Right of First Refusal.

9.3 Bona Fide Transfer. If the Company determines that the information provided by the Optionee in the Transfer Notice is insufficient to establish the bona fide nature of a proposed voluntary transfer, the Company shall give the Optionee written notice of the Optionee's failure to comply with the procedure described in this Section 9, and the Optionee shall have no right to transfer the Transfer Shares without first complying with the procedure described in this Section 9. The Optionee shall not be permitted to transfer the Transfer Shares if the proposed transfer is not bona fide.

9.4 Exercise of Right of First Refusal. If the Company determines the proposed transfer to be bona fide, the Company shall have the right to purchase all, but not less than all, of the Transfer Shares (except as the Company and the Optionee otherwise agree) at the purchase price and on the terms set forth in the Transfer Notice by delivery to the Optionee of a notice of exercise of the Right of First Refusal within thirty (30) days after the date the Transfer Notice is delivered to the Company. The Company's exercise or failure to exercise the Right of First Refusal with respect to any proposed transfer described in a Transfer Notice shall not affect the Company's right to exercise the Right of First Refusal with respect to any proposed transfer described in any other Transfer Notice, whether or not such other Transfer Notice is issued by the Optionee or issued by a person other than the Optionee with respect to a proposed transfer to the same Proposed Transferee. If the Company exercises the Right of First Refusal, the Company and the Optionee shall thereupon consummate the sale of the Transfer Shares to the Company on the terms set forth in the Transfer Notice within sixty (60) days after the date the Transfer Notice

is delivered to the Company (unless a longer period is offered by the Proposed Transferee); provided, however, that in the event the Transfer Notice provides for the payment for the Transfer Shares other than in cash, the Company shall have the option of paying for the Transfer Shares by the present value cash equivalent of the consideration described in the Transfer Notice as reasonably determined by the Company. For purposes of the foregoing, cancellation of any indebtedness of the Optionee to any Participating Company shall be treated as payment to the Optionee in cash to the extent of the unpaid principal and any accrued interest canceled.

9.5 Failure to Exercise Right of First Refusal. If the Company fails to exercise the Right of First Refusal in full (or to such lesser extent as the Company and the Optionee otherwise agree) within the period specified in Section 9.4 above, the Optionee may conclude a transfer to the Proposed Transferee of the Transfer Shares on the terms and conditions described in the Transfer Notice, provided such transfer occurs not later than ninety (90) days following delivery to the Company of the Transfer Notice. The Company shall have the right to demand further assurances from the Optionee and the Proposed Transferee (in a form satisfactory to the Company) that the transfer of the Transfer Shares was actually carried out on the terms and conditions described in the Transfer Notice. No Transfer Shares shall be transferred on the books of the Company until the Company has received such assurances, if so demanded, and has approved the proposed transfer as bona fide. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance by the Optionee with the procedure described in this Section 9.

9.6 Transferees of Transfer Shares. All transferees of the Transfer Shares or any interest therein, other than the Company, shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold such Transfer Shares or interest therein subject to all of the terms and conditions of this Option Agreement, including this Section 9 providing for the Right of First Refusal with respect to any subsequent transfer. Any sale or transfer of any shares acquired upon exercise of the Option shall be void unless the provisions of this Section 9 are met.

9.7 Transfers Not Subject to Right of First Refusal. The Right of First Refusal shall not apply to any transfer or exchange of the shares acquired upon exercise of the Option if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of stock of a Participating Company, such consideration shall remain subject to the Right of First Refusal unless the provisions of Section 9.9 below result in a termination of the Right of First Refusal.

9.8 Assignment of Right of First Refusal. The Company shall have the right to assign the Right of First Refusal at any time, whether or not there has been an attempted transfer, to one or more persons as may be selected by the Company.

9.9 Early Termination of Right of First Refusal. The other provisions of this Option Agreement notwithstanding, the Right of First Refusal shall terminate and be of no further force and effect upon (a) the occurrence of a Change in Control, unless the Acquiring Corporation assumes the Company's rights and obligations under the Option or substitutes a

substantially equivalent option for the Acquiring Corporation's stock for the Option, or (b) the existence of a public market for the class of shares subject to the Right of First Refusal. A "public market" shall be deemed to exist if (i) such stock is listed on a national securities exchange (as that term is used in the Exchange Act) or (ii) such stock is traded on the over-the-counter market and prices therefor are published daily on business days in a recognized financial journal.

10. Escrow.

10.1 Establishment of Escrow. To ensure that shares subject to the Unvested Share Repurchase Option will be available for repurchase, the Company may require the Optionee to deposit the certificate evidencing the shares which the Optionee purchases upon exercise of the Option with an agent designated by the Company under the terms and conditions of escrow and security agreements approved by the Company. If the Company does not require such deposit as a condition of exercise of the Option, the Company reserves the right at any time to require the Optionee to so deposit the certificate in escrow. Upon the occurrence of an Ownership Change Event or a change, as described in Section 9, in the character or amount of any of the outstanding stock of the corporation the stock of which is subject to the provisions of this Option Agreement, any and all new, substituted or additional securities or other property to which the Optionee is entitled by reason of the Optionee's ownership of shares of Stock acquired upon exercise of the Option that remain, following such Ownership Change Event or change described in Section 4.2 of the Plan, subject to the Unvested Share Repurchase Option shall be immediately subject to the escrow to the same extent as such shares of Stock immediately before such event. The Company shall bear the expenses of the escrow.

10.2 Delivery of Shares to Optionee. As soon as practicable after the expiration of the Unvested Share Repurchase Option, but not more frequently than twice each calendar year, the escrow agent shall deliver to the Optionee the shares and any other property no longer subject to such restriction.

10.3 Notices and Payments. In the event the shares and any other property held in escrow are subject to the Company's exercise of the Unvested Share Repurchase Option or the Right of First Refusal, the notices required to be given to the Optionee shall be given to the escrow agent, and any payment required to be given to the Optionee shall be given to the escrow agent. Within thirty (30) days after payment by the Company, the escrow agent shall deliver the shares and any other property which the Company has purchased to the Company and shall deliver the payment received from the Company to the Optionee.

11. Stock Distributions Subject to This Agreement.

If, from time to time, there is any stock dividend, stock split or other change, as described in Section 4.2 of the Plan, in the character or amount of any of the outstanding stock of the corporation the stock of which is subject to the provisions of this Agreement, then in such event any and all new, substituted or additional securities to which the Optionee is entitled by reason of the Optionee's ownership of the shares acquired upon exercise of the Option shall be immediately subject to the Unvested Share Repurchase Option and the Right of First Refusal

with the same force and effect as the shares subject to the Unvested Share Repurchase Option and the Right of First Refusal immediately before such event.

12. Notice of Sales Upon Disqualifying Disposition.

The Optionee shall dispose of the shares acquired pursuant to the Option only in accordance with the provisions of this Agreement. In addition, the Optionee shall promptly notify the Chief Financial Officer of the Company if the Optionee disposes of any of the shares acquired pursuant to the Option within one (1) year after the date of the Optionee exercises all or part of the Option or within two (2) years after the Date of Grant. Until such time as the Optionee disposes of such shares in a manner consistent with the provisions of this Agreement, unless otherwise expressly authorized by the Company, the Optionee shall hold all shares acquired pursuant to the Option in the Optionee's name (and not in the name of any nominee) for the one-year period immediately after the exercise of the Option and the two-year period immediately after Date of Grant. At any time during the one-year or two-year periods set forth above, the Company may place a legend on any certificate representing shares acquired pursuant to the Option requesting the transfer agent for the Company's stock to notify the Company of any such transfers. The obligation of the Optionee to notify the Company of any such transfer shall continue notwithstanding that a legend has been placed on the certificate pursuant to the preceding sentence.

13. Legends.

The Company may at any time place legends referencing the Unvested Share Repurchase Option, the Right of First Refusal, and any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock subject to the provisions of this Agreement. The Optionee shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to the Option in the possession of the Optionee in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

13.1 "THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 OR RULE 701 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SECURITIES REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT."

13.2 "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO AN UNVESTED SHARE REPURCHASE OPTION IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN AN AGREEMENT BETWEEN THE

CORPORATION AND THE REGISTERED HOLDER, OR SUCH HOLDER'S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

13.3 "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR SUCH HOLDER'S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

13.4 "THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON EXERCISE OF AN INCENTIVE STOCK OPTION AS DEFINED IN SECTION 422 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED ("ISO"). IN ORDER TO OBTAIN THE PREFERENTIAL TAX TREATMENT AFFORDED TO ISOs, THE SHARES SHOULD NOT BE TRANSFERRED PRIOR TO [ENTER DISQUALIFYING DISPOSITION DATE HERE]. SHOULD THE REGISTERED HOLDER ELECT TO TRANSFER ANY OF THE SHARES PRIOR TO THIS DATE AND FOREGO ISO TAX TREATMENT, THE TRANSFER AGENT FOR THE SHARES SHALL NOTIFY THE CORPORATION IMMEDIATELY. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE INCENTIVE STOCK OPTION IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE) PRIOR TO THIS DATE OR UNTIL TRANSFERRED AS DESCRIBED ABOVE."

14. Public Offering.

The Optionee hereby agrees that in the event of any underwritten public offering of stock, including an initial public offering of stock, made by the Company pursuant to an effective registration statement filed under the Securities Act, the Optionee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any shares of stock of the Company or any rights to acquire stock of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter for such public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering. The foregoing limitation shall not apply to shares registered in the public offering under the Securities Act. The Optionee shall be subject to this Section provided and only if the officers and directors of the Company are also subject to similar arrangements.

15. Restrictions on Transfer of Shares.

No shares acquired upon exercise of the Option may be sold, exchanged, transferred (including, without limitation, any transfer to a nominee or agent of the Optionee), assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement and, except pursuant to an

Ownership Change Event, until the date on which such shares become Vested Shares, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any shares which will have been transferred in violation of any of the provisions set forth in this Option Agreement or (b) to treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares will have been so transferred.

16. Binding Effect.

Subject to the restrictions on transfer set forth herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

17. Termination or Amendment.

The Board may terminate or amend the Plan or the Option at any time; provided, however, that except in connection with a Change in Control, no such termination or amendment may adversely affect the Option or any unexercised portion hereof without the consent of the Optionee unless such termination or amendment is necessary to comply with any applicable law or government regulation or is required to enable the Option to qualify as an Incentive Stock Option. No amendment or addition to this Agreement shall be effective unless in writing.

18. Notices.

Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, with postage and fees prepaid, addressed to the other party at the address shown on the Notice or at such other address as such party may designate in writing from time to time to the other party.

19. Integrated Agreement.

The Grant Agreement, this Agreement and the Plan constitute the entire understanding and agreement of the Optionee and the Participating Company Group with respect to the subject matter contained herein and therein and there are no agreements, understandings, restrictions, representations, or warranties among the Optionee and the Participating Company Group with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Agreement and this Agreement shall survive any exercise of the Option and shall remain in full force and effect.

20. 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.

Optionee: _____

Date: _____

EXERCISE NOTICE

Extreme Networks
10460 Bandley Drive
Cupertino, CA 95014

Attention: Chief Financial Officer

Ladies and Gentlemen:

1. Exercise of Option. I was granted a stock option (the "Option") to purchase shares of the common stock of Extreme Networks (the "Company") on _____, _____, pursuant to the Company's Amended 1996 Stock Option Plan (the "Plan") and pursuant to the Stock Option Grant Agreement dated _____, _____ and the related Terms of Stock Option Agreement (together, the "Option Agreement"). The Grant Number of the Option is _____. I hereby elect to exercise the Option as to a total of _____ shares of the common stock of the Company (the "Shares"), of which _____ are Vested Shares and _____ are Unvested Shares as determined in accordance with the Option Agreement.

2. Payments. Enclosed herewith is full payment in the aggregate amount of $_____ (representing $_____ per share) for the Shares in the manner set forth in the Option Agreement. I authorize payroll withholding and otherwise will make adequate provision for federal, state, local and foreign tax withholding obligations of the Company, if any.

3. Binding Effect. I agree that the Shares are being acquired in accordance with and subject to the terms, provisions and conditions of the Option Agreement, including the Unvested Share Repurchase Option (if applicable) and the Right of First Refusal set forth therein, to all of which I hereby expressly assent. This Agreement shall inure to the benefit of and be binding upon the my heirs, executors, administrators, successors and assigns. I agree, that if required by the Company, I will deposit the certificate or certificates evidencing the Shares, along with a blank stock assignment separate from certificate executed by me, with an escrow agent designated by the Company, to be held by such escrow agent pursuant to the Company's standard Joint Escrow Instructions, an executed copy of which I have delivered herewith.

4. Transfer. I am aware that Rule 144, promulgated under the Securities Act, which permits limited public resale of securities acquired in a nonpublic offering, is not currently available with respect to the Shares and, in any event, is available only if certain conditions are satisfied. I understand that any sale of the Shares that might be made in reliance upon Rule 144 may only be made in limited amounts in accordance with the terms and conditions of such rule and that a copy of Rule 144 will be delivered to me upon request.

I agree that, if the Option is designated an Incentive Stock Option in the Grant Agreement I will promptly notify the Chief Financial Officer of the Company if I transfer any of the Shares acquired pursuant to such incentive stock option within one (1) year from the date I exercise all or part of the Option or within two (2) years of the date of grant of the Option.

