

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2017

OR

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

For the transition period from _____ to _____

Commission file number 000-25711

EXTREME NETWORKS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

[State or other jurisdiction
of incorporation or organization]

**6480 Via Del Oro,
San Jose, California**

[Address of principal executive office]

77-0430270

[I.R.S Employer
Identification No.]

95119

[Zip Code]

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares of the Registrant's Common Stock, \$.001 par value, outstanding at February 2, 2018, was 115,267,499

EXTREME NETWORKS, INC.
FORM 10-Q
QUARTERLY PERIOD ENDED 2018
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EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	<u>December 31, 2017</u>	<u>June 30, 2017</u> (As adjusted)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 127,108	\$ 130,450
Accounts receivable, net of allowance for doubtful accounts of \$1,382 at December 31, 2017 and \$1,190 at June 30, 2017	154,906	93,115
Inventories	83,377	47,410
Prepaid expenses and other current assets	24,772	27,867
Total current assets	<u>390,163</u>	<u>298,842</u>
Property and equipment, net	68,565	30,240
Intangible assets, net	92,925	25,337
Goodwill	130,988	80,216
Other assets	44,267	25,065
Total assets	<u>\$ 726,908</u>	<u>\$ 459,700</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 22,426	\$ 12,280
Accounts payable	73,553	31,587
Accrued compensation and benefits	49,104	42,662
Accrued warranty	13,010	10,584
Deferred revenue	113,664	79,048
Other accrued liabilities	74,517	37,044
Total current liabilities	<u>346,274</u>	<u>213,205</u>
Deferred revenue, less current portion	38,693	25,293
Long-term debt, less current portion	160,712	80,422
Deferred income taxes	5,163	6,576
Other long-term liabilities	64,347	8,526
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Convertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares authorized; none issued	—	—
Common stock, \$.001 par value, 750,000,000 shares authorized; 113,931,341 shares issued and outstanding at December 31, 2017 and 110,924,508 shares issued and outstanding at June 30, 2017	114	111
Additional paid-in-capital	921,716	909,155
Accumulated other comprehensive loss	(1,278)	(2,302)
Accumulated deficit	(808,833)	(781,286)
Total stockholders' equity	<u>111,719</u>	<u>125,678</u>
Total liabilities and stockholders' equity	<u>\$ 726,908</u>	<u>\$ 459,700</u>

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016 (As adjusted)	December 31, 2017	December 31, 2016 (As adjusted)
Net revenues:				
Product	\$ 174,850	\$ 118,055	\$ 339,624	\$ 208,148
Service	56,273	38,322	103,214	70,833
Total net revenues	<u>231,123</u>	<u>156,377</u>	<u>442,838</u>	<u>278,981</u>
Cost of revenues:				
Product	78,472	62,627	158,517	106,876
Service	23,665	14,098	42,954	26,567
Total cost of revenues	<u>102,137</u>	<u>76,725</u>	<u>201,471</u>	<u>133,443</u>
Gross profit:				
Product	96,378	55,428	181,107	101,272
Service	32,608	24,224	60,260	44,266
Total gross profit	<u>128,986</u>	<u>79,652</u>	<u>241,367</u>	<u>145,538</u>
Operating expenses:				
Research and development	45,907	24,013	80,192	42,312
Sales and marketing	65,659	41,025	121,220	77,884
General and administrative	11,669	9,397	23,854	17,684
Acquisition and integration costs, net of bargain purchase gain	34,115	4,169	38,359	6,490
Restructuring and related charges, net of reversals	—	1,853	—	1,853
Amortization of intangibles	2,746	2,175	4,360	6,317
Total operating expenses	<u>160,096</u>	<u>82,632</u>	<u>267,985</u>	<u>152,540</u>
Operating loss	(31,110)	(2,980)	(26,618)	(7,002)
Interest income	717	81	1,364	138
Interest expense	(2,504)	(1,176)	(4,719)	(1,823)
Other income (expense), net	(643)	1,025	2,484	802
Loss before income taxes	(33,540)	(3,050)	(27,489)	(7,885)
Provision (benefit) for income taxes	(1,617)	1,179	58	2,086
Net loss	<u>\$ (31,923)</u>	<u>\$ (4,229)</u>	<u>\$ (27,547)</u>	<u>\$ (9,971)</u>
Basic and diluted net loss per share:				
Net loss per share - basic	\$ (0.28)	\$ (0.04)	\$ (0.24)	\$ (0.09)
Net loss per share - diluted	\$ (0.28)	\$ (0.04)	\$ (0.24)	\$ (0.09)
Shares used in per share calculation - basic	113,621	107,425	112,931	106,690
Shares used in per share calculation - diluted	113,621	107,425	112,931	106,690

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016 (As adjusted)	December 31, 2017	December 31, 2016 (As adjusted)
Net loss:	\$ (31,923)	\$ (4,229)	\$ (27,547)	\$ (9,971)
Other comprehensive income (loss), net of tax:				
Available for sale securities:				
Change in unrealized gains on available for sale securities	54	—	237	—
Net change in foreign currency translation adjustments	432	(421)	787	(974)
Other comprehensive income (loss), net of tax:	486	(421)	1,024	(974)
Total comprehensive loss	<u>\$ (31,437)</u>	<u>\$ (4,650)</u>	<u>\$ (26,523)</u>	<u>\$ (10,945)</u>

