
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

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

**Date of report (date of earliest event reported):
August 2, 2010**

EXTREME NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-25711
(Commission
File No.)

77-0430270
(I.R.S. Employer
Identification No.)

**3585 Monroe Street
Santa Clara, California 95051**
(Address of principal executive offices)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On August 2, 2010, Extreme Networks, Inc. issued a press release announcing certain financial results for the quarter and fiscal year ended June 27, 2010. A copy of the press release is attached hereto as **Exhibit 99.1** and incorporated herein by reference in its entirety. A copy of the investor presentation materials relating to such financial results is attached hereto as **Exhibit 99.2** and incorporated herein by reference in its entirety.

The information in Item 2.02 of this Current Report on Form 8-K, including Exhibits 99.1 and 99.2 to this Current Report on Form 8-K, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended. The information contained in this Item 2.02 and in the accompanying Exhibits 99.1 and 99.2 shall not be incorporated by reference into any registration statement or other document filed by Extreme Networks with the Securities and Exchange Commission, whether made before or after the date of this Current Report, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference to this Item and Exhibits 99.1 and 99.2 in such filing.

Item 8.01 Other Events

The disclosure contained under Item 2.02 hereof is incorporated by reference into Item 8.01 of this Current Report as it may be deemed to include solicitation materials under Rule 14A of the Securities Exchange Act of 1934, as amended.

Important Information/ Solicitation Participants Legend

Extreme Networks, Inc. will file a proxy statement in connection with its 2010 annual meeting of stockholders and advises its stockholders to read that proxy statement when it becomes available because it will contain important information. Stockholders will be able to obtain a free copy of that proxy statement and other documents (when available) that Extreme files with the Securities and Exchange Commission at the Commission’s website at www.sec.gov. That proxy statement and these other documents will also be available free of charge by directing a request to Extreme Networks, Inc., Attn: Investor Relations, 3585 Monroe Street, Santa Clara, California 95051, or from Extreme at www.extremenetworks.com.

Extreme, its directors and named executive officers may be deemed to be participants in the solicitation of proxies from the Extreme stockholders in connection with the 2010 annual meeting. Stockholders may obtain information regarding the names, affiliations and interests of such individuals in Extreme’s proxy statement filed on November 12, 2009 for the 2009 annual meeting of stockholders. To the extent that holdings of Extreme securities on the part of those individuals have changed since the date of that proxy statement, those changes have been reflected on Statements of Changes in Ownership on Forms 3 or 4 filed with the Securities and Exchange Commission. More current information regarding the interests of the directors and named executive officers of Extreme will be contained in the proxy statement referred to in the preceding paragraph.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

- 99.1** Press Release, dated August 2, 2010, announcing the financial results of Extreme Networks, Inc. for the quarter and fiscal year ended June 27, 2010.
- 99.2** Investor Presentation Materials, dated August 2, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 2, 2010

EXTREME NETWORKS, INC.

By: _____ /s/ **BOB L. COREY**
Bob L. Corey
Acting President and Chief Executive Officer
Senior Vice President and Chief Financial Officer

FOR IMMEDIATE RELEASE**For more information, contact:**

Extreme Networks
Investor Relations
408/579-3030
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408/579-3483
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**EXTREME NETWORKS REPORTS 12% PRODUCT REVENUE GROWTH
NORTH AMERICA AND EMEA POST DOUBLE DIGIT PERFORMANCE**

SANTA CLARA, Calif.; August 2, 2010 – Extreme Networks, Inc. (Nasdaq: EXTR) today announced financial results for its 2010 fiscal fourth quarter and year ended June 27, 2010. For the quarter, net revenue was \$85.5 million, which was in line with Company’s revised guidance and compares to revenue of \$78.2 million in the previous quarter and \$81.3 million in the fourth quarter of last year.

“Product revenue in North America and EMEA increased by 17 percent and 22 percent, respectively from Q3, as we enter new markets and add new customers,” said Bob L. Corey, CFO and acting President & CEO of Extreme Networks. “Revenue per employee for the fourth quarter was the highest in more than 16 quarters, as we continue our focus on growing revenue and introducing innovative new products.”

Fourth quarter non-GAAP operating income increased by 17 percent to \$5.6 million or 6.6 percent of net revenue, compared to \$4.8 million or 6.2 percent of net revenue in the previous quarter, and increased by 84 percent from \$3.1 million or 3.8 percent of net revenue in the fourth quarter of last year. Additionally, non-GAAP net income was \$6.3 million or \$0.07 per diluted share, compared to \$5.5 million or \$0.06 per diluted share in the previous quarter, and \$2.3 million or \$0.03 per diluted share in the fourth quarter of last year. Non-GAAP financial results exclude the impact of stock-based compensation, restructuring charges and litigation settlement costs. A reconciliation of GAAP to non-GAAP financial measures is included in the accompanying financial tables.

Operating income on a GAAP basis for the fourth quarter was \$2.8 million, compared to \$3.0 million in the previous quarter and \$1.7 million for the fourth quarter of last year. Net income on a GAAP basis for the fourth quarter was \$3.4 million or \$0.04 per diluted share, which included additional restructuring charge of \$0.2 million, a charge of approximately \$1.7 million related to stock based compensation and settlement cost related to patent litigation of \$1.0 million. That compares to net income on a GAAP basis of \$3.7 million or \$0.04 per diluted share in the previous quarter, and net income of \$0.9 million or \$0.01 per diluted share in the fourth quarter of last year.