My address of record is:

_____

_____

My Social Security Number is:

_____

5. Election Under Section 83(b) of the Code. (NOTE: This section only applies if the Option was designated as Immediately Exercisable.) I understand and acknowledge that if I am exercising the Option to purchase Unvested Shares (i.e., shares that remain subject to the Company's Unvested Share Repurchase Option), that I should consult with my tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date on which I exercise the Option.

I acknowledge that I have been advised to consult with a tax advisor prior to the exercise of the Option regarding the tax consequences to me of exercising the Option. AN ELECTION UNDER SECTION 83(b) MUST BE FILED WITHIN 30 DAYS AFTER THE DATE ON WHICH I PURCHASE SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. I ACKNOWLEDGE THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS MY SOLE RESPONSIBILITY, EVEN IF I REQUEST THE COMPANY OR ITS REPRESENTATIVES TO FILE SUCH ELECTION ON MY BEHALF.

I understand that I am purchasing the Shares pursuant to the terms of the 1998 Stock Option Plan and my Option Agreement, copies of which I have received and carefully read and understand.

Very truly yours,

_____

Receipt of the above is hereby acknowledged.

EXTREME NETWORKS

By:

Title:

Dated:

EXTREME NETWORKS

STOCK OPTION GRANT AGREEMENT

_____ (the "Optionee") has been granted an option (the "Option") to purchase shares of the Common Stock of Extreme Networks (the "Company") pursuant to this Stock Option Grant Agreement, the Company's Amended 1996 Stock Option Plan (the "Plan") and a standard form of the Terms of Stock Option Agreement (the "Option Agreement"), the provisions of which are incorporated herein by reference. The following terms shall have their respective meanings as set forth below or in the Plan.

"Date of Option Grant" means _____.

"Number of Option Shares" means _____ shares of Stock.

"Exercise Price" means $_____ per share.

"Immediately Exercisable" Yes No (Please circle one. If neither circled, deemed NO)

"Incentive Stock Option" Yes No (Please circle one. If neither circled, deemed NO)

"Initial Vesting Date" means the date occurring one (1) year after _____.

"Option Expiration Date" means the date ten (10) years after the Date of Option Grant.

"Vested Ratio" means, on any relevant date, the ratio determined as follows:

Prior to Initial Vesting Date:	0
On Initial Vesting Date, provided Optionee's Service has not terminated prior to the Initial Vesting Date:	1/4
For each month of Optionee's Service from the Initial Vesting Date until the Vested Ratio equals 1/1, an additional:	1/48

The Optionee represents that he/she is familiar with the terms and provisions of the Option Agreement (including the Unvested Share Repurchase Option if applicable), and hereby accepts the Option subject to all of the terms and provisions thereof. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Option. The Optionee acknowledges receipt of a copy of the Plan.

OPTIONEE

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Address:

EXTREME NETWORKS

By:

Its:

Address:

Attachments: Amended 1996 Stock Option Plan
Terms of Stock Option Agreement

EXTREME NETWORKS
1999 EMPLOYEE STOCK PURCHASE PLAN
Adopted by the Board on February 2, 1999
Approved by the Shareholders on [February ___, 1999]

1. Establishment, Purpose and Term of Plan.

1.1 Establishment. This 1999 Employee Stock Purchase Plan (the "Plan") is hereby established effective as of the effective date of the initial registration by the Company of its Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the "Effective Date").

1.2 Purpose. The purpose of the Plan is to advance the interests of Company and its shareholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code.

1.3 Term of Plan. The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued.

2. Definitions and Construction.

2.1 Definitions. Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "Board" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "Board" also means such Committee(s).

(b) "Code" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(c) "Committee" means a committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(d) "Company" means Extreme Networks, a California corporation, or any successor corporation thereto.

(e) "Compensation" means, with respect to any Offering Period, base wages or salary, commissions, overtime, bonuses, annual awards, other incentive payments, shift premiums, and all other compensation paid in cash during such Offering Period before deduction for any contributions to any plan maintained by a Participating Company and described in Section 401(k) or Section 125 of the Code. Compensation shall not include reimbursements of expenses, allowances, long-term disability, workers' compensation or any amount deemed received without the actual transfer of cash or any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase or stock option plan, or any other compensation not included above.

(f) "Eligible Employee" means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(g) "Employee" means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while such individual is on any military leave, sick leave, or other bona fide leave of absence approved by the Company of ninety (90) days or less. In the event an individual's leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's participation in or other rights, if any, under the Plan as of the time of the Company's determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any governmental agency subsequently makes a contrary determination.

(h) "Fair Market Value" means, as of any date, if there is then a public market for the Stock, the closing price of a share of Stock (or the mean of the closing bid and asked prices if the Stock is so quoted instead) as quoted on the Nasdaq National Market, The Nasdaq SmallCap Market or such other national or regional securities exchange or market system constituting the primary market for the Stock, as reported in The Wall Street Journal or such other source as

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the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion. If, as of any date, there is then no public market for the Stock, the Fair Market Value on any relevant date shall be as determined by the Board. Notwithstanding the foregoing, the Fair Market Value per share of Stock on the Effective Date shall be deemed to be the public

offering price set forth in the final prospectus filed with the Securities and Exchange Commission in connection with the initial public offering of the Stock.

(i) "Offering" means an offering of Stock as provided in Section 6.

(j) "Offering Date" means, for any Offering, the first day of the Offering Period with respect to such Offering.

(k) "Offering Period" means a period established in accordance with Section 6.1.

(l) "Parent Corporation" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(m) "Participant" means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(n) "Participating Company" means the Company or any Parent Corporation or Subsidiary Corporation designated by the Board as a corporation the Employees of which may, if Eligible Employees, participate in the Plan. The Board shall have the sole and absolute discretion to determine from time to time which Parent Corporations or Subsidiary Corporations shall be Participating Companies.

(o) "Participating Company Group" means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(p) "Purchase Date" means, for any Purchase Period, the last day of such period.

(q) "Purchase Period" means a period established in accordance with Section 6.2.

(r) "Purchase Price" means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(s) "Purchase Right" means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any accumulated payroll deductions of the Participant not previously applied to the purchase of Stock under the Plan and to terminate participation in the Plan at any time during an Offering Period.

(t) "Stock" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(u) "Subscription Agreement" means a written agreement in such form as specified by the Company, stating an Employee's election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation.

(v) "Subscription Date" means ten (10) business days prior to the Offering Date (or Purchase Date, for newly eligible employees), or such earlier date as the Company shall establish.

(w) "Subsidiary Corporation" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.2 Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. 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.

3. Administration.

3.1 Administration by the Board. The Plan shall be administered by the Board. All questions of interpretation of the Plan, of any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Board and shall be final and binding upon all persons having an interest in the Plan or the Purchase Right. Subject to the provisions of the Plan, the Board shall determine all of the relevant terms and conditions of Purchase Rights granted pursuant to the Plan; provided, however, that all Participants granted Purchase Rights pursuant to the Plan shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 Authority of Officers. Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 Policies and Procedures Established by the Company. The Company may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its sole discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements

of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan.

4. Shares Subject to Plan.

4.1 Maximum Number of Shares Issuable. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be One Million (1,000,000) and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of such Purchase Right shall again be available for issuance under the Plan.

4.2 Adjustments for Changes in Capital Structure. In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, or in the event of any merger (including a merger effected for the purpose of changing the Company's domicile), sale of assets or other reorganization in which the Company is a party, appropriate adjustments shall be made in the number and class of shares subject to the Plan and each Purchase Right and in the Purchase Price. If a majority of the shares which are of the same class as the shares that are subject to outstanding Purchase Rights are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "New Shares"), the Board may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the Purchase Price of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner, as determined by the Board, in its sole discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

5. Eligibility.

5.1 Employees Eligible to Participate. Each Employee of a Participating Company is eligible to participate in the Plan and shall be deemed an Eligible Employee, except the following:

(a) Any Employee who is customarily employed by the Participating Company Group for less than twenty (20) hours per week; or

(b) Any Employee who is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year.

5.2 Exclusion of Certain Shareholders. Notwithstanding any provision of the Plan to the contrary, no Employee shall be granted a Purchase Right under the Plan if, immediately after such grant, such Employee would own or hold options to purchase stock of the

Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

6. Offerings.

6.1 Offering Periods. Except as otherwise set forth below, the Plan shall be implemented by sequential Offerings (an "Offering Period"). The first Offering Period shall commence on the Effective Date and end on April 30, 2000 (the "Initial Offering Period"). Subsequent Offerings shall commence on the first day of May and end on the last day of April of the subsequent year. Notwithstanding the foregoing, the Board may establish a different duration for one or more Offering Periods or different commencing or ending dates for such Offering Periods; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months. If the first or last day of an Offering Period is not a day on which the national securities exchanges or Nasdaq Stock Market are open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period.

6.2 Purchase Periods. Each Offering Period shall consist of four (4) consecutive Purchase Periods of approximately three (3) months duration, or such other number or duration as the Board shall determine. However, the Purchase Period commencing on the Offering Date of the Initial Offering Period shall end on July 31, 1999. Subsequent Purchase Periods within the Initial Offering Period shall commence on August 1, 1999, November 1, 1999 and February 1, 2000. Offering Periods commencing after the Initial Offering Period shall consist of four (4) three (3)-month Purchase Periods, commencing on May 1, August 1, November 1 and February 1. Notwithstanding the foregoing, the Board may establish a different duration for one or more Purchase Periods or different commencing or ending dates for such Purchase Periods. If the first or last day of a Purchase Period is not a day on which the national securities exchanges or Nasdaq Stock Market are open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Purchase Period.

7. Participation in the Plan.

7.1 Initial Participation. An Eligible Employee may become a Participant in an Offering Period by delivering a properly completed Subscription Agreement to the Company. An Employee who becomes an Eligible Employee after the Offering Date of an Offering Period shall be eligible to participate in such Offering Period commencing as of the date following the next subsequent Purchase Date, provided such Employee properly completes and delivers to the Company a Subscription Agreement prior to the relevant Subscription Date and such Employee is still an Eligible Employee as of the Offering Date of such subsequent Offering Period.

7.2 Continued Participation. A Participant shall automatically participate in the next Offering Period commencing immediately after the final Purchase Date of each Offering Period in which the Participant participates provided that such Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1 or (b) terminated employment as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as provided in this Section, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the procedures set forth in Section 7.1 if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement.

8. Right to Purchase Shares.

8.1 Grant of Purchase Right. Except as set forth below, on the Offering Date of each Offering Period, each Participant in such Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase, on each Purchase Date within such Offering Period, that number of whole shares of Stock determined by dividing the aggregate payroll deductions collected from the Participant by the applicable Purchase Price on such Purchase Date; provided, that no Participant may purchase more than [Six Hundred Twenty-Five (625)] shares of Stock on any Purchase Date.

8.2 Calendar Year Purchase Limitation. Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars ($25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such Offering Period. The limitation described in this Section shall be applied in conformance with applicable regulations under Section 423(b)(8) of the Code.

8.3 Aggregate Purchase Limitation. Notwithstanding any provision of the Plan to the contrary, in no event shall the aggregate number of shares of Stock under the Plan to be purchased by all Participants on a Purchase Date exceed [One Hundred Thousand (100,000)]. The Board in its discretion may make any pro rata adjustment necessary to effectuate this Section.

9. Purchase Price.

The Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right shall be established by the Board; provided, however, that the Purchase Price shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the

Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date. Unless otherwise provided by the Board prior to the commencement of an Offering Period, the Purchase Price for that Offering Period shall be eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period, or (b) the Fair Market Value of a share of Stock on the Purchase Date.

10. Accumulation of Purchase Price through Payroll Deduction.

Shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, subject to the following:

10.1 Amount of Payroll Deductions. Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each payday during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement shall set forth the percentage of the Participant's Compensation to be deducted on each payday during an Offering Period in whole percentages of not less than one percent (1%) (except as a result of an election pursuant to Section 10.3 to stop payroll deductions made effective following the first payday during an Offering) or more than fifteen percent (15%). Notwithstanding the foregoing, the Board may change the limits on payroll deductions effective as of any future Offering Date.

10.2 Commencement of Payroll Deductions. Payroll deductions shall commence on the first payday following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided herein.

10.3 Election to Change or Stop Payroll Deductions. During an Offering Period, a Participant may elect to increase or decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company an amended Subscription Agreement authorizing such change on or before the "Change Notice Date." The "Change Notice Date" shall be a date prior to the beginning of the first pay period for which such election is to be effective as established by the Company from time to time and announced to the Participants. A Participant who elects to decrease the rate of his or her payroll deductions to zero percent (0%) shall nevertheless remain a Participant in the current Offering Period unless such Participant withdraws from the Plan as provided in Section 12.1.

10.4 Administrative Suspension of Payroll Deductions. The Company may, in its sole discretion, suspend a Participant's payroll deductions under the Plan as the Company deems advisable to avoid accumulating payroll deductions in excess of the amount that could reasonably be anticipated to purchase the maximum number of shares of Stock permitted during a calendar year under the limit set forth in Section 8.2. Payroll deductions shall be resumed at the rate specified in the Participant's then effective Subscription Agreement at the beginning of the next Purchase Period the Purchase Date of which falls in the following calendar year.

10.5 Participant Accounts. Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions from a Participant's Compensation shall be credited to such Participant's Plan account and shall be deposited with the general funds of the Company. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose.

10.6 No Interest Paid. Interest shall not be paid on sums deducted from a Participant's Compensation pursuant to the Plan.