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Six Months Ended	
	December 31, 2017	December 31, 2016 (As adjusted)
Cash flows from operating activities:		
Net loss	\$ (27,547)	\$ (9,971)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	8,093	4,832
Amortization of intangible assets	11,023	11,593
Provision for doubtful accounts	1,180	154
Stock-based compensation	11,828	6,856
Deferred income taxes	(2,135)	923
Non-cash restructuring and related charges	—	1,718
Realized gain on sale of non-marketable equity investment	(3,757)	—
Realized gain on bargain purchase	(4,920)	—
Other non-cash items	1,818	(243)
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed		
Accounts receivable	(11,188)	(7,756)
Inventories	(449)	4,313
Prepaid expenses and other assets	1,188	6,823
Accounts payable	17,547	(4,444)
Accrued compensation and benefits	3,734	(916)
Deferred revenue	4,446	(2,469)
Other current and long-term liabilities	3,387	7,875
Net cash provided by operating activities	<u>14,248</u>	<u>19,288</u>
Cash flows from investing activities:		
Capital expenditures	(13,309)	(4,662)
Acquisitions	(97,581)	(51,088)
Proceeds from sale of non-marketable equity investment	4,922	—
Net cash used in investing activities	<u>(105,968)</u>	<u>(55,750)</u>
Cash flows from financing activities:		
Borrowings under Term Loan	100,000	48,250
Repayments of debt	(8,686)	(5,513)
Loan fees on borrowings	(1,494)	(1,327)
Proceeds from issuance of common stock, net of tax withholding	(1,536)	4,831
Net cash provided by financing activities	<u>88,284</u>	<u>46,241</u>
Foreign currency effect on cash	94	(115)
Net (decrease) increase in cash and cash equivalents	<u>(3,342)</u>	<u>9,664</u>
Cash and cash equivalents at beginning of period	130,450	94,122
Cash and cash equivalents at end of period	<u>\$ 127,108</u>	<u>\$ 103,786</u>

See accompanying notes to the condensed consolidated financial statements.

EXTREME NETWORKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Basis of Presentation

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

The unaudited condensed consolidated financial statements of Extreme included herein have been prepared under the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted under such rules and regulations. The condensed consolidated balance sheet at June 30, 2017 was derived from audited financial statements as of that date but does not include all disclosures required by generally accepted accounting principles for complete financial statements. These interim financial statements and notes should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

The unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations and cash flows for the interim periods presented and the financial condition of Extreme at December 31, 2017. The results of operations for the three and six months ended December 31, 2017 are not necessarily indicative of the results that may be expected for fiscal 2018 or any future periods.

Effective July 1, 2017, the Company adopted the requirements of Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers. All amounts and disclosures set forth in this Form 10-Q have been updated to comply with the new standards, as indicated by the “as adjusted” footnote.

Fiscal Year

The Company uses a fiscal calendar year ending on June 30. All references herein to “fiscal 2018” or “2018” represent the fiscal year ending June 30, 2018. All references herein to “fiscal 2017” or “2017” represent the fiscal year ending June 30, 2017.

Principles of Consolidation

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

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

Accounting Estimates

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

Reclassification

Certain amounts from prior years have been reclassified to conform to the current year’s presentation in the accompanying condensed consolidated statements of cash flow. The reclassification had no impact on previously reported net loss or accumulated deficit.

2. Business Combinations

The Company completed three acquisitions during the six months ended December 31, 2017. The acquisitions have been accounted for using the acquisition method of accounting. The purchase price has been allocated on a preliminary basis to tangible and identifiable intangible assets acquired and liabilities assumed. The fair value of working capital related items, such as other current assets and accrued liabilities, approximated their book values at the date of acquisition. Inventories were valued at fair value using the net realizable value approach. The fair value of property and equipment was determined using a cost approach. The fair value of the acquired deferred revenue was estimated using the cost build-up approach. The cost build-up approach determines fair value using estimates of the costs required to provide the contracted deliverables plus an assumed profit. The total costs including the assumed profit were adjusted to present value using a discount rate considered appropriate. The resulting fair value approximates the amount that the Company would be required to pay to a third party to assume the obligation. Valuations of the intangible assets were valued using income approaches based on management projections, which we consider to be Level 3 inputs. The Company also continues to analyze the tax implications of the acquisition of the intangible assets which may ultimately impact the overall level of goodwill associated with the acquisition.

The final purchase price allocation is pending the finalization of valuations, which may result in an adjustment to the preliminary purchase price allocation. Also, additional information which existed as of the acquisition dates, but was unknown to the Company at that time, may become known to the Company during the remainder of the measurement period (up to one year from the acquisition dates), and may result in a change in the purchase price allocation. While management believes that its preliminary estimates and assumptions underlying the valuations are reasonable, different estimates and assumptions could result in different valuations assigned to the individual assets acquired and liabilities assumed, and the resulting amount of goodwill. Results of operations of the acquired entities are included in the Company's operations beginning with the closing date of each acquisition.

Fiscal 2018 Acquisitions

Data Center Business

On October 27, 2017 (the "Brocade Closing"), the Company completed its acquisition of the data center business (the "Data Center Business") of Brocade Communication Systems, Inc.'s ("Brocade"), pursuant to an Asset Purchase Agreement (the "Brocade APA") dated as of October 3, 2017, by and between the Company and Brocade. Under the terms and conditions of the Brocade APA, the Company acquired customers, employees, technology and other assets of the Data Center Business as well as assumed certain contracts and other liabilities of the Data Center Business.

The fair value of consideration transferred on the Brocade Closing date includes:

- upfront cash closing payment equal to \$23.0 million,
- deferred payments of \$1.0 million per quarter for the next twenty full fiscal quarters of the Company following the acquisition date discounted to their present value,
- contingent consideration in the form of quarterly earnout payments equal to 50% of the profits of the Data Center Business for the five-year period commencing at the end of the first full fiscal quarter of the Company following the acquisition of the Data Center Business discounted to their present value,
- an amount payable due to the excess working capital acquired over the target working capital agreed upon in the Brocade APA, and,
- portion of the fair value of replacement stock awards granted to employees assumed from Brocade for which their services were provided prior to the Brocade Closing date.