For the fourth quarter, total net revenue in North America was \$36.3 million, revenue in EMEA was \$36.8 million, and revenue in APAC was \$12.4 million. That compares to revenue of \$32.6 million in North America, \$31.0 million in EMEA, and \$14.6 million in APAC in the previous quarter.

Product revenue in North America increased by 17 percent to \$28 million, product revenue in EMEA increased by 22 percent to \$32 million, and product revenue in APAC declined by 18 percent to \$10.6 million.

Fiscal Year Results

For the fiscal year ended June 27, 2010, net revenue was \$ 309.4 million, compared to \$335.6 million in the prior fiscal year. Non-GAAP net income was \$ 11.7 million or \$0.13 per diluted share, compared to \$8.9 million or \$0.09 per diluted share for the prior fiscal year.

GAAP net income for the fiscal year was \$0.2 million or \$0.00 per diluted share, compared to \$2.8 million or \$0.03 per diluted share for the prior fiscal year.

For the fiscal year, net revenue in North America was \$123.2 million, net revenue in EMEA was \$133.7 million, and net revenue in APAC was \$52.4 million. That compares to net revenue of \$131.0 million in North America, \$153.8 million in EMEA and \$50.8 million in APAC in the prior fiscal year.

Cash from operations for the fiscal year almost doubled to \$9.3 million from \$4.7 million in the prior fiscal year. Cash and investments increased by \$5.0 million to \$132.4 million from \$127.4 million in the prior fiscal year.

2011 Fiscal First Quarter non-GAAP Financial Guidance

For its 2011 fiscal first quarter ending September 26, 2010, the Company currently expects net revenue to be in a range of \$81-\$84 million; gross margin of 57%-59%; non-GAAP operating income of \$3.5-\$6.0 million; and non-GAAP net income of \$0.04 to \$0.06 per diluted share.

Conference Call and Slide Presentation

Extreme Networks will host a conference call to discuss these results today at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time). The conference call may be heard by dialing 1-877-303-9826 (international callers dial 1-224-357-2194). A 7-day replay will be available following the call by dialing 1-800-642-1687 (international callers dial 1-706-645-9291). The conference call passcode is 86969241. In addition, a live webcast and replay of the call will be available at <http://investor.extremenetworks.com>. PLEASE NOTE: throughout the conference call, the Company will refer to a slide presentation that will be posted in the Investor Relations section of the Company's website at <http://investor.extremenetworks.com>.

Non-GAAP Financial Measures

Extreme Networks provides all financial information required in accordance with generally accepted accounting principles (GAAP). To supplement our consolidated financial statements presented in accordance with GAAP, we are also providing with this press release non-GAAP net income/(loss), non-GAAP operating income/(loss) and non-GAAP earnings/(loss) per diluted share. In preparing our non-GAAP information, we have excluded, where applicable, the impact of restructuring charges, share-based compensation and litigation settlement costs. We believe that excluding these charges provides both management and investors with additional insight into our current operations, the trends affecting the Company and the Company's marketplace performance. In particular, management finds it useful to exclude these charges in order to more readily correlate the Company's operating activities with the Company's ability to generate cash from operations. Accordingly, management uses these non-GAAP measures, along with the comparable GAAP information, in evaluating our historical performance and in planning our future business activities. Please note that our non-GAAP measures may be different than those used by other companies. The additional non-GAAP financial information we present should be considered in conjunction with, and not as a substitute for, our financial information presented in accordance with GAAP. We have provided a non-GAAP reconciliation of the Consolidated Statement of Operations for the periods presented in this release, which are adjusted to exclude restructuring charges, share-based compensation expense and litigation settlement cost for these periods. These measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures for comparable financial information and understanding of the Company's ongoing performance as a business. Extreme Networks uses both GAAP and non-GAAP measures to evaluate and manage its operations.

Extreme Networks, Inc.

Extreme Networks provides converged Ethernet network infrastructure that support data, voice and video for enterprises and service providers. Extreme Networks' network solutions feature high performance, high availability and scalable switching solutions that enable organizations to address real-world communications challenges and opportunities. Operating in more than 50 countries, Extreme Networks provides wired and wireless secure LANs, data center infrastructure and Service Provider Ethernet transport solutions that are complemented by global, 24x7 service and support. For more information, visit: <http://www.extremenetworks.com>

Extreme Networks is either a trademark or registered trademark of Extreme Networks, Inc. in the United States and/or other countries.

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This announcement contains forward-looking statements that involve risks and uncertainties, including statements regarding the Company's expectations regarding financial performance and product introduction. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including, but not limited to: a challenging macro-economic environment both in the United States and overseas; fluctuations in demand for the Company's products and services; a highly competitive business environment for network switching equipment; the Company's effectiveness in controlling expenses, the possibility that the Company might experience delays in the development of new technology and products; customer response to its new technology and products; the timing of any recovery in the global economy; risks related to pending or future litigation, and a dependency on third parties for certain components and for the manufacturing of the Company's products. The Company undertakes no obligation to update the forward-looking information in this release. More information about potential factors that could affect the Company's business and financial results is included in its filings with the Securities and Exchange Commission, including, without limitation, under the captions: "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors," which are on file with the Securities and Exchange Commission."

EXTREME NETWORKS, INC.