10.7 Voluntary Withdrawal from Plan Account. A Participant may withdraw all or any portion of the payroll deductions credited to his or her Plan account and not previously applied toward the purchase of Stock by delivering to the Company a written notice on a form provided by the Company for such purpose. A Participant who withdraws the entire remaining balance credited to his or her Plan account shall be deemed to have withdrawn from the Plan in accordance with Section 12.1. Amounts withdrawn shall be returned to the Participant as soon as practicable after the withdrawal and may not be applied to the purchase of shares in any Offering under the Plan. The Company may from time to time establish or change limitations on the frequency of withdrawals permitted under this Section, establish a minimum dollar amount that must be retained in the Participant's Plan account, or terminate the withdrawal right provided by this Section.

11. Purchase of Shares.

11.1 Exercise of Purchase Right. On each Purchase Date, each Participant who has not withdrawn from the Plan and whose participation in the Offering has not terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right the number of whole shares of Stock determined by dividing (a) the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Purchase Period and not previously applied toward the purchase of Stock by (b) the Purchase Price. No shares of Stock shall be purchased on a Purchase Date on behalf of a Participant whose participation in the Offering or the Plan has terminated before such Purchase Date.

11.2 Pro Rata Allocation of Shares. In the event that the number of shares of Stock which might be purchased by all Participants in the Plan on a Purchase Date exceeds the number of shares of Stock available in the Plan as provided in Section 4.1 or the limit provided for in Section 8.3, the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as shall be practicable and as the Company shall determine to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

11.3 Delivery of Certificates. As soon as practicable after each Purchase Date, the Company shall arrange the delivery to each Participant, as appropriate, of a certificate representing the shares acquired by the Participant on such Purchase Date; provided that the Company may deliver such shares to a broker that holds such shares in street name for the benefit of the Participant. Shares to be delivered to a Participant under the Plan shall be

registered in the name of the Participant, or, if requested by the Participant, in the name of the Participant and his or her spouse, or, if applicable, in the names of the heirs of the Participant.

11.4 Return of Cash Balance. Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded to the Participant as soon as practicable after such Purchase Date. However, if the cash to be returned to a Participant pursuant to the preceding sentence is an amount less than the amount that would have been necessary to purchase an additional whole share of Stock on such Purchase Date, the Company may retain such amount in the Participant's Plan account to be applied toward the purchase of shares of Stock in the subsequent Purchase Period or Offering Period, as the case may be.

11.5 Tax Withholding. At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the foreign, federal, state and local tax withholding obligations of the Participating Company Group, if any, which arise upon exercise of the Purchase Right or upon such disposition of shares, respectively. The Participating Company Group may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such withholding obligations.

11.6 Expiration of Purchase Right. Any portion of a Participant's Purchase Right remaining unexercised after the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of the Offering Period.

11.7 Reports to Participants. Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total payroll deductions accumulated prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded or retained in the Participant's Plan account pursuant to Section 11.4. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine.

12. Withdrawal from Offering or Plan.

12.1 Voluntary Withdrawal from the Plan. A Participant may withdraw from the Plan by signing and delivering to the Company a written notice of withdrawal on a form provided by the Company for such purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period; provided, however, that if a Participant withdraws from the Plan after the Purchase Date of a Purchase Period, the withdrawal shall not affect shares of Stock acquired by the Participant on such Purchase Date. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose a requirement that the notice of withdrawal from the Plan be on file with the Company for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 Automatic Withdrawal from an Offering. If the Fair Market Value of a share of Stock on a Purchase Date of an Offering Period (other than the final Purchase Date of such offering) is less than the Fair Market Value of a share of Stock on the Offering Date for such Offering Period, then every Participant shall automatically be (a) withdrawn from such Offering Period after the acquisition of shares of Stock on the Purchase Date and (b) enrolled in the new Offering Period effective on its Offering Date.

12.3 Return of Payroll Deductions. Upon a Participant's voluntary withdrawal from the Plan pursuant to Sections 12.1 or automatic withdrawal from an Offering pursuant to Section 12.2, the Participant's accumulated payroll deductions which have not been applied toward the purchase of shares of Stock (except, in the case of an automatic withdrawal pursuant to Section 12.2, for an amount necessary to purchase an additional whole share as provided in Section 11.4) shall be refunded to the Participant as soon as practicable after the withdrawal, without the payment of any interest, and the Participant's interest in the Plan or the Offering, as applicable, shall terminate. Such accumulated payroll deductions to be refunded in accordance with this Section may not be applied to any other Offering under the Plan.

13. Termination of Employment or Eligibility.

Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, including retirement, disability or death, or the failure of a Participant to remain an Eligible Employee, the Participant's participation in the Plan shall terminate immediately. In such event, the payroll deductions credited to the Participant's Plan account since the last Purchase Date shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's legal representative, and all of the Participant's rights under the Plan shall terminate. Interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in the Plan by again satisfying the requirements of Sections 5 and 7.1.

14. Change in Control.

14.1 Definitions.

(a) An "Ownership Change Event" shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the shareholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

(b) A "Change in Control" shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, the "Transaction") wherein the shareholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial

ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or the corporation or corporations to which the assets of the Company were transferred (the "Transferee Corporation(s)"), as the case may be. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting stock of one or more corporations which, as a result of the Transaction, own the Company or the Transferee Corporation(s), as the case may be, either directly or through one or more subsidiary corporations. The Board shall have the right to determine whether multiple sales or exchanges of the voting stock of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

14.2 Effect of Change in Control on Purchase Rights. In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "Acquiring Corporation"), may assume the Company's rights and obligations under the Plan. If the Acquiring Corporation elects not to assume the Company's rights and obligations under outstanding Purchase Rights, the Purchase Date of the then current Purchase Period shall be accelerated to a date before the date of the Change in Control specified by the Board, but the number of shares of Stock subject to outstanding Purchase Rights shall not be adjusted. All Purchase Rights which are neither assumed by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

15. Nontransferability of Purchase Rights.

A Purchase Right may not be transferred in any manner otherwise than by will or the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant.

16. Compliance with Securities Law.

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the Securities Act of 1933, as amended, shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of said Act. 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 and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise

of a Purchase Right, 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.

17. Rights as a Shareholder and Employee.

A Participant shall have no rights as a shareholder by virtue of the Participant's participation in the Plan until the date of the issuance of a certificate for the shares purchased pursuant to the exercise of the Participant's Purchase Right (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 such certificate is issued, except as provided in Section 4.2. Nothing herein shall confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. Legends.

The Company may at any time place legends or other identifying symbols referencing any applicable federal, state or foreign securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include but shall not be limited to the following:

"THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON THE PURCHASE OF SHARES UNDER AN EMPLOYEE STOCK PURCHASE PLAN AS DEFINED IN SECTION 423 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE CORPORATION IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE PLAN IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE)."

19. Notification of Sale of Shares.

The Company may require the Participant to give the Company prompt notice of any disposition of shares acquired by exercise of a Purchase Right within two (2) years from the date of granting such Purchase Right or one (1) year from the date of exercise of such Purchase Right. The Company may require that until such time as a Participant disposes of shares acquired upon exercise of a Purchase Right, the Participant shall hold all such shares in the Participant's name (or, if elected by the Participant, in the name of the Participant and his or her

spouse but not in the name of any nominee) until the lapse of the time periods with respect to such Purchase Right referred to in the preceding sentence. The Company may direct that the certificates evidencing shares acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

20. Notices.

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Indemnification.

In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Participating Company Group, members of the Board and any officers or employees of the Participating Company Group to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

22. Amendment or Termination of the Plan.

The Board may at any time amend or terminate the Plan, except that (a) such termination shall not affect Purchase Rights previously granted under the Plan, provided that the Board may terminate the Plan (and any Offering thereunder) on any Purchase Date if the Board determines that such termination is in the best interests of the Company and its stockholders except as permitted under the Plan, and (b) no amendment may adversely affect a Purchase Right previously granted under the Plan (except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Section 423 of the Code or to obtain qualification or registration of the shares of Stock under applicable federal, state or foreign securities laws). In addition, an amendment to the Plan must be approved by the shareholders of the Company within twelve (12) months of the adoption of such amendment if such amendment would authorize the sale of more shares than are authorized for issuance under the Plan or would change the definition of the corporations that may be designated by the Board as Participating Companies. In the event that the Board approves an amendment to increase the number of shares authorized for issuance under the Plan (the "Additional Shares"), the Board, in

its sole discretion, may specify that such Additional Shares may only be issued pursuant to Purchase Rights granted after the date on which the stockholders of the Company approve such amendment, and such designation by the Board shall not be deemed to have adversely affected any Purchase Right granted prior to the date on which the stockholders approve the amendment.

EXTREME NETWORKS
1999 EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT

NAME (Please print): _____
(Last) (First) (Middle)

ADDRESS: _____

MY SOCIAL SECURITY NUMBER: _____

[_] Original Application for the Offering Period beginning _____, 199__.

[_] Change in Payroll Deduction rate effective with the pay period ending _____, 199__.

I hereby elect to participate in the 1999 Employee Stock Purchase Plan (the "Plan") of Extreme Networks (the "Company") and subscribe to purchase shares of the Company's Stock in accordance with this Subscription Agreement and the Plan.

I hereby authorize payroll deductions in the amount of _____ percent (in whole percentages not less than 1% or more than 15%) of my "Compensation" on each payday throughout the "Offering Period" in accordance with the Plan. I understand that these payroll deductions will be accumulated for the purchase of shares of Stock at the applicable purchase price determined in accordance with the Plan. I understand that, except as otherwise provided by the Plan, I will automatically purchase shares on each Purchase Date under the Plan unless I withdraw from the Plan by giving written notice on a form provided by the Company or unless my employment terminates.

I understand that I will automatically participate in each subsequent Offering that commences immediately after the last day of an Offering in which I am participating until I withdraw from the Plan by giving written notice on a form provided by the Company or my employment terminates.

Shares I purchase under the Plan should be issued in the name(s) set forth below. (Shares may be issued in the participant's name alone or together with the participant's spouse as community property or in joint tenancy.)

NAME(S): _____

[_] In my name alone [_] Community Property [_] Joint Tenancy

I agree to make adequate provision for the federal, state, local and foreign tax withholding obligations, if any, which may arise upon my purchase of shares under the Plan and/or my disposition of such shares. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet such withholding obligations.

I agree that, unless otherwise permitted by the Company, until I dispose of the shares I purchased under the Plan, I will hold such shares in the name(s) entered above (and not in the name of any nominee) for at least two (2) years from the first day of the Offering Period in which, and at least one (1) year from the Purchase Date on which, I acquired such shares.

I agree that I will notify the Chief Financial Officer of the Company in writing within 30 days after any sale, gift, transfer or other disposition of any kind prior to the end of the periods referred to in the preceding paragraph (a "Disqualifying Disposition") of any shares I purchased under the Plan. I further agree that if I do not respond within 30 days of the date of a Disqualifying Disposition Survey delivered to me by certified mail, the Company may treat my nonresponse as my notice to the Company of a Disqualifying Disposition and may compute and report to the Internal Revenue Service the ordinary income I must recognize upon such Disqualifying Disposition.

I am familiar with the provisions of the Plan and agree to participate in the Plan subject to all of its provisions. I understand that the Board of Directors of the Company reserves the right to terminate the Plan or to amend the Plan and my right to purchase stock under the Plan to the extent provided by the Plan. I understand that the effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.

Date: _____ Signature: _____

EXTREME NETWORKS
1999 EMPLOYEE STOCK PURCHASE PLAN
NOTICE OF WITHDRAWAL

NAME (Please print):

_____
(Last) (First) (Middle)

I hereby elect to withdraw from the Offering under Extreme Networks 1999 Employee Stock Purchase Plan (the "Plan") which began on _____, 19___ and in which I am currently participating (the "Current Offering").

Elect either A or B below:

[ ] A. I elect to terminate immediately my participation in the Current Offering and in the Plan.

I request that the Company cease all further payroll deductions from my Compensation under the Plan (provided that I have given sufficient notice prior to the next payday). I request that all payroll deductions credited to my account under the Plan (if any) not previously used to purchase shares under the Plan be refunded to me as soon as practicable. I understand that this election immediately terminates my interest in the Current Offering and in the Plan.

[ ] B. I elect to terminate my participation in the Current Offering and in the Plan following my purchase of shares on next Purchase Date of the Current Offering.

I request that the Company cease all further payroll deductions from my Compensation under the Plan (provided that I have given sufficient notice prior to the next payday). I request that all payroll deductions credited to my account under the Plan (if any) not previously used to purchase shares under the Plan be used to purchase shares on the next Purchase Date of the Current Offering to the extent permitted by the Plan. I understand that this election will terminate my interest in the Current Offering and in the Plan immediately following such purchase. I request that any cash balance remaining in my account under the Plan after my purchase of shares be refunded to me as soon as practicable.

I understand that by making this election I am terminating my interest in the Plan and that no further payroll deductions will be made (provided that I have given sufficient notice prior to the next payday) unless I elect in accordance with the Plan to become a participant in another Offering under the Plan by filing a new Subscription Agreement with the Company.

Date: _____ Signature: _____

EXHIBIT 10.4

SUBLEASE

1. PARTIES.
This Sublease, dated April 12, 1997 is made between NetManage, Inc. ("Sublessor") and Extreme Networks, Inc. ("Sublessee").