The components of aggregate estimated purchase consideration are as follows (in thousands):

	October 27, 2017
Estimated purchase consideration	
Cash paid to sellers at closing	\$ 23,000
Deferred payments	18,430
Contingent consideration	34,100
Working capital adjustment	6,534
Replacement of stock-based awards	2,273
Aggregate estimated purchase consideration	<u>\$ 84,337</u>

The following table below summarizes the preliminary allocation as of October 27, 2017 of the tangible and identifiable intangible assets acquired and liabilities assumed:

	Preliminary Allocation as of October 27, 2017	
Accounts receivables	\$	33,488
Inventories		19,973
Prepaid expenses and other current assets		988
Property and equipment		29,160
Other assets		4,734
Accounts payable and accrued expenses		(15,850)
Deferred revenue		(33,519)
Net tangible assets acquired		38,974
Identifiable intangible assets		28,600
Goodwill		16,763
Total intangible assets acquired		45,363
Total net assets acquired	\$	84,337

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

Intangible Assets	Estimated Useful Life (in years)	Amount
Developed technology	2 - 5	\$ 21,800
Customer relationships	5	5,400
Trade names	4	1,400
Total identifiable intangible assets		\$ 28,600

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

The results of operations of the Data Center Business are included with those of the Company beginning October 28, 2017. The associated expenses of the Data Center Business have been incorporated with the results of operations of the Company as a product line and, therefore, stand-alone operating results are not available. In the three and six months ended December 31, 2017 the Company incurred \$32.5 million and \$33.8 million, respectively, of acquisition and integration related expenses associated with the acquisition of the Data Center Business, including a \$25.0 consent fee paid to terminate a previous asset purchase agreement entered into by the Company to purchase the Data Center Business from Broadcom Corporation, in anticipation of Broadcom’s proposed acquisition of Brocade. The fee was paid to allow the Company to buy the Data Center Business directly from Brocade. Such acquisition-related costs are included in “Acquisition and integration costs, net of bargain purchase gain” in the accompanying condensed consolidated statements of operations. The costs, which the Company expensed as incurred, consist primarily of professional fees to financial and legal advisors and IT consultants and companies.

Campus Fabric Business

On July 14, 2017, (the “Avaya Closing Date”) the Company completed its acquisition of Avaya Inc.’s (“Avaya”) fabric-based secure networking solutions and network security solutions business (the “Campus Fabric Business”) that had been announced on March 7, 2017. Upon the terms and subject to the conditions of the Asset Purchase Agreement (the “Avaya APA”), the Company acquired the customers, employees, technology and other assets of the Campus Fabric Business, as well as assumed certain contracts and other liabilities of the Campus Fabric Business, for total provisional consideration of \$79.8 million, calculated as \$100.0 million, less adjustments set forth in the Avaya APA related to net working capital, deferred revenue, certain assumed lease obligations and certain assumed pension obligations for transferring employees of the Campus Fabric Business. Pursuant to certain ancillary agreements, Avaya will also provide the Company with transition services for a period of time following the Avaya Closing Date. As a condition of the Avaya APA, the Company had made deposits of \$10.2 million in the third quarter of fiscal 2017, which were applied to the purchase price upon the Avaya Closing Date.

The following table below summarizes the preliminary allocation as of December 31, 2017 of the tangible and identifiable intangible assets acquired and liabilities assumed:

	Preliminary Allocation as of September 30, 2017	Change during three months ended December 31, 2017		Preliminary Allocation as of December 31, 2017
Accounts receivables	\$ 18,112	\$ 183	(a)	\$ 18,295
Inventories			(b)	
	16,605	(1,060)	(c)	15,545
Prepaid expenses and other current assets	673	—		673
Property and equipment	3,768	—		3,768
Other assets	2,568	2,743	(c)	5,311
Accounts payable and accrued expenses			(d)	
	(29,716)	(2,203)	(f)	(31,919)
Deferred revenue			(d)	
	(10,214)	163	(e)	(10,051)
Other long-term liabilities	(6,608)	1,403	(f)	(5,205)
Net tangible assets acquired	(4,812)	1,229		(3,583)
Identifiable intangible assets	44,000	2,900	(g)	46,900
In-process research and development	2,300	200	(g)	2,500
Goodwill	38,338	(4,329)		34,009
Total intangible assets acquired	84,638	(1,229)		83,409
Total net assets acquired	\$ 79,826	\$ —		\$ 79,826

The changes during the period in the table above include: a) additional information on accounts receivable as of the acquisition date, b) additional receipts of product, c) a reclassification from inventories to other assets related to service parts, d) a reclassification from deferred revenue to accounts payable, e) an adjustment of the fair value of deferred maintenance revenue, f) a reclassification from long-term liabilities to short-term related to liabilities assumed, g) revised net realizable value based on usefulness of identifiable intangible assets and in-process research and development acquired.

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

Intangible Assets	Estimated Useful Life (in years)	Amount
Developed technology	6	\$ 37,400
Customer relationships	4	5,100
Trademarks	5	2,600
Backlog	1	1,800
Total identifiable intangible assets		\$ 46,900

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

The Company also acquired an indefinite lived asset of \$2.5 million which represents the fair value of in-process research and development activities. Once the related research and development efforts are completed, the Company will determine whether the asset will continue to be an indefinite lived asset or become a finite lived asset and apply the appropriate accounting accordingly.

The results of operations of the Campus Fabric Business are included in the accompanying condensed consolidated results of operations beginning July 14, 2017. The associated expenses of the Campus Fabric Business have been incorporated with the results of operations of the Company as a product line and, therefore, stand-alone operating results are not available. In the three and six months ended December 31, 2017, the Company incurred \$6.6 million and \$9.5 million, respectively, of acquisition and integration related expenses associated with the acquisition of the Campus Fabric Business. Such acquisition-related costs are included in “Acquisition and integration costs, net of bargain purchase gain” in the accompanying condensed consolidated statements of operations. The costs, which the Company expensed as incurred, consist primarily of professional fees to financial and legal advisors and IT consultants and companies.