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

	June 27, 2010 (unaudited)	June 28, 2009 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 49,004	\$ 46,195
Short-term investments	64,854	8,976
Accounts receivable, net of allowances of \$1,969 at June 27, 2010 (\$2,135 at June 28, 2009)	42,057	37,616
Inventories, net	21,842	12,380
Deferred income taxes	392	244
Prepaid expenses and other current assets, net	3,932	4,368
Total current assets	<u>182,081</u>	<u>109,779</u>
Property and equipment, net	43,572	44,229
Marketable securities	18,561	72,231
Other assets, net	15,731	13,736
Total assets	<u>\$ 259,945</u>	<u>\$ 239,975</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 18,543	\$ 12,771
Accrued compensation and benefits	13,365	12,320
Restructuring liabilities	3,097	3,559
Accrued warranty	3,169	3,170
Deferred revenue, net	29,552	30,058
Deferred revenue, net of cost of sales to distributors	18,345	9,821
Other accrued liabilities	13,381	14,666
Total current liabilities	<u>99,452</u>	<u>86,365</u>
Restructuring liabilities, less current portion	273	3,519
Deferred revenue, less current portion	7,633	7,425
Deferred income taxes	731	564
Other long-term liabilities	2,661	592
Commitments and contingencies	—	—
Stockholders' equity:		
Convertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares authorized; none issued	—	—
Common stock, \$.001 par value, 750,000,000 shares authorized; 129,827,715 issued at June 27, 2010 and 128,425,140 issued at June 28, 2009	130	128
Treasury stock, 39,625,305 shares at June 27, 2010 and June 28, 2009	(149,666)	(149,666)
Additional paid-in-capital	956,792	949,113
Accumulated other comprehensive income	1,100	1,323
Accumulated deficit	(659,161)	(659,388)
Total stockholders' equity	<u>149,195</u>	<u>141,510</u>
Total liabilities and stockholders' equity	<u>\$ 259,945</u>	<u>\$ 239,975</u>

(1) The information in this column is derived from the Company's consolidated balance sheet included in the Company's Annual Report on Form 10-K for the year ended June 28, 2009.

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(unaudited)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>June 27, 2010</u>	<u>June 28, 2009</u>	<u>June 27, 2010</u>	<u>June 28, 2009</u>
Net revenues:				
Product	\$ 70,610	\$ 64,824	\$ 249,035	\$ 273,772
Service	14,842	16,458	60,319	61,787
Total net revenues	<u>85,452</u>	<u>81,282</u>	<u>309,354</u>	<u>335,559</u>
Cost of revenues:				
Product	30,388	29,045	107,998	116,731
Service	6,447	6,243	24,863	28,166
Total cost of revenues	<u>36,835</u>	<u>35,288</u>	<u>132,861</u>	<u>144,897</u>
Gross profit:				
Product	40,222	35,779	141,037	157,041
Service	8,395	10,215	35,456	33,621
Total gross margin	<u>48,617</u>	<u>45,994</u>	<u>176,493</u>	<u>190,662</u>
Operating expenses:				
Sales and marketing	25,806	23,255	96,621	98,235
Research and development	12,045	13,719	49,390	58,176
General and administrative	6,946	7,189	26,839	29,945
Restructuring charge	235	153	4,238	2,245
Litigation settlement	829	—	829	—
Total operating expenses	<u>45,861</u>	<u>44,316</u>	<u>177,917</u>	<u>188,601</u>
Operating income (loss)	2,756	1,678	(1,424)	2,061
Interest income	363	395	1,481	3,360
Interest expense	(43)	(54)	(141)	(147)
Other (expense)/ income, net	(32)	(581)	(99)	13
Income (loss) before income taxes	3,044	1,438	(183)	5,287
Provision for income taxes	(368)	555	(410)	2,472
Net income	<u>\$ 3,412</u>	<u>\$ 883</u>	<u>\$ 227</u>	<u>\$ 2,815</u>
Basic and diluted net income per share:				
Net income per share - basic	\$ 0.04	\$ 0.01	\$ 0.00	\$ 0.03
Net income per share - diluted	\$ 0.04	\$ 0.01	\$ 0.00	\$ 0.03
Shares used in per share calculation - basic	89,772	88,700	89,281	94,225
Shares used in per share calculation - diluted	90,144	88,722	89,477	94,284

EXTREME NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(unaudited)

	Year Ended	
	June 27, 2010	June 28, 2009
Cash flows from operating activities:		
Net income	\$ 227	\$ 2,815
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,588	5,902
Loss (gain) on value of UBS option to put securities	2,091	(4,520)
ARS mark to market, trading (gain) loss	(2,091)	4,520
Provision for doubtful accounts	(26)	232
Provision for excess and obsolete inventory	1,782	2,265
Deferred income taxes	21	170
Amortization of warrant	—	—
Loss on retirement of assets	178	94
Stock-based compensation	6,235	3,854
Restructuring charge, net of reversal	4,238	2,244
Changes in operating assets and liabilities, net		
Accounts receivable	(4,414)	19,730
Inventories	(11,236)	(706)
Prepaid expenses and other assets	(1,560)	26
Accounts payable	5,773	(4,150)
Accrued compensation and benefits	1,045	(6,636)
Restructuring liabilities	(7,593)	(4,553)
Accrued warranty	(0)	(1,654)
Deferred revenue, net	(299)	(2,807)
Deferred revenue, net of cost of sales to distributors	8,524	(4,317)
Other accrued liabilities	(1,245)	(7,341)
Other long-term liabilities	2,068	(466)
Net cash provided by operating activities	<u>9,306</u>	<u>4,702</u>
Cash flows (used in) provided by investing activities:		
Capital expenditures	(5,109)	(6,877)
Purchases of investments	(51,552)	(44,479)
Proceeds from maturities of investments and marketable securities	34,452	28,164
Proceeds from sales of investments and marketable securities	14,627	93,571
Net cash (used in) provided by investing activities	<u>(7,582)</u>	<u>70,379</u>
Cash flows provided by (used in) financing activities:		
Proceeds from issuance of common stock	1,085	2,107
Repurchase of common stock, including expenses	—	(101,363)
Net cash provided by (used in) financing activities	<u>1,085</u>	<u>(99,256)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,809</u>	<u>(24,175)</u>
Cash and cash equivalents at beginning of period	<u>46,195</u>	<u>70,370</u>
Cash and cash equivalents at end of period	<u>\$ 49,004</u>	<u>\$ 46,195</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 141	\$ 146
Cash paid for income taxes, net	\$ 1,197	\$ 2,825