2. MASTER LEASE.
Sublessor is the lessee under a written lease dated September 30, 1994, wherein Cupertino Industrial Associates ("Lessor") leased to Sublessor the real property located in the City of Cupertino, County of Santa Clara, State of California, described as a +/- 28,368 sq. ft. building together with the parking lot adjacent to the building and the land on which it is located. This property is commonly known as 10460 Bandley Dr., Cupertino, CA ("Master Premises"). Said lease has been amended by the following amendments A "Renewal Agreement" dated October 2, 1996 ; said lease and amendments are herein collectively referred to as the "Master Lease" and are attached hereto as Exhibit "A". This Sublease shall be subject and subordinate to all of the terms and provisions of the Master Lease, except for payment of rents (which obligations shall remain those of Sublessor) and Other Provisions as stated in Section 10 of this Sublease. Sublessee acknowledges that Sublessee has received a copy of the Master Lease prior to signing this Sublease.

3. PREMISES.
Sublessor hereby subleases to Sublessee on the terms and conditions set forth in this Sublease the following portion of the Master Premises ("Premises"): The entire premises.

4. WARRANTY BY SUBLESSOR.
Sublessor warrants and represents to Sublessee that the Master Lease has not been amended or modified except as expressly set forth herein, that Sublessor is not now, and as of the commencement of the Term hereof will not be, in default or breach of any of the provisions of the Master Lease, and that Sublessor has no knowledge of any claim by Lessor that Sublessor is in default or breach of any of the provisions of the Master Lease.

5. TERM.
The Term of this Sublease shall commence on June 1, 1997 ("Commencement Date"), or when Lessor consents to this Sublease (if such consent is required under the Master Lease), whichever shall last occur, and end on

April, 1999 ("Termination Date"), unless otherwise sooner terminated in accordance with the provisions of this Sublease. In the event the Term commences on a date other than the Commencement Date, Sublessor and Sublessee shall execute a memorandum setting forth the actual date of commencement of the Term. Possession of the Premises ("Possession") shall be delivered to Sublessee on the commencement of the Term. If for any reason Sublessor does not deliver Possession to Sublessee on the commencement of the Term, Sublessor shall not be subject to any liability for such failure, the Termination Date shall not be extended by the delay, and the validity of this Sublease shall not be impaired, but rent shall abate until delivery of Possession. Notwithstanding the foregoing, if Sublessor has not delivered Possession to Sublessee within five (5) days after the Commencement Date, then at any time thereafter and before delivery of Possession, Sublessee may give written notice to Sublessor of Sublessee's intention to cancel this Sublease. Said notice shall set forth an effective date for such cancellation which shall be at least ten (10) days after delivery of said notice to Sublessor. If Sublessor delivers Possession to Sublessee on or before such effective date, this Sublease shall remain in full force and effect. If Sublessor fails to deliver Possession to Sublessee on or before such effective date, this Sublease shall be canceled, in which case all consideration previously paid by Sublessee to Sublessor on account of this Sublease shall be returned to Sublessee, this Sublease shall thereafter be of no further force or effect, and Sublessor shall have no further liability to Sublessee on account of such delay or cancellation. If Sublessor permits Sublessee to take Possession prior to the commencement of the Term, such early Possession shall not advance the Termination Date and shall be subject to the provisions of this Sublease, including without limitation the payment of rent.

6. RENT.
6.1 Minimum Rent. Sublessee shall pay to Sublessor as minimum rent, without deduction, setoff, notice, or demand, at 10725 North De Anza

Blvd., Cupertino, CA 95014, or at such other place as Sublessor shall designate from time to time by notice to Sublessee, the sum of Fifty-one thousand

sixty-two and no/100's Dollars ($51,062.00) per month, in advance on the first day of each month of the Term. Sublessee shall pay to Sublessor upon execution of this Sublease the sum of Fifty-one thousand sixty-two and no/100's Dollars ($51,062.00) as rent for June 1997. If the Term begins or ends on a day other than the first or last day of a month, the rent for the partial months shall be prorated on a per diem basis. Additional provisions:

_____

_____

6.2 Operating Costs. If the Master Lease requires Sublessor to pay to Lessor all or a portion of the expenses of operating the building and/or project of which the Premises are a part ("Operating Costs"), including but not limited to taxes, utilities, or insurance, then Sublessee shall pay to Sublessor as additional rent one hundred percent (100%) of the amounts payable by Sublessor for Operating Costs incurred during the Term. Sublessee shall pay all such additional cost within ten (10) days of invoice from Sublessor or as and when such Operating Costs are due. If the Master Lease provides for the payment by Sublessor of Operating Costs on the basis of an estimate thereof, then as and when adjustments between estimated and actual Operating Costs are made under the Master Lease, the obligations of Sublessor and Sublessee hereunder shall be adjusted in a like manner; and if any such adjustment shall occur after the expiration or earlier termination of the Term, then the obligations of Sublessor and Sublessee under this Subsection 6.2 shall survive such expiration or termination. Sublessor shall, upon request by Sublessee, furnish Sublessee with copies of all statements submitted by Lessor of actual or estimated Operating Costs during the Term.

7. SECURITY DEPOSIT.
Sublessee shall deposit with Sublessor upon execution of this Sublease in addition to Minimum Rents as Specified under Section 6.1, the sum of Fifty-one thousand sixty-two and no/100's (Dollars ($51,062.00) as security for Sublessee's faithful performance of Sublessee's obligations hereunder ("Security Deposit"). If Sublessee fails to pay rent or other charges when due under this Sublease, or fails to perform any of its other obligations hereunder, Sublessor may use or apply all or any portion of the Security Deposit for the payment of any rent or other amount then due hereunder and unpaid, for the payment of any other sum for which Sublessor may become obligated by reason of Sublessee's default or breach, or for any loss or damage sustained by Sublessor as a result of Sublessee's default or breach. If Sublessor so uses any portion of the Security Deposit, Sublessee shall, within ten (10) days after written demand by Sublessor, restore the Security Deposit to the full amount originally deposited, and Sublessee's failure to do so shall constitute a default under this Sublease. Sublessor shall not be required to keep the Security Deposit separate from its general accounts, and shall have no obligation or liability for payment of interest on the Security Deposit. In the event Sublessor is granted approval for assignment and thereafter assigns its interest in this Sublease, Sublessor shall deliver to its assignee so much of the Security Deposit as is then held by Sublessor. Within ten (10) days after the Term has expired, or Sublessee has vacated the Premises, or any final adjustment pursuant to Subsection 6.2 hereof has been made, whichever shall last occur, and provided Sublessee is not then in default of any of its obligations hereunder, the Security Deposit, or so much thereof as had not theretofore been applied by Sublessor, shall be returned to Sublessee or to the last assignee, if any, of Sublessee's interest hereunder.

8. USE OF PREMISES.

The Premises shall be used and occupied only for the sales, marketing, and development of high technology hardware and software and other uses allowed in the Master Lease, and other legal uses, and for no other use or purpose.

9. ASSIGNMENT AND SUBLETTING.
Sublessee shall not assign this Sublease or further sublet all or any part of the Premises without the prior written consent of Sublessor (and the consent of Lessor, if such is required under the terms of the Master Lease).

10. OTHER PROVISIONS OF SUBLEASE.
All applicable terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if Sublessor were the lessor thereunder, Sublessee the lessee thereunder, and the Premises the Master Premises, except for the following: See attached Addendum Numbers 17-24.

Sublessee assumes and agrees to perform the lessee's obligations under the Master Lease during the Term to the extent that such obligations are applicable to the Premises, except that the obligation to pay rent to Lessor under the Master Lease shall be considered performed by Sublessee to the extent and in the amount rent is paid to Sublessor in accordance with Section 6 of this Sublease. Sublessee shall not commit or suffer any act or omission that will violate any of the provisions of the Master Lease. Sublessor shall exercise due diligence in attempting to cause Lessor to perform its obligations under the Master Lease for the benefit of Sublessee. If the Master Lease terminates, this Sublease shall terminate and the parties shall be relieved of any further liability or obligation under this Sublease, provided however, that if the Master Lease terminates as a result of a default or breach by Sublessor or Sublessee under this Sublease and/or the Master Lease, then the defaulting party shall be liable to the nondefaulting party for the damage suffered as a result of such termination. Notwithstanding the foregoing, if the Master Lease gives Sublessor any right to terminate the Master Lease in the event of the partial or total damage, destruction, or condemnation of the Master Premises or the building or project of which the Master Premises are a part, the exercise of such right by Sublessor shall not constitute a default or breach hereunder.

11. ATTORNEYS' FEES.
If Sublessor, Sublessee, or Broker shall commence an action against the other arising out of or in connection with this Sublease, the prevailing party shall be entitled to recover its costs of suit and reasonable attorney's fees.

12. AGENCY DISCLOSURE:
Sublessor and Sublessee each warrant that they have dealt with no o`ther real estate broker in connection with this transaction except: RESOURCE ONE who represents The Sublessee and Equis of California represents The Sublessor. In the event that RESOURCE ONE represents both Sublessor and Sublessee, Sublessor and Sublessee hereby confirm that they were timely advised of the dual representation and that they consent to the same, and that they do not expect said broker to disclose to either of them the confidential information of the other party.

13. COMMISSION.
Upon execution of this Sublease, and consent thereto by Lessor (if such consent is required under the terms of the Master Lease), Sublessor shall pay Broker a real estate brokerage commission in the amount of Seventy thousand four hundred sixty-six and no/100's Dollars ($70,466.00), for services rendered in effecting this Sublease. Broker is hereby made a third party beneficiary of this Sublease for the purpose of enforcing its right to said commission. One half commission due upon execution. One half commission due upon occupancy.

14. NOTICES.
All notices and demands which may or are to be required or permitted to be given by either party on the other hereunder shall be in writing. All notices and demands by the Sublessor to Sublessee shall be sent by United States Mail, postage prepaid, addressed to the Sublessee at the Premises, and to the address hereinbelow, or to such other place as Sublessee may from time to time designate in a notice to the Sublessor. All notices and demands by the Sublessee to Sublessor shall be sent by United States Mail, postage prepaid, addressed to the Sublessor at the address set forth herein, and to such other person or place as the Sublessor may from time to time designate in a notice to the Sublessee.

To Sublessor: Ms. Pat Roboostoff 10725 North DeAnza Blvd. Cupertino, CA 95014

To Sublessee: Mr. Bill Kelly 10460 Bandley Dr., Cupertino, CA 95014

15. CONSENT BY LESSOR.
THIS SUBLEASE SHALL BE OF NO FORCE OR EFFECT UNLESS CONSENTED TO BY LESSOR WITHIN 10 DAYS AFTER EXECUTION HEREOF, IF SUCH CONSENT IS REQUIRED UNDER THE TERMS OF THE MASTER LEASE.

16. COMPLIANCE.
The parties hereto agree to comply with all applicable federal, state and local laws, regulations, codes, ordinances and administrative orders having jurisdiction over the parties, property or the subject matter of this Agreement, including, but not limited to, the 1964 Civil Rights Act and all amendments thereto, the Foreign Investment In Real Property Tax Act, the Comprehensive Environmental Response Compensation and Liability Act, and The Americans With Disabilities Act.

Sublessor: NetManage, Inc.	Sublessee: Extreme Networks
By /s/ Pat Roboostoff	By /s/ William Kelly
Title: Senior VP HR and Admin.	Title: CFO
By	By
Title:	Title:
Date:	Date: 4/18/97

LESSOR'S CONSENT TO SUBLEASE

The undersigned ("Lessor"), lessor under the Master Lease, hereby consents to the foregoing Sublease without waiver of any restriction in the Master Lease concerning further assignment or subletting. Lessor certifies that, as of the date of Lessor's execution hereof, Sublessor is not in default or breach of any of the provisions of the Master Lease, and that the Master Lease has not been amended or modified except as expressly set forth in the foregoing Sublease.

Lessor: Cupertino Industrial Associates

By:

Title:

By:

Title:

Date:

CONSULT YOUR ADVISORS This document has been prepared for approval by your attorney. No representation or recommendation is made by Broker as to the legal sufficiency or tax consequences of this document or the transaction to which it relates. These are questions for your attorney.

In any real estate transaction, it is recommended that you consult with a professional, such as a civil engineer, industrial hygienist or other person, with experience in evaluating the condition of the property, including the possible presence of asbestos, hazardous materials and underground storage tanks.

THIS ADDENDUM PERTAINS TO THE SUBLEASE AGREEMENT DATED APRIL 12, 1997 BY AND BETWEEN NETMANAGE, INC., AS SUBLESSOR, AND EXTREME NETWORKS, INC., AS SUBLESSEE. THE SUBLEASE PREMISES ARE COMMONLY KNOWN AS 10460 BANDLEY DRIVE, CUPERTINO, CA.

17. TENANT IMPROVEMENTS: NetManage will remove all existing furniture systems, work stations and all other non-permanent fixtures, then vacuum carpets and sweep floors prior to the Sublease commencement date. The existing built-in filing cabinets and the large conference room table shall remain in the sublease premises for Extreme Network's use. The filing cabinets stay with the building and the conference table, which belongs to NetManage, shall be returned to NetManage at the end of the Sublease term.