Capital Financing Business

On December 1, 2017, Company completed its acquisition of a capital financing business (the “CF Business”), pursuant to a Bill of Sale and Assignment and Assumption Agreement (the “Assumption Agreement”) between the Company and Broadcom. Under the terms and conditions of the Assumption Agreement, the Company acquired customers, employees, contracts and lease equipment of the CF Business equal to the earn out payments to Broadcom of 90% of acquired financing receivables to be collected commencing at the closing date.

Net assets acquired included financing receivables of \$13.8 million, lease equipment of \$3.5 million and identifiable intangible assets of \$0.6 million, and the fair value of the contingent consideration was \$12.9 million. As the preliminary fair value of the net assets acquired exceeded the fair value of the purchase consideration, the Company recorded a gain from the bargain purchase of \$4.9 million in “Acquisition and integration costs, net of bargain purchase gain” in the accompanying condensed consolidated statements of operations for the second quarter of fiscal 2018. Acquisition and integration related expenses associated with the acquisition of the CF Business were immaterial.

Fiscal 2017 Acquisition

On October 28, 2016, the Company completed the acquisition of the wireless local area network business (“WLAN Business”) from Zebra Technologies Corporation. Under the terms of the WLAN Asset Purchase Agreement, the Company acquired customers, employees, technology and other assets as well as assumed certain contracts and other liabilities of the WLAN Business, for a net cash consideration to \$49.5 million. The following table below summarizes the final allocation of the tangible and identifiable intangible assets acquired and liabilities assumed:

	Final Allocation as of October 28, 2016
Accounts receivables, net	\$ 14,636
Inventories	13,593
Other current assets	808
Property and equipment	3,159
Other assets	7,634
Deferred revenue	(14,159)
Other liabilities	(7,201)
Total tangible assets acquired and liabilities assumed	18,470
Identifiable intangible assets	20,300
In-process research and development	1,400
Goodwill	9,339
Total intangible assets acquired	31,039
Total net assets acquired	\$ 49,509

Pro forma financial information

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

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

The unaudited pro forma financial information for the three and six months ended December 31, 2017, combines the results for Extreme for the three and six months ended December 31, 2017, which include the results of the Data Center Business, CF Business and Campus Fabric Business subsequent to the acquisition date and their historical results up to the acquisition date.

The unaudited pro forma financial information for the three and six months ended December 31, 2016, combines the historical results for Extreme for those periods, as adjusted for the adoption of ASC 606, with the historical results of the Data Center Business, CF Business and Campus Fabric Business for the three and six months ended December 31, 2016, as well as the historical results of the WLAN Business up to the acquisition date.

Pro forma results of operations from the Data Center Business, CF Business, Campus Fabric Business and WLAN Business acquisitions included in the pro forma results of operations for the three and six months ended December 31, 2016 or 2017 have not

been adjusted for the adoption of ASC 606 because the Company determined that it is impractical to estimate the impact of the adoption.

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

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016 (As adjusted)	December 31, 2017	December 31, 2016 (As adjusted)
Net revenues	\$ 252,532	\$ 311,503	\$ 537,040	\$ 644,435
Net income (loss)	\$ 1,152	\$ (62,134)	\$ (7,622)	\$ (95,972)
Net income (loss) per share - basic	\$ 0.01	\$ (0.58)	\$ (0.07)	\$ (0.90)
Net income (loss) per share - diluted	\$ 0.01	\$ (0.58)	\$ (0.07)	\$ (0.90)
Shares used in per share calculation - basic	113,621	107,425	112,931	106,690
Shares used in per share calculation - diluted	119,656	107,425	112,931	106,690

3. Summary of Significant Accounting Policies

For a description of significant accounting policies, see Note 3, Summary of Significant Accounting Policies, to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017. Except for the following policies, there have been no material changes to the Company's significant accounting policies since the filing of the Annual Report on Form 10-K.

Revenue Recognition

The Company accounts for revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which the Company adopted on July 1, 2017, using the retrospective method. The Company derives the majority of its revenue from sales of its networking equipment, with the remaining revenue generated from service fees relating to maintenance contracts, professional services, and training for its products. The Company sells its products and maintenance contracts direct to customers and to partners in two distribution channels, or tiers. The first tier consists of a limited number of independent distributors that stock its products and sell primarily to resellers. The second tier of the distribution channel consists of a non-stocking distributors and value-added resellers that sell directly to end-users. Products and services may be sold separately or in bundled packages.

The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer. For each contract, the Company considers the promise to transfer products and services, each of which are distinct, to be the identified performance obligations. In determining the transaction price the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled.

For all of the Company's sales and distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment for product sales. Revenue from maintenance contracts is recognized over time as the Company's performance obligations are satisfied. This is typically the contractual service period, which ranges from one to three years. For product sales to value-added resellers of the Company, non-stocking distributors and end-user customers, the Company generally does not grant return privileges, except for defective products during the warranty period, nor does the Company grant pricing credits. Sales incentives and other programs that the Company may make available to these customers are considered to be a form of variable consideration and the Company maintains estimated accruals and allowances using the expected value method. There were no material changes in the current period to the estimated transaction price for performance obligations which were satisfied or partially satisfied during previous periods.