EXTREME NETWORKS, INC.

GAAP TO NON-GAAP RECONCILIATION

(In thousands)
(unaudited)

	Three Months Ended		Twelve Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Net income - GAAP Basis	\$ 3,412	\$ 883	\$ 227	\$ 2,815
Non-GAAP adjustments				
Stock-based compensation expense	\$ 1,664	\$ 1,224	\$ 6,235	\$ 3,854
Restructuring charge	235	153	4,238	2,245
Litigation settlement	968	—	968	—
Total Non-GAAP adjustments	\$ 2,867	\$ 1,377	\$ 11,441	\$ 6,099
Net income - Non-GAAP Basis	\$ 6,279	\$ 2,260	\$ 11,668	\$ 8,914
Non-GAAP Adjustments				
Cost of product revenue	\$ 285	\$ 97	\$ 628	\$ 205
Cost of service revenue	161	80	523	253
Sales and marketing	461	426	1,853	1,349
Research and development	372	392	1,695	1,240
General and administrative	524	229	1,675	807
Restructuring charge	235	153	4,238	2,245
Litigation settlement	829	—	829	—
Total Non-GAAP adjustments	\$ 2,867	\$ 1,377	\$ 11,441	\$ 6,099



Q4 FY2010

Financial Results Slides

Bob L. Corey - SVP/CFO and Acting CEO
Mike Seaton – VP WW Sales and Customer Support

August 2, 2010

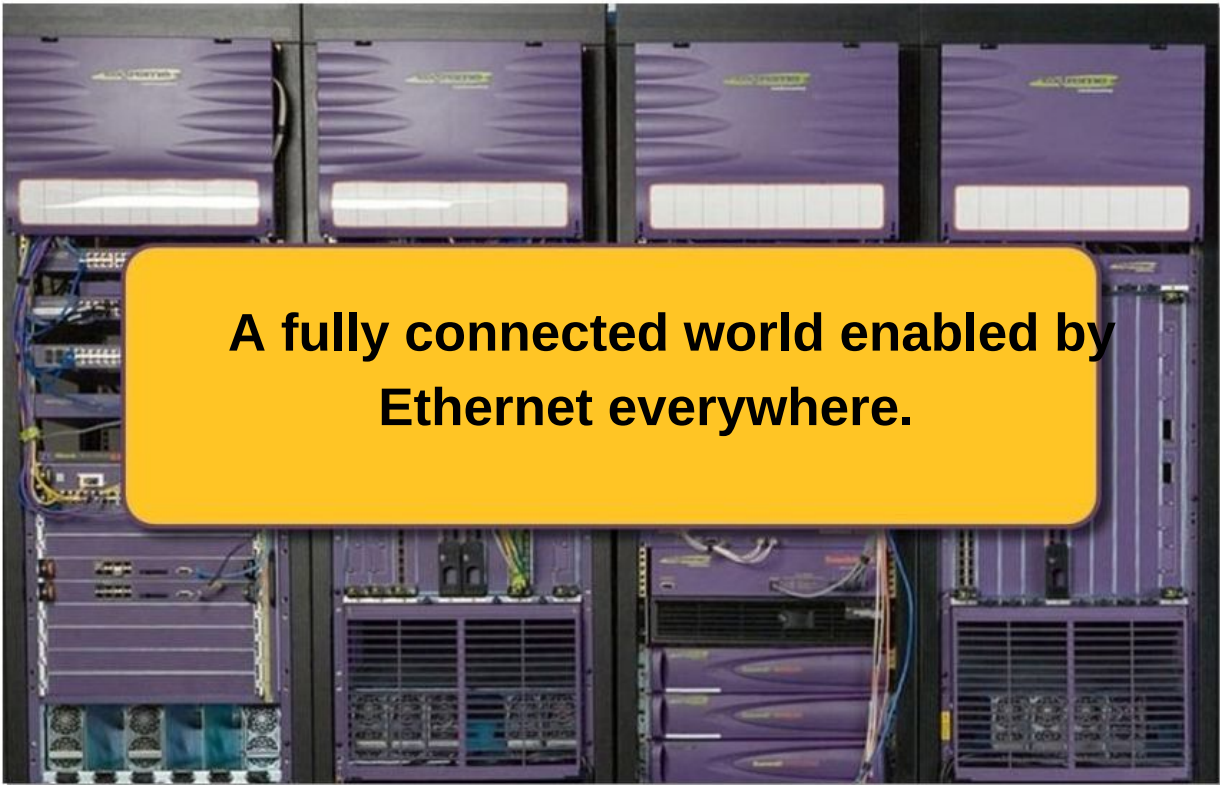
This presentation contains forward-looking statements that involve risks and uncertainties, including statements regarding the Company's financial performance, acceptance of the Company's newer products in the market and its expectations regarding its products. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including, but not limited to: a challenging macro-economic environment both in the United States and overseas; fluctuations in demand for the Company's products and services; a highly competitive business environment for network switching equipment; its effectiveness in controlling expenses, the possibility that the Company might experience delays in the development of new technology and products; customer response to its new technology and products; the timing of any recovery in the global economy; risks related to pending or future litigation, and a dependency on third parties for certain components and for the manufacturing of the Company's products. The Company undertakes no obligation to update the forward-looking information in this release. More information about potential factors that could affect the Company's business and financial results is included in its filings with the Securities and Exchange Commission, including, without limitation, under the captions: "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors," which are on file with the Securities and Exchange Commission."