18. FIRST OPPORTUNITY TO NEGOTIATE: Extreme Networks shall be given the first opportunity to negotiate on any additional space in the neighboring +/- 38,000 square foot building leased by NetManage should NetManage elect to vacate all or a portion of that facility prior to April 30, 1999. Upon receipt of written notification, Extreme Networks shall have 72 hours to express an interest in the additional sublease space, and both parties (NetManage and Extreme Networks) will then negotiate in good faith. Should Extreme Networks not respond within 72 hours, or in the event that Extreme Networks causes an unreasonable delay in the execution of a written agreement, NetManage will be free to put the additional space on the open market.

19. SUBLEASING: Extreme Networks shall have the right to sublease any portion of the Premises during the term of the sublease provided Extreme Networks is given written approval of Sublessor (NetManage) and the building Landlord. Approval for subleasing shall not be unreasonably withheld. Notwithstanding the above, all parties to this Sublease agree that the Sublessee is hereby approved to sublet up to 15,000 square feet subject to plan approval, approved of the prospective incoming Subtenant and provided that the prospective incoming subtenant's use is in accordance with Section 9 of the Master Lease. Extreme Networks and the Sublessor shall share 50/50 in all triple net (NNN) sublease profits that are above Extreme Network's $1.80 per Square foot rate after any expenses associated with the sublease are paid (i.e. commissions, legal fees, construction fees, etc.). Should Extreme Networks elect to sublease based upon a higher "Gross" or "Full Service" rent, any additional costs such as property taxes, building insurance, maintenance, utilities, janitorial, etc. that are borne by Extreme Networks shall be deducted from triple net (NNN) profits. If Extreme Networks does elect to sublease, then Extreme themselves default during their subtenant's term, NetManage shall have the option to continue that subtenancy or immediately cancel the subtenant's contract.

20. ALTERATIONS: Extreme Networks is responsible for returning the sublease Premises back to NetManage in its pre-sublease condition except for normal wear and tear. Prior to any alterations being made to the Premises, Extreme Networks (and any Subtenant of Extreme Networks) must receive written approval from the Landlord and the Sublessor (NetManage), and said [words intentionally omitted]...

21. SUBLEASE CONTINGENCY: Upon full execution of the Sublease document, the Sublease shall be legally binding upon all three (3) parties (Landlord, Sublessor, and Sublessee). The only remaining contingency to the Sublease contract shall be the Sublessee's ability to finalize its current round of financing prior to June 1, 1997. The current round of financing shall be no less than seven million and no/100's dollars ($7,000,000.00). If the Sublessee is unable to finalize its round of financing prior to June 1, 1997, the Sublease shall become null and void, and the Sublessor shall return the Sublessee's first month's rental payment and the Sublessor shall be entitled to keep the Sublessee's Security Deposit. Under these circumstances, neither Sublessor nor Sublessee shall have rights to any other monies for damages due to the Sublease being voided.

22. BROKERAGE COMMISSION: The commission as outlined in paragraph 13 of the preprinted Sublease agreement, shall be paid as follows:

a. One-half upon full Sublease execution and Sublessee's receipt of financing (as outlined in paragraph 21).
b. One-half upon Sublessee's occupancy of the Premises.
c. All commissions shall be shared equally between Equis of California and Resource One.

23. NOTIFICATION: In addition to paragraph 14 of the preprinted Sublease agreement, both Sublessor and Sublessee agree that proper notice shall be deemed completed only after the sending party has received written confirmation of receipt from the receiving party.

24. INSURANCE: With respect to Sublessee's insurance obligations under Section 17 of the Master Lease, Sublessee's policies of liability insurance shall name Master Lessor and its property manager, as well as Sublessor, as additional insured.

25. EARLY TERMINATION OF MASTER LEASE: If, without the fault of Sublessor or Sublessee, the Master Lease should terminate prior to the expiration of the Sublease, neither party shall have any liability to the other party.

26. ALL TERMS AND CONDITIONS IN THIS ADDENDUM SHALL SUPERSEDE ANY CONFLICTING TERMS AND CONDITIONS OUTLINED IN THE PREPRINTED SUBLEASE AGREEMENT.

AGREED AND ACCEPTED:

/s/ William Kelly	4/18/97
Extreme Networks, Sublessee	Date
/s/ Pat Roboostoff	4/19/97
NetManage, Inc., Sublessor	Date

Landlord hereby consents to the above sublease, without waiving any of its rights against Sublessor.

/s/ David A. Wallenberg, President	4/22/97
Cupertino Industrial Assoc., Landlord	Date

By: THE CORTANA CORPORATION
Managing General Partner

INDUSTRIAL BUILDING LEASE

PARTIES

1. THIS LEASE, dated for reference purposes only, September 30, 1994, is made by and between Cupertino Industrial Associates, a California general partnership (herein "Landlord") and NetManage, Inc. (herein "Tenant").

PREMISES

2. Landlord leases to Tenant and Tenant hires from Landlord for the term, at the rental and upon the conditions in this Industrial Building Lease (herein "Lease") the real property commonly known as 10460 Bandley Drive, Cupertino, Santa Clara County, California consisting of a building containing approximately Twenty Eight Thousand Three Hundred Sixty Eight (28,368) square feet together with the parking lot adjacent to the building, and the land on which it is located (all of which are herein referred to as the "Premises"). See Exhibit A. It is further understood and agreed that the area set forth in this Paragraph 2 is approximate only and that neither party shall have a claim against the other for any variance between the actual area and that set forth above.

TERM

3. The term of the Lease shall be a period of thirty (30) months, commencing on November 1, 1994, and expiring (unless sooner terminated) at midnight on the 30th day of April 1997, herein called the "lease term" or "term."

Notwithstanding the above, Landlord shall deliver possession of the Premises to Tenant on October 1, 1994 for the purposes of installing Tenant's tenant improvements, trade fixtures, and equipment provided Tenant has provided Landlord with a copy of Tenant's insurance or a certificate of insurance as required by Paragraph 17(a) and either provides its own course of construction insurance or agrees to reimburse Landlord for the pro rata portion of the premium for Landlord's insurance described in Paragraph 17(b). Such early occupancy shall not advance the commencement date of the term of this Lease nor extend the term in any way nor shall Tenant be obligated to pay any rent for the period of such early occupancy.

RENEWAL

4. (a) In the event Tenant shall not then be in default hereunder and shall have made all previous rental payments in a timely manner (no more than one payment in each calendar year being delinquent, as defined in Paragraph 7 hereof), Tenant shall have the right, not earlier than nine (9) months prior to the date of the expiration of the term of this Lease and not later than six (6) months prior to the date of the expiration of the term of this Lease, to renew the term of this Lease for a further term of two (2) years from the date of expiration of the term of this Lease.

(b) Such election shall be made by Tenant by serving upon Landlord a notice in writing to the effect that Tenant elects to renew and extend the term of this Lease for such extended term.

(c) In the event Tenant shall elect to renew this Lease and shall serve notice of such election, upon the expiration of the term of this Lease, it shall be automatically extended for an additional term of two (2) years from the date of expiration of the original term of this Lease.

(d) Except for the redetermination of the base rental in accordance with this Paragraph 4, all other terms and conditions of the original lease agreement shall apply to the extended term.

(e) (i) During the extended term of this Lease, if any, Tenant shall pay to Landlord as Minimum Base Rent for the Premises monthly rent in an amount equal to 95 percent of the then current fair market value of the Premises. Such Minimum Base Rent shall be increased at normal and customary intervals during the extended term.

(ii) Landlord and Tenant shall have thirty (30) days after the Renewal Date to agree to such monthly fair market rental value of the Premises and the adjustments thereto. If Landlord and Tenant agree on such amounts during such thirty (30) day period, then they shall immediately execute an amendment to this Lease setting forth the Minimum Base Rent for the extended term of this Lease. If Landlord and Tenant are unable to agree on such amounts within such thirty (30) day period, then they shall each, within thirty (30) days of the expiration of such period, appoint a real estate broker or appraiser knowledgeable of the monthly rentals charged for similar commercial space in the Cupertino area and such brokers and/or appraisers shall then endeavor to agree on the monthly fair market rental value of the Premises and on the adjustments thereto. If the two brokers and/or appraisers agree on the monthly fair market rental value of the Premises and on the adjustments thereto, their decision shall be binding on the parties. If either party hereto does not appoint a broker or appraiser within such second thirty (30) day period, then the other party shall give written notice to the party that failed to appoint a broker or appraiser and said party shall have an additional fifteen (15) days from the date of receipt of said notice to appoint its broker or appraiser. If no broker or appraiser is appointed within said fifteen (15) period, the single broker or appraiser appointed shall be the sole broker or appraiser and shall establish such amounts alone.

(iii) If the brokers and/or appraisers so appointed are unable to agree on the monthly fair market rental value of the Premises and on the adjustments thereto within thirty (30) days after the second broker or appraiser has been appointed, then the two brokers and/or appraiser shall attempt to select a third person who shall be an appraiser meeting the qualifications set forth above within ten (10) days after the last day the two brokers and/or appraisers are given to establish such amounts. If the two brokers and/or appraisers are unable to agree on such appraiser, either party hereto, after giving ten (10) days' notice to the other party, can apply to the then President of the Real Estate Board of Santa Clara County, or to the presiding judge of the Superior Court of Santa Clara County, for the selection of the third person who, as set forth above, must be an appraiser. The brokers and/or appraisers shall then establish

the monthly fair market rental value of the Premises and adjustments thereto, by majority vote. Landlord and Tenant shall each bear the cost of their own broker or appraiser and 1/2 of the cost of appointing the third person and of such appraiser's fee.

HOLDOVER

5. (a) Holding over after the expiration of the term or extended term, of this Lease, or any oral extension thereof, with the consent of Landlord, which consent shall not unreasonably be withheld, shall be a tenancy from month to month, and the rentals and additional rentals upon the covenants, conditions, limitations, and agreements are subject to the exceptions and reservations contained in this Lease. The rental rate is to be the same rate last charged hereunder.

(b) If Tenant remains in possession without Landlord's consent after termination of the Lease, by lapse of time or otherwise, Tenant shall pay Landlord for each day of such retention one-twentieth (1/20th) of the amount of the monthly rental for the last month prior to such termination and Tenant shall also pay all costs, expenses and damages sustained by Landlord by reason of such retention, including, without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises.

RENT

6. (a) Tenant agrees to pay Landlord as Minimum Base Rental for the premises for the first nine (9) months of the term, the sum of Fifteen Thousand Seven Hundred Sixty Nine and 77/100 Dollars ($15,769.77) per month. All rents shall be payable in advance and due on the first day of each and every month of the term of this Lease. During the remaining twenty one (21) months of the original term of this Lease, Tenant agrees to pay to Landlord as minimum Base Rental for the Premises the sum of Thirty One Thousand Five Hundred Thirty Nine and 54/100 Dollars ($31,539.54) per month.

Rent for any period which is for less than one (1) month shall be a prorated portion of the monthly installment stated herein, based upon a thirty (30) day month. Said rental shall be paid, without prior notice or demand and without deduction or offset, except as otherwise provided herein, in lawful money of the United States of America at 800 El Camino Real, Suite 175, Menlo Park, California 94025 or at such other place as Landlord may from time to time designate in writing.

(b) As additional rent, Tenant shall pay to Landlord or directly to the tax collector, at the direction of Landlord, all real property taxes and assessments (general and special), in lieu real property taxes, rent taxes, gross receipt taxes (whether assessed against Landlord or assessed against Tenant and collected by Landlord, or both). Such taxes shall be pro-rated if the commencement and termination dates of this Lease do not correspond to the tax year. Notwithstanding the above, Tenant shall not be responsible for any increase in any of the above caused by a reassessment due to a change in ownership (as said term in defined in California Revenue and Taxation Code Section 60 et seq. as the same may be amended) during the initial term of this Lease.

As additional rent, Tenant shall pay to Landlord the cost of the insurance policy or policies referred to in Paragraph 17(b) attributable to the Premises, pro-rated if the commencement and termination dates of this Lease do not correspond to the periods covered by such policy or policies.

The above additional rents shall be due and payable fifteen (15) business days after Landlord has furnished Tenant with a photocopy of the tax bill or premium notice, as the case may be, but in no event earlier than fifteen (15) calendar days prior to delinquency. Landlord will furnish Tenant such photocopies promptly upon receipt of the tax bill or premium notice, as the case may be. Any sums not paid on or before such due date shall bear interest as the highest rate allowed by law in addition to any penalties that may be imposed by the taxing authorities for delinquent payments. Additionally, if Tenant fails to pay such additional rent on or before the due dates described above, Landlord reserves the right to require Tenant to pay the delinquent payment and future payments of these additional rents by cashier's checks or other certified funds.

As further additional rent Tenant shall reimburse Landlord for the cost of maintenance of the HVAC system and landscaping on a monthly basis. Other maintenance provided for the Premises by Landlord, including, but not limited to, the parking lot paving and striping (but excluding the resealing and striping to be completed by Landlord pursuant to Paragraph 13 (a) below), shall be billed to Tenant on a monthly basis as such expenses are incurred by Landlord and Tenant shall pay such additional rent to Landlord with its Minimum Base Rent. Should Tenant fail to pay for any such maintenance within thirty (30) days of the date of the bill, Tenant shall post an additional deposit of Five Thousand Dollars ($5,000.00) within fifteen (15) days after written demand from Landlord. Thereafter, Landlord may apply such additional deposit to such additional rent in the same manner as the security deposit mentioned below and Tenant shall replenish such deposit on demand in the same manner set forth in Paragraph 8(a) below.