Sales to stocking distributors are made under terms allowing certain price adjustments and limited rights of return (known as "stock rotation") of the Company's products held in their inventory. Revenue from sales to distributors is recognized upon the transfer of control to the distributor. Frequently, distributors need to sell at a price lower than the contractual distribution price in order to win business, and submit rebate requests for Company pre-approval prior to selling the product through at the discounted price. At the time the distributor invoices its customer or soon thereafter, the distributor submits a rebate claim to the Company to adjust the distributor's cost from the contractual price to the pre-approved lower price. After the Company verifies that the claim was pre-approved, a credit memo is issued to the distributor for the rebate claim. In determining the transaction price, the Company considers these rebate adjustments to be variable consideration. Such price adjustments are estimated using the expected value method based on an analysis of actual claims, at the distributor level over a trailing twelve-month period of time considered adequate to account for current pricing and business trends. Stock rotation rights grant the distributor the ability to return certain specified amounts of inventory. Stock rotation adjustments are an additional form of variable consideration and are also estimated using the expected value

method based on historical return rates. There were no material changes in the current period to the estimated variable consideration for performance obligations which were satisfied or partially satisfied during previous periods.

Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Certain of the Company's contracts have multiple performance obligations, as the promise to transfer individual goods or services is separately identifiable from other promises in the contracts and, therefore, is distinct. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation based on its relative standalone selling price. The stand-alone selling prices are determined based on the prices at which the Company separately sells these products. For items that are not sold separately, the Company estimates the stand-alone selling prices using the best estimated selling price approach.

The Company's performance obligations are satisfied at a point in time or over time as work progresses. Substantially all of the Company's product sales revenues as reflected on the consolidated statements of operations for the three-month and six-month periods ended December 31, 2017, and 2016 are recognized at a point in time. Substantially all of the Company's service revenue is recognized over time. For revenue recognized over time, the Company uses an input measure, days elapsed, to measure progress.

On December 31, 2017, the Company had \$152.4 million of remaining performance obligations, which is comprised of deferred maintenance revenue and services not yet delivered. The Company expects to recognize approximately 54 percent of its remaining performance obligations as revenue in fiscal 2018, an additional 31 percent by fiscal 2019 and 15 percent of the balance thereafter.

Contract Balances. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue in the consolidated balance sheet. Services provided under renewable support arrangements of the Company are billed in accordance with agreed-upon contractual terms, which are typically at periodic intervals (e.g., quarterly or annually). The Company sometimes receives payments from its customers in advance of services being provided, resulting in deferred revenues. These liabilities are reported on the consolidated balance sheet on a contract-by-contract basis at the end of each reporting period.

Revenue recognized for the six-month periods ended December 31, 2017 and 2016, that was included in the deferred revenue balance at the beginning of each period was \$53.1 million and \$49.7 million respectively. Revenue recognized for the three-month periods ended December 31, 2017 and 2016, that was included in the deferred revenue balance at the beginning of each period was \$36.9 million and \$33.5 million, respectively.

Contract Costs. The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. Management expects that commission fees paid to sales representative as a result of obtaining service contracts and contract renewals are recoverable and therefore the Company capitalized them as contract costs in the amount of \$3.0 million and \$2.5 million at December 31, 2017 and June 30, 2017, respectively. Capitalized commission fees are amortized on a straight-line basis over the average period of service contracts of approximately three years, and are included in "Sales and marketing" in the accompanying condensed consolidated statements of operations. Amortization recognized during the three-month period ended December 31, 2017 and 2016, was \$0.5 million and \$0.4 million, respectively. Amortization recognized during the six-month period ended December 31, 2017 and 2016, was \$0.9 million and \$0.7 million, respectively. There was no impairment loss in relation to the costs capitalized.

Revenue by Category: The following table sets forth the Company's revenue disaggregated by sales channel and geographic region based on the billing addresses of its customers (in thousands, unaudited):

	Three Months Ended					
	December 31, 2017			December 31, 2016		
	Distributor	Direct	Total	Distributor	Direct	Total
Americas:						
United States	\$ 56,269	\$ 54,559	\$ 110,828	\$ 39,063	\$ 38,396	\$ 77,459
Other	1,155	5,698	6,853	2,827	3,243	6,070
Total Americas	57,424	60,257	117,681	41,890	41,639	83,529
EMEA:	55,956	33,624	89,580	36,070	24,361	60,431
APAC:	5,131	18,731	23,862	1,613	10,804	12,417
Total net revenues	\$ 118,511	\$ 112,612	\$ 231,123	\$ 79,573	\$ 76,804	\$ 156,377

	Six Months Ended					
	December 31, 2017			December 31, 2016		
	Distributor	Direct	Total	Distributor	(As adjusted) Direct	Total
Americas:						
United States	\$ 98,661	\$ 105,549	\$ 204,210	\$ 66,054	\$ 65,225	\$ 131,279
Other	15,491	12,093	27,584	4,220	12,871	17,091
Total Americas	114,152	117,642	231,794	70,274	78,096	148,370
EMEA:	107,188	61,527	168,715	67,369	40,890	108,259
APAC:	8,395	33,934	42,329	3,065	19,287	22,352
Total net revenues	<u>\$ 229,735</u>	<u>\$ 213,103</u>	<u>\$ 442,838</u>	<u>\$ 140,708</u>	<u>\$ 138,273</u>	<u>\$ 278,981</u>

Business Combinations

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

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

4. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2017-12, Derivatives and Hedging (Topic 815) – Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"), which is intended to allow companies to better align risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results by expanding and refining hedge accounting for both nonfinancial and financial risk components and aligning the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2018. The Company is evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption. This guidance is effective for the Company beginning with its fiscal year 2020.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718) - Scope of Modification Accounting ("ASU 2017-09") which amends the scope of modification accounting for share-based payment arrangements and provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The guidance is effective prospectively for fiscal years beginning after December 15, 2017, and interim periods within that reporting period. Early

adoption is permitted, including adoption in any interim period. The Company does not expect the adoption of this guidance to have a material effect on our financial statements. This guidance will be effective for the Company beginning with its fiscal year 2019.