Cautionary Statement on Pro Forma Results



With the exception of revenue and the number of shares outstanding, all of the charts that follow refer to non-GAAP operating results unless stated otherwise. Non-GAAP operating results exclude the effective restructuring charges, stock-based compensation, and cost associated with litigation settlement.

A GAAP to non-GAAP reconciliation is provided at the end of this presentation.



A photograph of a server rack with several purple server units. A yellow rounded rectangle is overlaid on the center of the image, containing the mission statement text. The server units have a distinctive purple and white wave-like pattern on their front panels.

Deliver high performance, innovative products and superior services to ensure the success of our customers & partners.

Pro Forma Financial Highlights



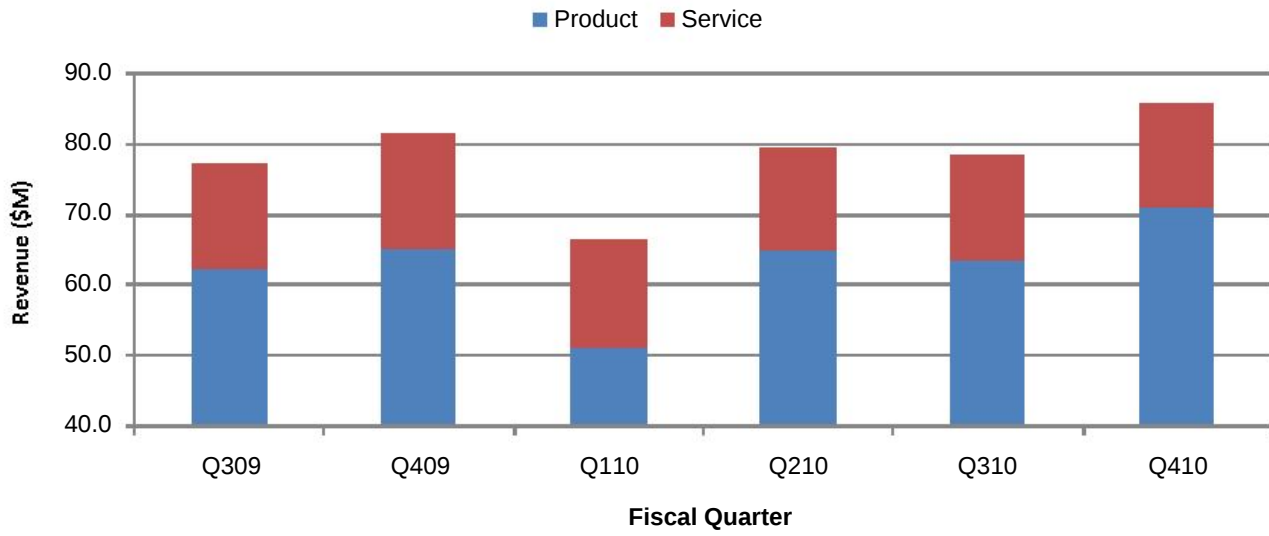
	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10
Product	64.8	50.8	64.5	63.2	70.6
Service	16.5	15.6	14.9	15.0	14.8
Total Revenue (\$M)	81.3	66.3	79.4	78.2	85.5
Gross Margin (%)	56.8%	55.7%	58.0%	58.3%	57.4%
Research & Development (\$M)	13.3	13.2	11.8	10.9	11.7
Sales & Marketing (\$M)	22.8	21.3	23.9	24.2	25.3
General & Administrative (\$M)	7.0	6.9	6.1	5.7	6.4
Total Operating Expense (\$M)	43.1	41.4	41.8	40.9	43.4
Operating Expense (%)	53.1%	62.5%	52.6%	52.3%	50.8%
Operating Margin (%)	3.8%	-6.8%	5.4%	6.2%	6.6%

- **Total revenue up 9% sequentially and up 5% year over year**
- **Product revenue up 12% sequentially and up 9% year over year**
- **Americas product revenue up 17% sequentially due to strong sales in education market and pickup in wireless**
- **EMEA product revenue up 22% due to stronger service provider business**
- **Service revenue remained stable**