LATE CHARGES

7. Tenant agrees that all Minimum Base Rent not received by Landlord within five (5) calendar days of the due date shall be considered delinquent and agrees to pay a late charge equal to ten percent (10%) of the delinquent payment within five (5) business days after receipt of written notice of non receipt of payment. Rent mailed and bearing a U. S. Postal Service postmark of the third (3rd) of a month shall not be considered delinquent no matter when received. Additionally, any delinquent payments not paid within thirty (30) days of the original due date shall bear interest at the lower of the maximum rate then allowed by law or two points over the reference rate (prime rate) charged by the San Francisco Main Branch of the Bank of America.

SECURITY DEPOSIT

8. (a) Tenant shall deposit with Landlord the total sum of Thirty One Thousand Five Hundred Thirty Nine and 54/100 Dollars ($31,539.54). Said sum shall be held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants, and conditions of this Lease. If Tenant defaults with respect to any provision of this Lease, including, but not

limited to, the provisions relating to the payment of rent, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this security deposit separate from its General funds, and Tenant shall not be entitled to any interest on said deposit.

(b) If Landlord's interest in this Lease is terminated, Landlord shall transfer said deposit to Landlord's successor in interest and Landlord's successor agrees to be bound by the terms of this Lease.

USE OF PREMISES

9. (a) Tenant shall use the Premises for research and development, light manufacturing, testing, marketing and general office uses and other legally related uses and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord.

(b) Tenant shall not knowingly do or permit anything to be done in or about the Premises nor bring or keep anything therein which will:

(i) increase the existing rate of or affect any fire or other insurance upon the building or any of its contents unless Tenant agrees to pay such increased rate, or

(ii) cause cancellation of any insurance policy covering said building or any part thereof or any of its contents.

Tenant shall not knowingly use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not knowingly commit or suffer to be committed any waste in or upon the Premises. Tenant shall not place any loads upon the floors, walls, or roof which endanger the structure or place any harmful liquids or other toxic waste in the drainage system of the Premises or in any other place in on or about the Premises. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored upon or permitted to remain on any portion of the Premises outside of the building, except as approved by the City of Cupertino.

COMPLIANCE WITH LAW

10. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its

sole cost and expense, promptly comply with all laws, statutes, ordinances, and governmental rules, regulations or requirements, pertaining to the specific use of the Premises by Tenant, including, but not limited to, those relating to the protection of the environment and storage and disposal of toxic materials, now in force or which may hereafter be in force except that Tenant shall not be required to make structural changes related to or affected by Tenant's improvements or acts. Landlord shall be responsible for all costs and expenses necessary to comply with all laws, statutes, ordinances, and governmental rules, regulations or requirements where the need for such compliance was not caused by Tenant's use of the Premises or Tenant's acts in connection with the Premises. Notwithstanding the above, Landlord shall not be responsible for any costs or expenses necessary to comply with the Americans with Disabilities Act other than as the same relates to the parking lot, landscaping areas, walkways, driveways, sidewalks, and other areas of the Premises outside of the building. Tenant shall also comply with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises, excluding structural changes not required or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

ALTERATIONS AND ADDITIONS

11. (a) Tenant shall not make or allow any alterations, additions or improvements of or to the Premises without Landlord's prior written consent, which consent shall not unreasonably be withheld. Landlord's consent shall not be required for any non structural Tenant improvements costing less than Ten Thousand Dollars ($10,000.00). Any such alterations, additions or improvements, including, but not limited to, wall covering, paneling and built-in cabinet work, but excepting movable furniture, and trade fixtures, shall become a part of the realty, shall belong to Landlord and shall be surrendered with the Premises at expiration or termination of the Lease. If Landlord consents to any such alterations, additions or improvements by Tenant, they shall be made by Tenant at Tenant's sole cost and expense, and any contractor or person selected by Tenant to perform the work shall first be approved of, in writing, by Landlord, which approval shall not be unreasonably withheld. Landlord further reserves the right to require all plans for structural improvements and alterations to be reasonably approved by its structural engineer. No such work shall be allowed to commence until three (3) days have elapsed from the date of Landlord's consent. Upon expiration, or sooner termination, of the term hereof, Tenant shall, upon written demand by Landlord given at least one hundred twenty (120) days prior to the end of the term, promptly remove any alterations, additions or improvements made by Tenant and designated by Landlord to be removed at the time Landlord gave its written consent to the installation of such alterations, additions or improvements. If no such consent was required, Landlord shall have the right to direct Tenant to remove same provided Landlord gives written notice to Tenant within the above time period. Such removal and repair of any damage to the Premises caused by such removal shall be at Tenant's sole cost and expense.

(b) Tenant shall not place or permit to be placed in, upon, or about the Premises any signs not approved by the City of Cupertino or other governing authority. Tenant shall not place, or permit to be placed, upon the Premises, any signs, advertisements or notices without the written consent of Landlord first had and obtained. Any sign so placed on the Premises shall be placed upon the understanding and agreement that Tenant shall remove same at the termination of the tenancy created herein and repair any damage or injury to the Premises caused thereby, and if not so removed by Tenant then Landlord may have the same so removed at Tenant's expense.

LIENS

12. Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. In the event a mechanic's lien is recorded against the Premises and is not removed within ten (10) business days after Landlord gives written notice to Tenant to cause the removal of same, Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half (1-1/2) times the estimated cost of any improvements, additions, or alterations by Tenant, to insure Landlord against liability for mechanic's and materialmen's liens and to insure completion of the work if the estimated cost exceeds Twenty Five Thousand Dollars ($25,000.00). Landlord shall also have the right to post and maintain on the Premises such notices of nonresponsibility as may be required by law to protect Landlord's rights herein.

REPAIRS AND MAINTENANCE

13. (a) Tenant accepts the Premises in an "AS-IS" condition with the following exceptions: (1) Landlord warrants that all electrical, plumbing, and HVAC systems servicing the Premises shall be in good operating condition at the time possession is delivered to Tenant; (2) Landlord shall cause the parking lot to be resealed and striped prior to the commencement of the term; (3) Landlord shall cause any broken or stained ceiling tiles to be replaced prior to the commencement of the term; and (4) Landlord shall warrant the roof, parking lot, HVAC system and electrical system to be free from defects for the first six (6) months of the term. Landlord's liability for the above shall be limited to the repair or replacement of any defects and Landlord shall in no way be liable for lost profits or any consequential damages of Tenant. Additionally, Landlord shall not be responsible for the repair or replacement of any HVAC or electrical components installed by Tenant or for any damage caused by any roof penetration made by Tenant. Tenant shall not be responsible for any inherent defects in the Premises or any damage or destruction to the Premises covered by insurance. Tenant shall further not be responsible for any repairs or maintenance made necessary due to the negligence, fault, or omission of Landlord or any of Landlord's agents or employees. Except as set forth above, Tenant shall at Tenant's sole cost and expense, keep the Premises and every part thereof including, but not limited to, roof covering (unless it is not feasible to repair the existing roof covering and a new roof covering is required and Tenant has not penetrated the roof causing the damage requiring replacement) the glazing, plumbing, and electrical systems, and the parking areas in good condition and repair, unless caused by a casualty required to be insured pursuant to Paragraph 17 hereof or by any

inherent defects. Tenant further agrees to maintain the Premises and make minor repairs thereto in conformance with any reasonable requirements of any institutional lender of Landlord. Should Tenant at any time during the term of this Lease or any renewal or extension of the term fail to maintain the Premises or make any repairs or replacements as required herein, Landlord may, at its option, enter the Premises and perform such maintenance or make such repairs or replacements for the account of Tenant after reasonable written notice to Tenant. Any sums expended by Landlord in so doing, together with interest thereon at the highest rate allowed by law from the date expended by Landlord until the date repaid by Tenant, shall be due and payable by Tenant to Landlord within fifteen (15) business days after demand of Landlord. Tenant shall upon the expiration or sooner termination of this lease surrender the Premises to the Landlord in good condition, damage from causes beyond the reasonable control of the Tenant and normal wear and tear excepted. Unless specifically provided in an addendum to this Lease, Landlord shall have no obligation to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises or the building in which the Premises are located except as specifically herein set forth.

(b) As set forth in Paragraph 6(b), Landlord shall cause the landscaping and HVAC system to be maintained and Tenant shall reimburse Landlord for the cost of such maintenance as additional rent. Additionally, notwithstanding the above provisions of Paragraph 13(a), Landlord shall maintain the structural integrity of the building, including, without limitations the foundation, exterior walls, and roof (except as provided in Paragraph 13(a)) in which the Premises are located, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord will replace the roof covering if repairs to said covering are no longer economically feasible in the judgment of roofing experts provided that Tenant has not penetrated the roof causing the replacement or done any other acts causing such necessary replacement. Tenant shall give Landlord written notice of any required repairs or maintenance. Landlord shall not be liable for any failure to repair or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice. Except as provided in Paragraph 22 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements to any portion of the building or the Premises or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense or terminate this Lease under any law, statute or ordinance now or hereafter in effect for Landlord's failure to maintain the Premises, provided Landlord commences or arranges for commencement of the required repairs or maintenance within five (5) business days of receipt of Tenant's written notice; provided, however, that Tenant may make emergency repairs if necessary to prevent a disruption in Tenant's business or imminent danger to its employees and property. In no event shall Tenant's costs of such repairs or maintenance be deducted or offset from any amounts due from Tenant to Landlord. Landlord shall reimburse Tenant for the reasonable costs of such repairs or maintenance within fifteen (15) days after receipt of copies of invoices for same and if any reimbursement is not made within said period,

Landlord shall pay interest at the highest rate allowed by law from the date of expenditure by Tenant to the date of repayment.

ASSIGNMENT AND SUBLETTING

14. Tenant may not assign this Lease or any interest therein and may sublet the Premises or any part thereof or any right or privilege appurtenant thereto or suffer any other person (the agents, employees, or servants of Tenant excepted) to occupy or use the Premises or any portion thereof without the written consent of Landlord, which consent shall not be unreasonably withheld, provided, however, that the occupancy and use of any such assignee, subtenant or other person shall be lawful and consistent with the Use Permit then in effect. Notwithstanding the above, Landlord's consent shall not be required for an assignment to: (1) a joint venture if Tenant has at least a fifty percent (50%) interest in the capital, profits and losses of the joint venture; (2) a corporation with which Tenant may merge or consolidate; (3) any parent or subsidiary of Tenant or subsidiary of Tenant's parent; or (4) a purchaser of substantially all of Tenant's assets if the assignee executes an agreement reasonably required by Landlord assuming Tenant's obligations. In the event of an assignment or subletting to which Landlord consents or an assignment for which no consent is required, Tenant shall remain liable for the performance by the assignee or subtenant of the terms of this Lease unless expressly released therefrom by Landlord in writing.

HOLD HARMLESS

15. (a) Tenant shall indemnify Landlord against and hold Landlord and Landlord's property harmless from any and all liability, claims, loss, damages, or expense, including reasonable counsel fees and costs, arising by reason of the death or injury of any person, including Tenant or any person who is an employee, agent, or customer of Tenant, or by reason of damage to or destruction of any property, including property owned by Tenant or any person who is an employee, agent, or customer of Tenant, caused or allegedly caused by:

(i) Any cause whatsoever while such person or property is in or on said Premises;

(ii) Some condition of said Premises for which Tenant is responsible or for which Landlord is responsible and Landlord has not been given notice thereof and reasonable time to correct;

(iii) Some act or omission on said Premises of Tenant or any person in or on said Premises with the permission of Tenant; or

(iv) Tenant's use, storage, or disposal of hazardous wastes, toxic substances, or related materials ("hazardous materials"). Hazardous materials shall include, but not be limited to, substances defined as "hazardous substances", "hazardous materials" or "toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; the Hazardous Materials Transportation Act; the Resource Conservation and Recovery Act; and those substances defined as "hazardous wastes" in Section 25117 of the

California Health and Safety Code; in the regulations adopted and publications promulgated pursuant to such laws; and in the Hazardous Material Storage Ordinance of the City of Cupertino, if any, as amended.

Tenant's indemnity with respect to hazardous materials shall include, without limitation: (i) any damage, liability, fine, penalty, punitive damages, cost or expenses arising from or out of any claim, action, suit or proceeding for personal injury (including, without limitation, sickness, disease or death), tangible property damage, nuisance, pollution, contamination, leak, spill, release or other effect on the environment; and (ii) the cost of any required or necessary investigation, repair clean-up, or treatment of the Premises and/or the Property, and the preparation and implementation of any closure, disposal, remedial or other required action in connection with the Premises and/or the Property.

The indemnity of Tenant provided above shall survive the expiration or earlier termination of this Lease but shall not apply to any damage: (1) covered by insurance; (2) caused by a defect in the Premises; (3) caused by the willful misconduct, negligence or omission of Landlord, its agents or employees; or (4) caused by a breach of this Lease by Landlord.

(b) Tenant hereby assumes all risk of damage to property or injury to persons in or upon the Premises, from any cause other than the following: (1) the willful misconduct, negligence or omission of Landlord, its agents or employees; 12) defects in the Premises, and (3) a breach of this Lease by Landlord and Tenant hereby waives all claims in respect thereof against Landlord. Landlord and its agents shall not be liable for any damage to property entrusted to employees of the building, nor for loss or damage to any property by theft or otherwise, nor from any injury to or damage to persons or property resulting from any cause whatsoever, unless caused by or due to the following: (1) the willful misconduct, negligence or omission of Landlord, its agents or employees; (2) defects in the Premises; and (3) a breach of this Lease by Landlord.