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

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

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services. In addition, ASU 2014-09 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted Topic 606 on July 1, 2017, using the full retrospective method. This adoption primarily affected the Company’s accounting for distributor and resellers revenues from a primarily “sell-through” model, where revenue is recognized upon the sale from the distribution channel to the end customer, to the “sell-in” method where revenue is recognized upon transfer of control to its customers, including distributors. Under the sell-in method, the Company is required to make estimates at the time of shipment to its distributors of variable consideration as well as estimated returns under stock rotation rights granted to the distributors. Additionally, the Company capitalizes contract acquisition costs such as commissions paid for maintenance services contracts in excess of one year. Following the adoption of ASU 2014-09, the revenue recognition for the Company’s other sales arrangements remained materially consistent with our historical practice.

Upon adoption of Topic 606, we applied the standard’s practical expedients that allows a) an entity to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods, b) that permits the omission of prior-period information about our performance obligations, and c) that allows the Company to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.

See the tables at the end of this note for the effects of the adoption of ASU 2014-09 on our condensed consolidated financial statements as of June 30, 2017, and for the three and six months ended December 31, 2016. See Note 3. “Summary of Significant Accounting Policies” to our condensed consolidated financial statements for further discussion of the effects of the adoption of ASU 2014-09 on our significant accounting policies.

Adjustments to Previously Reported Financial Statements from the Adoption of Accounting Pronouncements

The following table presents the effect of the adoption of ASU 2014-09 on our condensed consolidated balance sheet (unaudited) as of June 30, 2017, (in thousands):

	As of June 30, 2017		
	As Reported	Adjustment	As Adjusted
Accounts receivable, net	\$ 120,770	\$ (27,655)	\$ 93,115
Inventories	45,880	1,530	47,410
Total current assets	324,967	(26,125)	298,842
Other assets	22,586	2,479	25,065
Total assets	483,346	(23,646)	459,700
Accrued warranty	10,007	577	10,584
Other accrued liabilities	36,713	331	37,044
Deferred distributors revenue, net of cost of sales to distributors	43,525	(43,525)	—
Total current liabilities	255,822	(42,617)	213,205
Accumulated deficit	(800,257)	18,971	(781,286)
Total stockholders' equity	106,707	18,971	125,678
Total liabilities and stockholders' equity	\$ 483,346	\$ (23,646)	\$ 459,700

The following tables present the effect of the adoption of ASU 2014-09 on our condensed consolidated statements of operations (unaudited) for the three and six months ended December 31, 2016 (in thousands, except per share amounts):

	Three Months Ended December 31, 2016		
	As Reported	Adjustment	As Adjusted
Net revenues			
Product	\$ 109,789	\$ 8,266	\$ 118,055
Service	38,322	—	38,322
Total net revenues	148,111	8,266	156,377
Cost of revenues			
Product	58,659	3,968	62,627
Service	14,098	—	14,098
Total cost of revenues	72,757	3,968	76,725
Gross profit			
Product	51,130	4,298	55,428
Service	24,224	—	24,224
Total Gross profit	75,354	4,298	79,652
Sales and marketing expenses	41,109	(84)	41,025
Operating loss	(7,362)	4,382	(2,980)
Net loss before tax	(7,432)	4,382	(3,050)
Net loss	\$ (8,611)	\$ 4,382	\$ (4,229)
Basic and diluted net loss per share			
Net loss per share - basic	\$ (0.08)		\$ (0.04)
Net loss per share - diluted	\$ (0.08)		\$ (0.04)
Shares used in per share calculation - basic	107,425		107,425
Shares used in per share calculation - diluted	107,425		107,425

	Six Months Ended December 31, 2016		
	As Reported	Adjustment	As Adjusted
Net revenues			
Product	\$ 199,920	\$ 8,228	\$ 208,148
Service	70,833	—	70,833
Total net revenues	270,753	8,228	278,981
Cost of revenues			
Product	103,586	3,290	106,876
Service	26,567	—	26,567
Total cost of revenues	130,153	3,290	133,443
Gross profit			
Product	96,334	4,938	101,272
Service	44,266	—	44,266
Total Gross profit	140,600	4,938	145,538
Sales and marketing expenses	78,065	(181)	77,884
Operating loss	(12,121)	5,119	(7,002)
Net loss before tax	(13,004)	5,119	(7,885)
Net loss	\$ (15,090)	\$ 5,119	\$ (9,971)
Basic and diluted net loss per share			
Net loss per share - basic	\$ (0.14)		\$ (0.09)
Net loss per share - diluted	\$ (0.14)		\$ (0.09)
Shares used in per share calculation - basic	106,690		106,690
Shares used in per share calculation - diluted	106,690		106,690

The following tables present the effect of the adoption of ASU 2014-09 on our condensed consolidated statement of cash flows (unaudited) for the six months ended December 31, 2016 (in thousands):

	Six Months Ended December 31, 2016		
	As Reported	Adjustment	As Adjusted
Cash flows from operating activities			
Net loss	\$ (15,090)	\$ 5,119	\$ (9,971)
Changes in operating assets and liabilities, net			
Accounts receivable	(18,737)	10,981	(7,756)
Inventories	6,004	(1,691)	4,313
Prepaid and other assets	7,004	(181)	6,823
Deferred distributors revenue, net of cost of sales to distributors	14,516	(14,516)	—
Other current and long term liabilities	7,587	288	7,875
Net cash provided by operating activities	19,288	—	19,288
Cash flows from investing activities	(55,750)	—	(55,750)
Cash flows from financing activities	46,241	—	46,241
Foreign currency effect on cash	(115)	—	(115)
Net increase in cash and cash equivalents	\$ 9,664	\$ —	\$ 9,664

5. Balance Sheet Accounts

Cash, Cash Equivalents and Marketable Securities

The following is a summary of cash, cash equivalents and marketable securities (in thousands):

	December 31, 2017	June 30, 2017
Cash	\$ 122,608	\$ 126,159
Cash equivalents	4,500	4,291
Total cash and cash equivalents	127,108	130,450
Marketable securities (consisting of available-for-sale securities)	1,104	—
Total cash, cash equivalents and marketable securities	<u>\$ 128,212</u>	<u>\$ 130,450</u>

The Company considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Marketable securities are recorded in "Prepaid expense and other current assets" in the accompanying condensed consolidated balance sheet as these original maturities are greater than three months, but less than one year at the balance sheet date. Marketable securities are classified as available-for-sale and reported at fair value with unrealized gains and losses included in "Accumulated other comprehensive loss" in the accompanying condensed consolidated balance sheets.