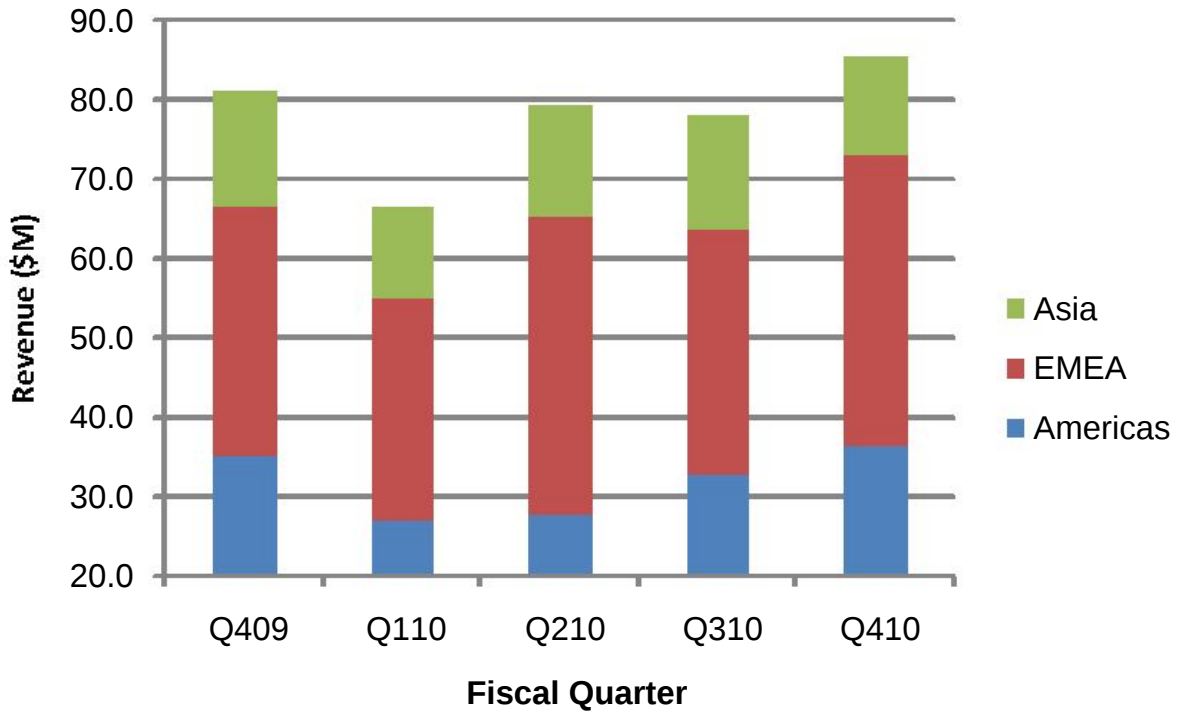
- **Inventory investment decreased from \$23.6 to \$21.8 million quarter over quarter**
- **Turnover at 6X**
- **Continued improvements to integrate sales forecasting and materials requirements planning**
- **Continuous Supply Chain engagement**

- **Total Americas revenue up 11% sequentially and 4% year over year; product revenue increased 17% sequentially and 11% year over year**
- **EMEA total revenue increased 18% sequentially and 16.5% year over year; product revenue up 22% both sequentially and year over year**
- **Asia Pacific total revenue declined 15% sequentially and 16% year over year; product revenue down 18% sequentially and 21% year over year**
- **Delayed large purchases from service providers in India and Korea**