(c) If any action or proceeding is brought against Landlord by reason of any claim for which Tenant has an obligation to indemnify Landlord as set forth above, Tenant shall defend Landlord therein at Tenant's expense by counsel reasonably satisfactory to Landlord.

(d) Landlord and its agents and employees shall not be liable for interference with the light or other incorporeal hereditaments, or loss of business by Tenant unless the same is caused by the gross negligence or willful misconduct of Landlord, its agents, or employees. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the buildings or of alleged defects in the building, fixtures or equipment, provided that Tenant has actual knowledge of such matters.

(e) To the best of Landlord's knowledge except as disclosed in that certain Report of Environmental Audit for 10460 Bandley Drive, Cupertino, California dated April 12, 1990 prepared by Beta Associates, as of the date of this Lease there are no hazardous materials or asbestos on, in, under or about the Premises or the Property on which the Premises are located (the "Property"). Except with respect to hazardous materials released on or under the Premises

or property by Tenant or adjacent or nearby landowners, tenants, or occupants Landlord shall indemnify, defend with counsel reasonably satisfactory to Tenant, protect and hold Tenant harmless from and against any and all liabilities, claims, losses, damages, or expense, including reasonable counsel fees and costs arising out of, or based upon: (i) the presence of any hazardous materials or asbestos on, under, in or about the Premises or the Property, unless such hazardous materials are released onto the Premises or Property by Tenant or, after the date of this Lease, by adjacent or nearby landowners, tenants, or occupants; or (ii) the violation or alleged violation by Landlord of any laws, regulations, orders, or permits relating to the use, generation, manufacture, installation, release, discharge, storage or disposal of hazardous materials on, under, in or about the Premises or the Property. This indemnity shall include, without limitation: (i) any damage, liability, fine, penalty, punitive damages, cost or expenses arising from or out of any claim, action, suit or proceeding for personal injury (including, without limitation, sickness, disease or death), tangible property damage, nuisance, pollution, contamination, leak, spill, release or other effect on the environment; and (ii) the cost of any required or necessary investigation, repair clean-up, or treatment of the Premises and/or the Property, and the preparation and implementation of any closure, disposal, remedial or other required action in connection with the Premises and/or the Property, except for hazardous materials released on the Premises or the Property by Tenant. Landlord shall also indemnify Tenant and hold Tenant harmless from any and all liability, claims, loss, damages, or expense, including reasonable counsel fees and costs, arising by reason of the gross negligence of Landlord, its agents, or employees, a material breach of Landlord's obligations under this Lease, and Landlord's breach of any representation and/or warranty contained herein. Landlord's indemnity obligations hereunder shall survive the expiration or earlier termination of this Lease.

RELEASE FROM LIABILITY/WAIVER OF SUBROGATION

16. Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss of the type required by this Lease to be insured against. Landlord and Tenant hereby agree to obtain any special endorsements (including waivers of subrogation) required by their insurance carriers in order to effectuate the foregoing mutual release.

INSURANCE

17. (a) Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease a policy of comprehensive public liability insurance insuring Landlord and Tenant against claims occurring in, on or about the Premises and all areas appurtenant thereto. The limit of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry said insurance under a blanket policy providing however, said insurance by Tenant shall name Landlord as an additional insured. If Tenant fails to procure and maintain said insurance, Landlord may, but shall not be required to, procure and maintain same, but at the expense of Tenant. Insurance required hereunder, shall be in companies rated A+, Class X or better in "Best's Insurance Guide," Tenant shall deliver to Landlord prior to occupancy of the Premises copies of policies of liability insurance required herein or certificates evidencing the existence and amount of such insurance with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after fifteen (15) days prior written

notice to Landlord. The minimum acceptable amount of comprehensive liability insurance is $2,000,000 per accident, and property damage in an amount of not less than $1,000,000.00 per occurrence. The above stated minimum levels of coverage are subject to amendment by Landlord upon ninety (90) days written notice should the economic conditions, in the discretion of Landlord, warrant adjustment thereof. Tenant may, at its own expense also insure or self insure its inventory, fixtures, equipment, furniture, and its own Tenant improvements. Tenant acknowledges that Landlord shall have no responsibility for insuring such items.

(b) Landlord shall carry and maintain during the entire term, including extensions hereof, fire and all risk insurance insuring the Premises and the initial tenant improvements for their full replacement cost. Said insurance policy or policies shall cover at least the following risks: fire, smoke damage, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, malicious mischief, vandalism, aircraft, earthquake (if available at commercially reasonable rates) and sprinkler leakage. Additionally, such policy or policies shall have a loss of rents (12 months) endorsement; provided however, if any institutional lender of Landlord allows a lower amount, said coverage may be reduced to such lower amount. Tenant shall pay to Landlord as additional rent, the cost of such policy or policies pursuant to Paragraph 6(b). Any loss payable under such insurance shall be payable to Landlord any Lender holding and an encumbrance on the Premises. The proceeds from any such policy or policies for damages to the Premises shall be used for the repair of the Premises except as set forth in Paragraph 22.

SERVICES AND UTILITIES

18. (a) Tenant shall provide and pay for its own utilities, janitorial services, trash removal and all other material and services it desires in connection with its occupation and use of the Premises. Tenant acknowledges that it understands that Landlord is not obligated to provide services, materials or supplies, including but not limited to janitorial services or maintenance services, except as otherwise provided herein, to Tenant.

(b) Tenant shall not connect with electric current except through approved electrical outlets in the Premises or such additional electrical outlets as may be installed by a licensed electrical contractor in conformance with the then applicable building codes, any apparatus or device, for the purpose of using electric current.

PERSONAL PROPERTY TAXES

19. Tenant shall pay before delinquency, all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures and personal property located in the Premises, except that which has been paid for by Landlord and is the standard of the building. If any of the Tenant's leasehold improvements, equipment, furniture, fixtures and personal property are assessed and taxed with the building, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

RULES AND REGULATIONS

20. Intentionally omitted.

ENTRY BY LANDLORD

21. (a) Landlord reserves the right to enter the Premises at any time to inspect the Premises, to submit the Premises to prospective purchasers or tenants, to post notice of nonresponsibility, and to alter, improve, maintain or repair the Premises that Landlord deems necessary or desirable, all without abatement of rent. Except in the cases of emergencies and to post notices of nonresponsibility, Landlord shall give telephone notice twenty four (24) hours in advance, unless Tenant waives such notice, prior to entering the Premises. Landlord may erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, but shall not block the entrance to the Premises nor interfere with Tenant's business or parking, except as reasonably required for the particular activity by Landlord. Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, interference with quiet enjoyment, or other damage arising out of Landlord's entry on the Premises as provided in this paragraph, except damage, if any, resulting from the willful misconduct or negligence of Landlord or its authorized representatives.

(b) In an emergency, Landlord shall have the right to use any means which Landlord deems reasonably necessary to obtain entry to the Premises without liability to Tenant, except for any failure to exercise due care for Tenant's property. Any such entry to the Premises by Landlord shall not be construed or deemed to be forcible or unlawful entry into or a detainer of the Premise or an eviction of Tenant from the Premises or any portion thereof.

DESTRUCTION/RECONSTRUCTION

22. (a) If ten percent (10%) or less of the Premises is damaged by an uninsured peril, Landlord shall promptly and diligently proceed to repair and restore the same to substantially the same condition as existed prior to such damage or destruction; provided, however, that should such damage be caused by the act, negligence or fault or omission of any duty with respect to the same by Tenant, its agents, servants, employees or invitees, Tenant, and not Landlord, shall be so obligated to repair and restore. If the Premises are damaged by an uninsured peril rendering more than ten percent (10%) of the Premises unusable for the conduct of Tenant's business, Landlord may, upon written notice, given to Tenant within thirty (30) days after the occurrence of such damage, elect to terminate this Lease (the effective date of such termination shall be as mutually agreed upon and if the parties fail to agree on such a date, the effective termination date shall be the date that is thirty (30) days after the date Landlord gives written notice of its election to terminate this Lease); provided, however, Tenant may, within thirty (30) days after receipt of such notice, elect to make any required repairs and/or restoration, in which event this Lease shall remain in full force and effect, and Tenant shall thereafter diligently proceed with such repairs and/or restoration.

(b) If the Premises are damaged or destroyed by fire or other insured peril, Landlord shall promptly and diligently proceed to repair and restore the same to substantially the

same condition as existed prior to such damage or destruction; provided, however, that Landlord shall not be obligated to repair and restore until either the insurer acknowledges that the loss is covered by insurance and sufficient proceeds of such insurance are available to Landlord to pay the costs (including a reasonable allowance for contractor's profit and overhead not to exceed ten percent (10%) of the repairs and/or restoration) or the Tenant agrees to pay such costs to Landlord. If the existing laws do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party.

If the cost of restoration exceeds the amount of insurance proceeds, and Tenant has not agreed to pay the cost of repairs and/or restoration to Landlord, either party can elect to terminate this Lease by giving notice to the other within fifteen (15) days after determining that the restoration cost will exceed the insurance proceeds. In the case of destruction to the Premises, if Landlord elects to terminate this Lease, Tenant, within fifteen (15) days after receiving Landlord's notice to terminate, can agree to pay to Landlord the difference between the amount of insurance proceeds and the cost of restoration in which case Landlord shall restore the Premises. Landlord shall give Tenant satisfactory evidence that all sums contributed by Tenant as provided in this paragraph 22 have been expended by Landlord in paying the cost of restoration.

If Landlord elects to terminate this Lease and Tenant does not elect to contribute toward the cost of restoration as provided herein, this Lease shall terminate, and all of the proceeds of the insurance shall be paid to Landlord; provided, however, that in the event such proceeds shall include any amounts paid for damage to or destruction of property belonging to Tenant, Landlord shall within ten (10) days of receipt, pay over such amounts to Tenant in the following manner: out of the gross proceeds paid by insurance to Landlord, Landlord shall retain an amount equivalent to the current replacement value of the building and improvements owned by Landlord; after Landlord has been so paid from the insurance proceeds, if there remains a balance of such insurance proceeds which represent payment for damages to or destruction of improvements added by Tenant after the date of Tenant's occupancy of the Premises, then, to the extent of any remaining balance of the insurance proceeds and to the extent of Tenant's direct costs of making such added improvements, Landlord shall be obligated to pay over to Tenant such remaining insurance proceeds. During any such repairs or restoration described in this paragraph 22, rent shall abate in proportion to the area of the Premises rendered unusable by such damage or destruction; provided, however, that Landlord shall have no liability by reason of injury to or interference with Tenant's business or property arising from the making of any repairs, alterations, or improvements in or to any portion of the Premises or in or to fixtures, appurtenances and equipment therein; and further provided, that if the damage is caused by the fault or neglect of Tenant, its agents or employees, there shall be no such abatement of rent unless covered by the loss of rents provisions of the insurance policy Landlord is required to carry and maintain pursuant to the provisions of Paragraph 17(b). If the Premises are destroyed or substantially damaged within one year of the end of this Lease term or extensions thereof, or if Landlord cannot restore the Premises within One Hundred Twenty (120) days from the date of the damage or destruction, Landlord or Tenant shall each have the option to cancel the Lease effective as of the date of the damage or destruction or such later date as the electing party sets forth in its written notice of cancellation, and all insurance proceeds on the real property shall be

paid to Landlord.

In the event Tenant shall have paid all or a portion of the costs of any repairs or restorations for which Landlord subsequently receives insurance proceeds, then to the extent that such insurance proceeds and Tenant's payments exceed Landlord's cost of repair and/or restoration, Landlord shall reimburse Tenant to the extent of Tenant's payments.

(c) Landlord shall not be required to repair any damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor coverings, partitions, or any other property installed in the Premises by Tenant.

DEFAULT

23. Occurrence of any of the following events shall constitute default and breach of this Lease by Tenant.

(a) The abandonment of the Premises by Tenant.

(b) The failure by Tenant to make any payment of rent or any other payment required of Tenant hereunder, as and when due, if such failure continues for three (3) business days after written notice thereof by Landlord to Tenant.

(c) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease other than described in Paragraph 23(b) above where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided however, that if Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(d) The making by Tenant of any general assignment or general arrangement for the benefit of creditors or the filing by or against Tenant of a petition to have Tenant adjudged bankrupt, or a petition, or reorganization or arrangement under any law relating to bankruptcy (unless in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a 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 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 in thirty (30) days.

(e) The failure of Tenant or any employee or agent of Tenant to occupy the Premises for ten (10) consecutive business days unless Tenant gives prior written notice to Landlord, provides a security service for the Premises and keeps all utility systems for the Premises functioning and in good operation.

REMEDIES

24. Landlord shall have the following remedies if Tenant commits a default. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law.

(a) Landlord may continue this Lease in full force and effect, as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect rent when due. During the period Tenant is in default, Landlord may enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, reasonable broker's commissions and expenses of remodeling the Premises required by the reletting. Reletting way be for a period shorter or longer than the remaining term of the Lease. Tenant shall pay to Landlord the rent due under this Lease as and when due, less the rent Landlord receives from any reletting. No act by Landlord allowed by this Paragraph shall terminate this Lease unless Landlord notifies Tenant in writing that Landlord elects to terminate Tenant's right to possession of the Premises. If Tenant obtains Landlord's consent, Tenant shall have the right to assign or sublet its interest in this Lease, but Tenant shall not be released from liability. Landlord's consent to a proposed assignment or subletting shall not be unreasonably withheld.