Inventories

The Company values its inventory at lower of cost or net realizable value. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. The Company has established inventory allowances primarily determined by the demand of inventory or when conditions exist that suggest that inventory may be in excess of anticipated demand or is obsolete based upon assumptions about future demand. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. Any written down or obsolete inventory subsequently sold has not had a material impact on gross margin for any of the periods disclosed.

Inventories consist of the following (in thousands):

	December 31, 2017	June 30, 2017 (As Adjusted)
Finished goods	\$ 67,244	\$ 46,620
Raw materials	16,133	790
Total Inventories	<u>\$ 83,377</u>	<u>\$ 47,410</u>

Property and Equipment, Net

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

	December 31, 2017	June 30, 2017
Computers and equipment	\$ 63,539	\$ 34,716
Purchased software	16,329	11,785
Office equipment, furniture and fixtures	17,272	10,852
Leasehold improvements	29,319	23,046
Total property and equipment	126,459	80,399
Less: accumulated depreciation and amortization	(57,894)	(50,159)
Property and equipment, net	<u>\$ 68,565</u>	<u>\$ 30,240</u>

Intangibles

The following tables summarize the components of gross and net intangible asset balances (dollars in thousands)

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
December 31, 2017				
Developed technology	4.5 years	\$ 116,000	\$ 48,334	\$ 67,666
Customer relationships	3.9 years	51,410	38,674	12,736
Maintenance contracts	0.8 years	17,000	14,166	2,834
Trademarks	3.9 years	9,100	3,411	5,689
Backlogs	— years	1,800	1,800	—
License agreements	6.1 years	2,445	1,255	1,190
Other intangibles	2.2 years	1,382	1,072	310
Total intangibles, net with finite lives		199,137	108,712	90,425
In-process research and development, with indefinite life		2,500	—	2,500
Total intangibles, net		<u>\$ 201,637</u>	<u>\$ 108,712</u>	<u>\$ 92,925</u>

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

During the six months ended December 31, 2017, in-process research and development of \$1.4 million was reclassified to developed technology upon completion of the project and is being amortized over its estimated useful life.

The amortization expense of intangibles for the periods presented is summarized below (in thousands):

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Amortization in "Cost of revenues: Product"	\$ 3,866	\$ 1,720	\$ 6,663	\$ 5,276
Amortization of intangibles	2,746	2,175	4,360	6,317
Total amortization	<u>\$ 6,612</u>	<u>\$ 3,895</u>	<u>\$ 11,023</u>	<u>\$ 11,593</u>

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

Goodwill

The following table summarizes goodwill for the periods presented (in thousands):

	December 31, 2017
Balance as of June 30, 2017	\$ 80,216
Additions due to acquisitions	50,772
Balance at end of period	<u>\$ 130,988</u>

During the six months ended December 31, 2017, the Company completed acquisitions of the Campus Fabric Business and the Data Center Business, resulting in an additional goodwill of \$34.0 million and \$16.8 million, respectively. See Note 2 for additional information related to the acquisitions.

Deferred Revenue

The Company offers for sale to its customers, renewable support arrangements that range from one to five years as well as deferred revenue for professional and training services.

Debt

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

	December 31, 2017	June 30, 2017
Current portion of long-term debt:		
Term Loan	\$ 22,964	\$ 12,444
Less: unamortized debt issuance costs	(538)	(164)
Current portion of long-term debt	<u>\$ 22,426</u>	<u>\$ 12,280</u>
Long-term debt, less current portion:		
Term Loan	\$ 152,062	\$ 71,268
Revolver	10,000	10,000
Less: unamortized debt issuance costs	(1,350)	(846)
Total long-term debt, less current portion	<u>160,712</u>	<u>80,422</u>
Total debt	<u><u>\$ 183,138</u></u>	<u><u>\$ 92,702</u></u>

In connection with the closing of Campus Fabric Business discussed in Note 2, the Company entered into the Second Amendment to the Amended and Restated Credit Agreement ("Second Amendment"), which amended the Amended and Restated Credit Agreement, dated as of October 28, 2016 (the "Credit Facility, as amended"), by and among the Company, as borrower, Silicon Valley Bank, as administrative agent and collateral agent, and lenders. Among other things, the Second Amendment (i) increased the amount of the available borrowing under the Credit Facility from \$140.5 million to \$243.7 million, composed of (a) the five-year term loan ("Term Loan") in a principal amount of up to \$183.7 million and (b) the five-year revolving credit facility ("Revolver") in a principal amount of up to \$60.0 million, (ii) extends the maturity date under the existing Term Loan and the termination date under the existing Revolver, (iii) provides for an uncommitted additional incremental loan facility in the principal amount of up to \$50.0 million ("Incremental Facility"), and (iv) joins certain additional banks, financial institutions and institutional lenders as lenders pursuant to the terms of the Credit Facility, as amended. On July 14, 2017, the Company borrowed \$80.0 million under the Term Loan which was used to fund the purchase of Campus Fabric Business.