Total Revenue



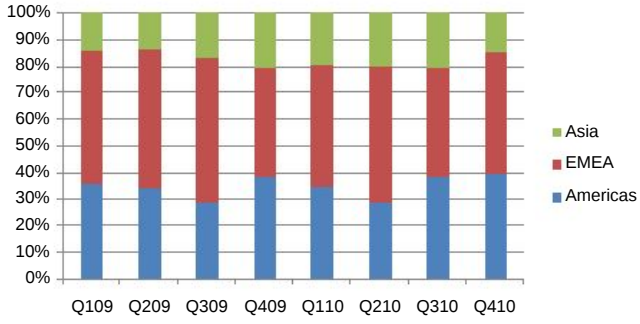
Q4 FY10 Revenue Trends



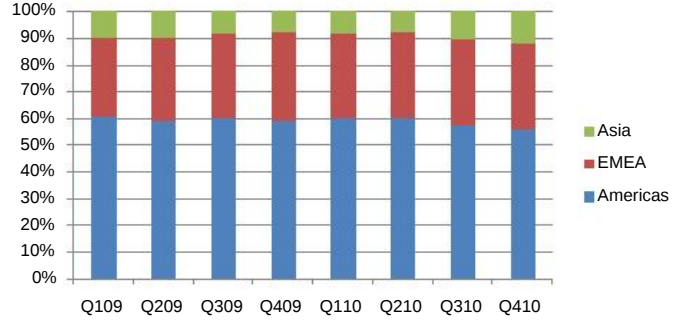
Revenue Breakdown by Geography



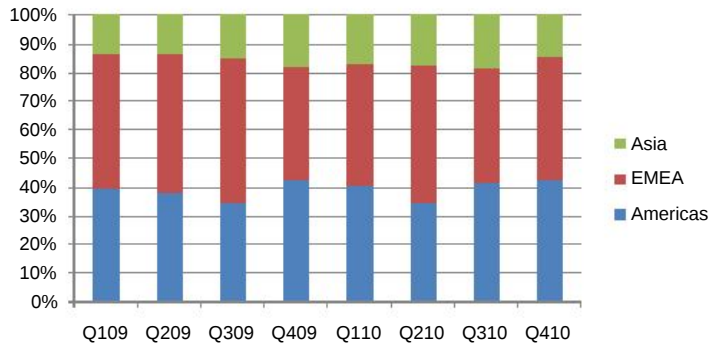
Product Revenue



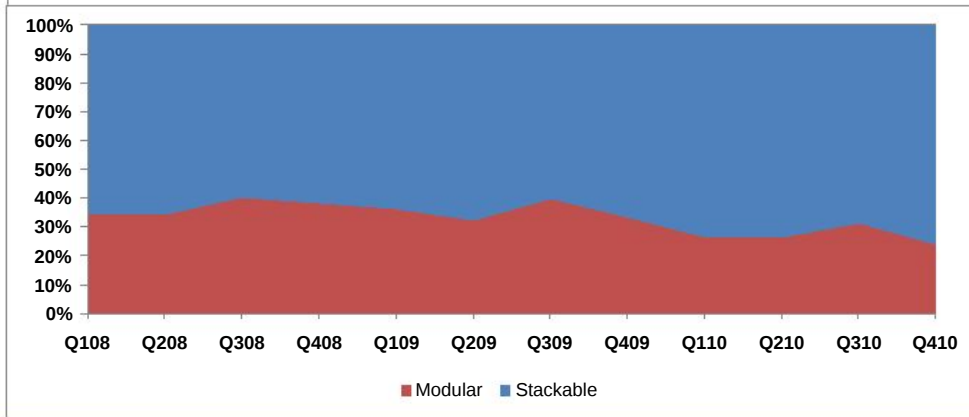
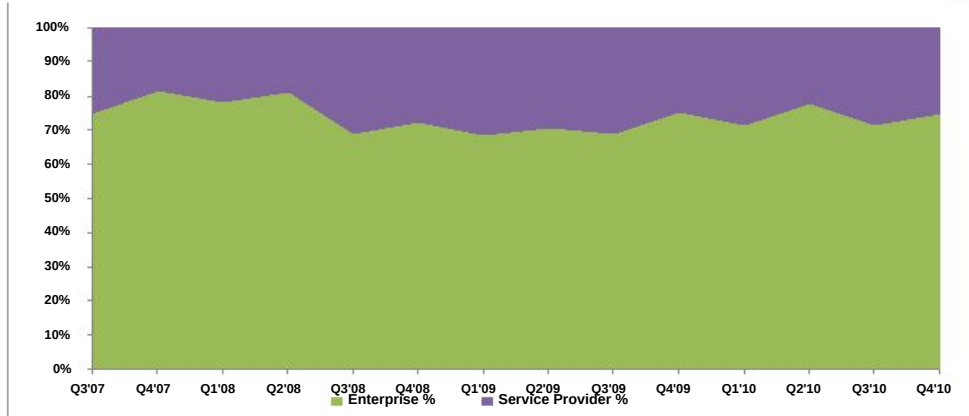
Service Revenue



Total Revenue



Enterprise/Service Provider Bookings and Stackable/Modular Revenue Trend



- Overall gross margin was 57.4% as expected
 - Excluding one-time favorable impact in Q3, margin up 0.5% from prior quarter

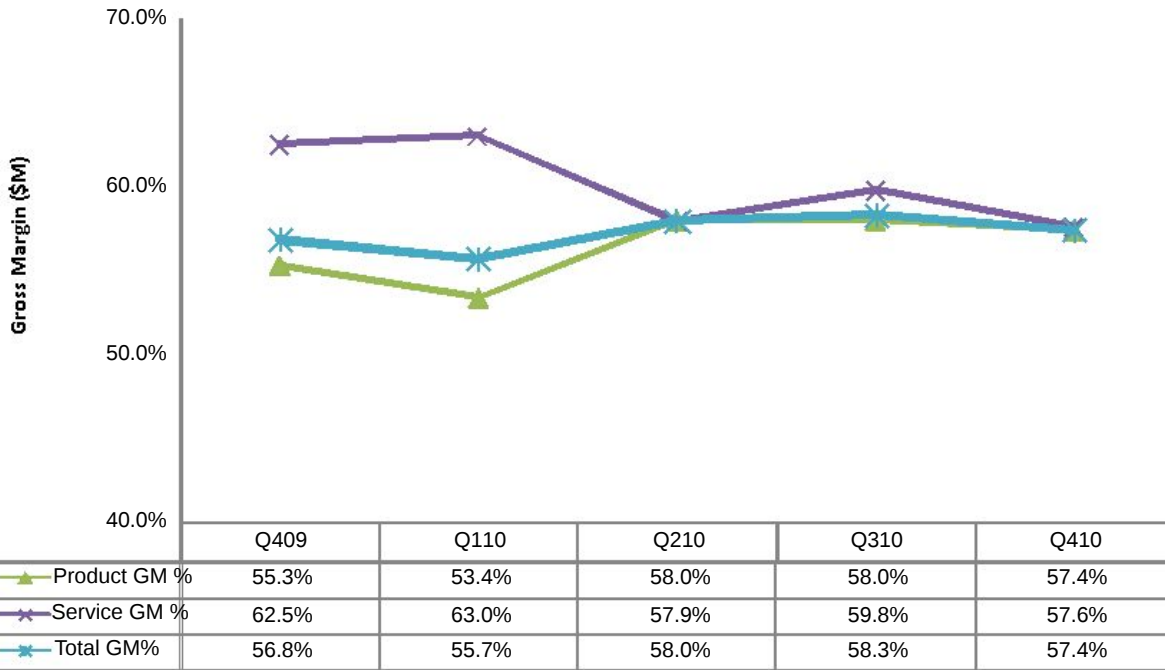
- Product GM was 57.4% as expected
 - Favorable warranty impact in Q3