(c) Landlord may terminate Tenant's right to possession of the Premises at any time. No act by Landlord other than giving written notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession. On termination, Landlord has the right to recover from Tenant:

(i) The worth, at the time of the award of the unpaid rent that had been earned at the time of termination of this Lease;

(ii) The worth, at the time of the award of the amount by which the unpaid rent that would have been earned after the date of termination of this Lease until the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided;

(iii) The worth, at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; and

(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.

"The worth, at the time of the award," as used in (i) and (ii) of this subparagraph, is to be computed by allowing interest at the maximum rate allowed by law. "The worth, at the time of

the award," as referred to in (iii) of this subparagraph, is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

EMINENT DOMAIN

25. If more than twenty-five percent (25%) of the Premises, twenty-five percent (25%) of the parking spaces and Landlord does not provide suitable replacement parking spaces within a reasonable distance from the building, or ten percent (10%) of the building in which the Premises are located is taken or appropriated by any public or quasi-public authority under powers of eminent domain, either party hereto shall have the right at its option, to terminate this Lease effective as of the date of taking. If less than twenty-five percent (25%) of the Premises, twenty-five percent (25%) of the parking spaces, or ten percent (10%) of the building in which the Premises are located is taken (or neither party elects to terminate as above provided if more than twenty-five percent (25%) of the Premises, twenty-five percent (25%) of the parking spaces, or ten percent (10%) of the building in which the Premises are located in taken), the Lease shall continue, and the rental thereafter to be paid shall continue, but the rental thereafter to be paid shall be equitably reduced. Whether or not the Lease is terminated by reason of any such taking or appropriation, Landlord shall be entitled to the entire award and compensation for the taking which is paid or made by the public or quasi-public agency, and Tenant shall have no claim against said award; except for amounts paid directly to Tenant for its moving expenses, interruption to its business or damage to personal property or trade fixtures. A voluntary sale by Landlord to any public body or agency having the power of eminent domain, either under threat of condemnation or while the condemnation proceedings are pending shall be deemed to be a taking under the power of eminent domain for the purposes of this Paragraph.

ESTOPPEL CERTIFICATE

26. Either party shall at any time and from time to time upon not less than ten (10) business days prior written notice from the other, execute, acknowledge, and deliver to the other party a statement in writing (a) certifying that this Lease is unmodified and in full force and effect or, if modified, stating the nature of such modifications and certifying that this Lease as so modified, is in full force and effect), and the date to which the rental and other charges are paid in advance, if any and (b) acknowledging that there are not, to the party's knowledge, any uncured defaults on the part of the other party hereunder, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser, encumbrances, assignee, or subtenant of all or any portion of the Premises or any purchaser of Tenant's assets.

SUBORDINATION

27. Tenant agrees upon request of Landlord and the holder of any deed of trust affecting the Premises to subordinate this Lease and its rights hereunder to the lien of any mortgage, deed of trust or other encumbrance, together with any conditions, renewals, extension, or replacements thereof, now or hereafter placed, charged or enforced against the Landlord's interest in this Lease and the leasehold estate thereby created, the Premises or the land, building or improvements included therein, and deliver (but without cost to Tenant) at any time and from time to time upon

demand by Landlord such documents as may be required to effectuate such subordination; provided, however, that Tenant shall not be required to effectuate such subordination, nor shall Landlord be authorized to effect such subordination on behalf of Tenant, unless the mortgagee or trustee named in such mortgage, deed of trust or other encumbrance shall first agree in writing for the benefit of Tenant, that so long as Tenant is not in default under any of the provisions, covenants or conditions of Tenant this Lease on the part of Tenant to be kept and performed, that neither this Lease nor any of the rights of Tenant hereunder shall be terminated or modified or be subject to termination or modification, nor shall Tenant's possession of the Premises be disturbed or interfered with, by any trustee's sale or by an action or proceeding to foreclose said mortgage, deed of trust or other encumbrance.

In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.

In the event that the mortgagee or beneficiary of any such mortgage or deed of trust elects to have this Lease prior to its mortgage or deed of trust, then and in such event upon such mortgagee or beneficiary giving written notice to Tenant to that effect, this Lease shall be deemed prior to such mortgage or deed of trust whether this Lease is dated or recorded prior to or subsequent to the date of recordation of such mortgage or deed of trust.

PARKING

28. Tenant shall have the exclusive right to use the parking facilities provided by Landlord subject to any recorded easements. Landlord shall have no obligation to police the use of the parking facilities, however.

AUTHORITY

29. Corporate Authority. If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he 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 bylaws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms except as it may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws or by other laws affecting creditors' or lessors' rights generally and except as to the availability of equitable relief.

Partnership Authority. If Tenant is a partnership, each individual executing this Lease on behalf of aid partnership represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said partnership and that this Lease is binding upon said partnership and its partners in accordance with its terms.

30. General Provisions.

(a) Clauses, plats and riders, if any, signed by the Landlord and the Tenant and endorsed on or affixed to this Lease are a part hereof.

(b) The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other terms, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

(c) All notices and demands which may or are required to be given by either party to the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be sufficient if delivered in person or sent by United States Mail, certified or registered, postage prepaid, addressed to the Tenant at the Premises or to such other place as Tenant may from time to time designate in a written notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be sufficient if delivered in person, by receipted courier service, or sent by United States Mail, postage prepaid, addressed to the Landlord at 800 El Camino Real, Suite 175, Menlo Park, California 94025 or to such other person or place as the Landlord may from time to time designate in a notice to the Tenant. Any such notice is effective at the time of delivery or if mailed, two (2) business days after mailing.

(d) If there be more than one Tenant, the obligations hereunder imposed upon Tenants shall be joint and several.

(e) The paragraph titles to the paragraphs of this Lease are not a part of this and shall have no affect upon the construction or interpretation of any part hereof.

(f) Time is of the essence of this Lease and each of its provisions in which performance is a factor.

(g) The time in which any act provided by this Lease is to be done is computed by excluding the first day and including the last, unless the last day is a Saturday, Sunday, or holiday, and then it is also excluded. The term "holiday" shall mean all holidays specified in Sections 6700 and 6701 of the Government Code.

(h) The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

(i) Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party.

(j) Upon Tenant paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.

(k) This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease. No prior agreements or understandings pertaining to any such matters shall be effective for any purpose. No provision of this Lease shall be amended or added except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

(l) If either party shall be delayed or prevented from the performance of any act required by this Lease by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws, or regulations or other cause, without fault and beyond the reasonable control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent for the period of such delay, provided, however, nothing in this section shall excuse Tenant from the prompt payment of any rental or other charge required of Tenant except as may be expressly provided elsewhere in this Lease.

(m) In the event of any action or proceeding brought by either party against the other under this Lease, the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable as attorney's fees.

(n) In the event of any sale of the building, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out all of the covenants and obligations of the Landlord under this Lease.

(o) Tenant shall not use the name of the building or of the development in which the building is situated for any purpose other than as an address of the business to be conducted by the Tenant in the Premises.

(p) Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.

(q) No remedy or election hereunder shall be exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

(r) This Lease shall be governed by the laws of the State of California.

(s) Tenant shall not conduct any auction, on or at the Premises or building without Landlord's prior written consent.

(t) Nothing contained in this Lease shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between Landlord and Tenant, and neither the method of computation of rent nor any other provisions contained in this Lease nor any acts of the parties shall be deemed to create any relationship between Landlord and Tenant other than the relationship of Landlord and Tenant.

(u) (i) The language in all parts of this Lease shall in all cases be simply construed according to its fair meaning and not strictly for or against Landlord or Tenant. Unless otherwise provided in this Lease, or unless the context otherwise requires, the following definitions and rules of construction shall apply to this Lease.

(ii) In this Lease the neuter gender includes the feminine and masculine, and the singular number includes the plural, and the word "person" includes corporation, partnership, firm, or association wherever the context so requires.

(iii) "Shall," "will," and "agrees" are mandatory, "may" is permissive.

(iv) All references to the term of this Lease or the Lease Term shall include any extensions of such Term.

(v) Parties shall include the Landlord and Tenant named in this Lease.

(vi) As used herein, the word "sublessee" shall mean and include, in addition to a sublease and subtenant, a licensee, concessionaire, or other occupant or user of any portion of the leaned Premises or buildings or improvements thereon.

(vii) Whenever the written consent of a party in required under any provision of this Lease, such consent shall not be unreasonably withheld or unduly delayed.

BROKERS

31. Each party warrants to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease other than Cornish & Carey Commercial and it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Each party agrees to indemnify and hold the other harmless from any cost, expense, or liability for any compensation, commissions, or charges claimed by any other broker or agent who alleges he is owed a compensation through it. Landlord agrees to pay any commissions owed to the above named broker and shall hold Tenant harmless from any cost, expense, or liability therefor.

LIST OF EXHIBITS

32. The following is a complete list of the documents attached hereto and made a part of this Lease:

EXHIBIT	DESCRIPTION
A	Site Plan

The parties hereto have executed this Lease and on the dates specified immediately adjacent to their respective signatures.

LANDLORD:

Cupertino Industrial Associates, a California General Partnership
By The Cortana Corporation, General Partner

By: /s/ David A. Wollenberg — Date: 9/30/94
David A. Wollenberg, President

TENANT:
NetManage, Inc.

By: /s/ L.R. Hootnick COO — Date: 9/30/94
Title

By: — Date:
Title

EXHIBIT A

INDUSTRIAL BUILDING LEASE

RENEWAL AGREEMENT

This Industrial Building Lease Renewal Agreement ("Agreement"), dated for reference purposes only, October 2, 1996 is made by and between Cupertino Industrial Associates, a California general partnership (herein "Landlord") and NetManage, Inc. (herein "Tenant").

RECITALS

A. The parties hereto previously executed an Industrial Building Lease dated September 30, 1994 wherein Landlord leased to Tenant a portion of the building commonly known as 10460 Bandley Drive, Cupertino, Santa Clara County, California; and

B. Tenant has timely elected to renew and extend the term of the Industrial Building Lease; and

Now therefore, the parties hereto hereby agree as follows:

1. The term of the above referenced Industrial Building Lease is hereby extended to midnight, April 30, 1999.

2. The Minimum Base Rental for the Premises for the period beginning May 1, 1997 and terminating April 30, 1998 is Thirty Nine Thousand Two Hundred Eighty Nine and 68/100 Dollars per month ($39,289.68/month). The Minimum Base Rental for the period beginning May 1, 1998 through April 30, 1999 shall be the Minimum Base Rental for the first twelve (12) months of the renewal term adjusted upward as of the first day of April, 1998 (the adjustment date) according to the following computation:

The base for computing the adjustment is the index figure for February, 1997 (the index date) as shown in the Consumer Price Index (CPI), All Urban Consumers, San Francisco-Oakland-San Jose, All Items, based on the period 1982-84 = 100 as published by the U.S. Department of Labor's Bureau of Labor Statistics.

The index figure for February, 1998 shall be computed as a percentage of the base figure. For example, assuming the base figure on the index date is 160.0 and the index figure for February, 1998 is 168.0, the percentage to be applied is:

$$\frac{168.0}{160.0} = 1.05 = 105.0 \text{ percent.}$$

That percentage shall be applied to the Minimum Base Rental for the Premises for the first

twelve months (12) of the renewal period beginning on the adjustment date and continuing until the end of the renewal period; provided, however, in no event shall the increase be greater than 7% nor less than 4%.

The index for February, 1998 shall be the one reported in the U.S. Department of Labor's most comprehensive official index then in use and most nearly answering the foregoing description of the index to be used. If it is calculated from a base different from the base period 1982-84 = 100 used for the base figure above, the base figure used for calculating the adjustment percentage shall first be converted under a formula supplied by the Bureau.

3. Tenant, having occupied the Premises since 1994, accepts them in an "As Is" condition.

4. All other terms and condition of the original Industrial Building Lease referred to above shall apply to the renewal period.

The parties hereto have executed this Agreement on the dates specified immediately adjacent to their respective signatures.

LANDLORD:
Cupertino Industrial Associates, a California General Partnership
By The Cortana Corporation, General Partner

By /s/ David A. Wollenberg — Date 10/7/96
David A. Wollenberg, President

TENANT:
NetManage, Inc.

By /s/ Walter Amaral — CFO — Date 10/2/96
Title

By — Date
Title

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Name	Location
Extreme Networks International	Cayman Islands

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the references to our firm under the captions "Selected Consolidated Financial Data" and "Experts" and to the use of our report dated February 3, 1999 with respect to the consolidated financial statements of Extreme Networks, Inc. included in the Registration Statement on Form S-1 and related Prospectus of Extreme Networks, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Palo Alto, California
February 5, 1999

5
1,000

YEAR	6-MOS	
JUN-30-1998		DEC-31-1998
JUL-01-1997		JUL-01-1998
DEC-01-1998		DEC-31-1998
9,510		5,792
10,995		6,821
8,241		9,310
433		1,162
0		0
29,024		22,177
6,238		8,563
1,769		3,391
33,731		27,352
15,228		12,703
1,167		1,368
0		0
29		29
12		12
15,828		11,889
33,731	27,352	
23,579		30,851
23,579		30,851
14,897		15,415
14,897		15,415
22,641		19,483
383		546
326		201
(13,868)		(3,953)
0		700
(13,868)		(4,653)
0		0
0		0
0		0
(13,868)		(4,653)
(0.44)		(0.13)
(0.44)		(0.13)