- Service GM decreased to 57.7% due to lower revenue

Gross Margin Trends

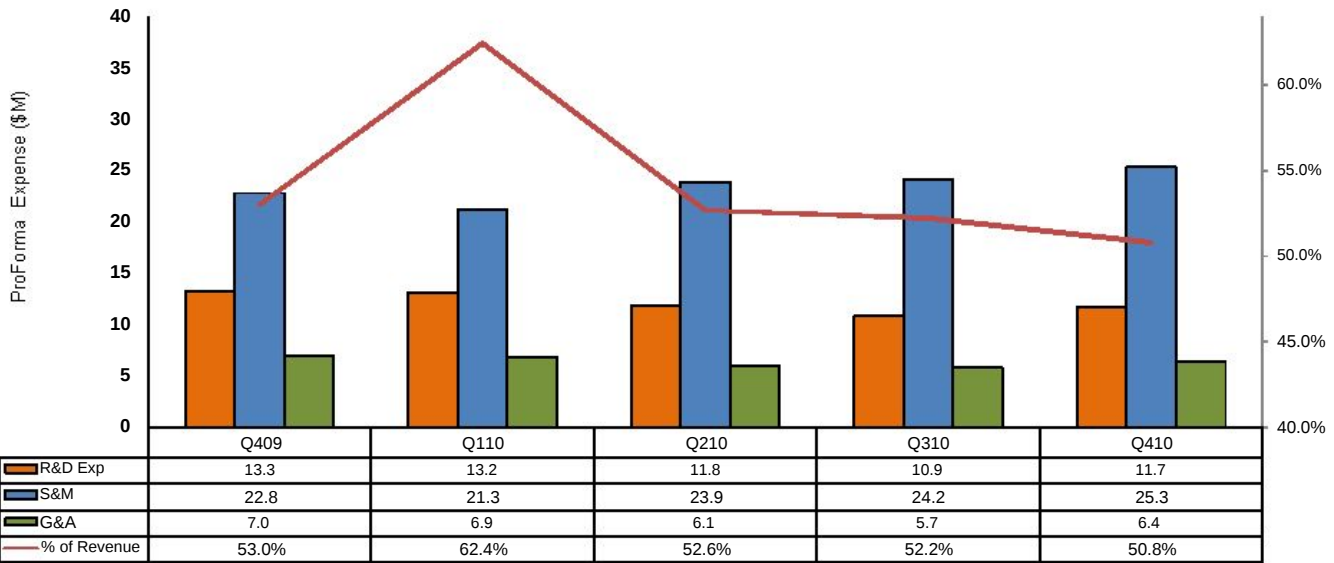


ProForma Gross Margin Trends



- **Sales & Marketing up \$1.2M from prior quarter due to higher commissions**
- **R&D up \$700k from prior quarter driven by timing of project development cost**
- **G&A up \$700k from prior quarter due to higher fees related to litigation**

Operating Expense Trend



Q4 FY10 Balance Sheet Metrics



	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10
Cash & Investments (\$M)	127.4	130.7	135.4	127.9	132.4
Cash Flow from Operations (\$M)	8.7	4.1	6.1	(7.2)*	6.3
Accts Receivable (\$M)	37.6	36.2	40.6	36.6	42.1
DSO	42	50	47	43	45
Inventory (\$M)	12.4	16.2	16.6	23.6	21.8
EBITDA – Pro-Forma	4.8	(2.9)	5.6	6.1	6.9
Headcount (<i>Regular</i>)	786	788	730	715	740

* Reflected increased inventory investment for anticipated Q4 demand

- **Total Q1 revenue of \$81-\$84 million**
- **Total Gross Margin of 57% - 59%**
- **Pro-Forma Operating Income of \$3.5M-\$6.0M**
- **EPS of \$.04 to \$.06**

- **Gross Margin of 57%-59%**
- **Research & Development of 13%-14%**
- **Sales & Marketing of 25%-26%**
- **General & Administrative of 7%-8%**
- **Operating Income of ~11%**

GAAP to NON-GAAP Reconciliation



	Three Months Ended		Twelve Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Net income - GAAP Basis	\$ 3,412	\$ 883	\$ 227	\$ 2,815
Non-GAAP adjustments				
Stock-based compensation expense	\$ 1,664	\$ 1,224	\$ 6,235	\$ 3,854
Restructuring charge	235	153	4,238	2,245
Litigation settlement	968	-	968	-
Total Non-GAAP adjustments	\$ 2,867	\$ 1,377	\$ 11,441	\$ 6,099
Net income - Non-GAAP Basis	\$ 6,279	\$ 2,260	\$ 11,668	\$ 8,914
Non-GAAP Adjustments				
Cost of product revenue	\$ 285	\$ 97	\$ 628	\$ 205
Cost of service revenue	161	80	523	253
Sales and marketing	461	426	1,853	1,349
Research and development	372	392	1,695	1,240
General and administrative	524	229	1,675	807
Restructuring charge	235	153	4,238	2,245
Litigation settlement	829	-	829	-
Total Non-GAAP adjustments	\$ 2,867	\$ 1,377	\$ 11,441	\$ 6,099



Thank you

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