In connection with the closing of the acquisition of the Data Center Business discussed in Note 2, the Company entered into the Third Amendment to the Credit Facility (the "Third Amendment") on October 26, 2017. Among other things, the Third Amendment (i) amends the negative covenant governing dispositions to increase the general dispositions basket for the fiscal year of the Company ending June 30, 2018, and (ii) amends certain definitions and provisions to update certain references to the Brocade Purchase Agreement (as defined above). On the Brocade Closing Date, the Company borrowed \$20.0 million on the Term Loan to partially fund the acquisition of the Data Center Business.

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

The Company had \$1.2 million of outstanding letters of credit and \$48.8 million of availability under the Revolver as of December 31, 2017.

Guarantees and Product Warranties

Networking products may contain undetected hardware or software errors when new products or new versions or updates of existing products are released to the marketplace. The Company's standard hardware warranty period is typically 12 months from the

date of shipment to end-users and 90 days for software. For certain access products, the Company offers a limited lifetime hardware warranty commencing on the date of shipment from the Company and ending five (5) years following the Company's announcement of the end of sale of such product. Upon shipment of products to its customers, the Company estimates expenses for the cost to repair or replace products that may be returned under warranty and accrue a liability in cost of product revenue for this amount. The determination of the Company's warranty requirements is based on actual historical experience with the product or product family, estimates of repair and replacement costs and any product warranty problems that are identified after shipment. The Company estimates and adjusts these accruals at each balance sheet date in accordance with changes in these factors.

Upon issuance of a standard product warranty, the Company discloses and recognizes a liability for the obligations it assumes under the product warranty. The following table summarizes the activity related to the Company's product warranty liability during the three and six months ended December 31, 2017 and 2016 (in thousands):

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016 (As adjusted)	December 31, 2017	December 31, 2016 (As adjusted)
Balance beginning of period	\$ 13,499	\$ 9,017	\$ 10,584	\$ 9,998
Warranties assumed due to acquisition	526	2,034	3,682	2,034
New warranties issued	1,657	1,176	3,929	2,104
Warranty expenditures	(2,672)	(1,437)	(5,185)	(3,346)
Balance end of period	<u>\$ 13,010</u>	<u>\$ 10,790</u>	<u>\$ 13,010</u>	<u>\$ 10,790</u>

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

Other long-term liabilities

The following is a summary of long-term liabilities (in thousands):

	December 31, 2017	June 30, 2017
Acquisition related deferred payments, less current portion	\$ 15,037	\$ —
Acquisition-related contingent consideration obligations, less current portion	36,130	—
Other	13,180	8,526
Total other accrued liabilities	<u>\$ 64,347</u>	<u>\$ 8,526</u>

Advertising

All advertising costs are expensed as incurred. Advertising expenses for three and six months ended December 31, 2017 and 2016, were immaterial.

Concentrations

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

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

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

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016 (As adjusted)	December 31, 2017	December 31, 2016 (As adjusted)
Westcon Group Inc.	14%	12%	15%	12%
Tech Data Corporation	12%	15%	12%	16%
Jenne Corporation	*	13%	10%	14%
Avnet	*	*	*	10%

* Less than 10% of net revenue

The following customers account for more than 10% of the Company's accounts receivable outstanding as of December 31, 2017, Westcon Group 24%, Tech Data 21% and Avnet 11%.

6. Fair Value Measurements

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

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

The following table presents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis (in thousands):

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Money market funds	\$ 4,500	\$ —	\$ —	\$ 4,500
Marketable securities	1,104	—	—	1,104
Total assets measured at fair value	<u>\$ 5,604</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,604</u>
Liabilities				
Acquisition-related contingent consideration obligations	\$ —	\$ —	\$ 47,030	\$ —
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 47,030</u>	<u>\$ —</u>
June 30, 2017				
Assets				
Investments:				
Money market funds	\$ 4,291	\$ —	\$ —	\$ 4,291
Investment in non-marketable equity	—	—	3,000	3,000
Total assets measured at fair value	<u>\$ 4,291</u>	<u>\$ —</u>	<u>\$ 3,000</u>	<u>\$ 7,291</u>

Level 1 investments:

During the first quarter of fiscal 2018, pursuant to the sale of an investment in non-marketable equity securities, the Company received 41,685 shares of a company publicly traded on the London Stock Exchange. As of December 31, 2017, the shares received have a fair value of \$1.1 million. (See below, Level 3 investments)

Level 2 investments:

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

The fair value of the borrowings under the Credit Facility, as amended is estimated based on valuations provided by alternative pricing sources supported by observable inputs which is considered Level 2. Due to the short duration until maturity of the credit facility, the fair value approximates the face amount of the Company's indebtedness of \$185.0 million and \$93.7 million as of December 31, 2017 and June 30, 2017, respectively. Such amounts are immaterial for all periods presented.

Level 3 investments:

Certain of the Company's assets, including intangible assets and goodwill are measured at fair value on a non-recurring basis if impairment is indicated.

As of June 30, 2017, the Company reflected its non-marketable equity investment as Level 3 in the fair value hierarchy as it is based on unobservable inputs that market participants would use in pricing this asset due to the absence of recent comparable market transactions and inherent lack of liquidity. During fiscal 2015, the Company purchased a \$3.0 million equity interest in a company that operated in the enterprise software platform industry. The Company did not enter into any other transactions with the investee during fiscal 2017 or the first quarter of fiscal 2018. During the three months ended September 30, 2017, the investee was acquired by a third party. The Company received \$6.8 million as consideration for its equity interest in the investee, including \$5.4 million in cash and 65,937 shares the third party's common stock with a market value of \$1.4 million. During the first quarter of fiscal 2018, the Company received \$5.8 million of the consideration, consisting of \$4.9 million in cash and 41,685 shares with a market value of \$0.9 million. The remainder of the consideration consisting of \$0.5 million and \$0.5 million of cash and shares, respectively, will remain in escrow for a period of 18 months from the date of sales for general representations and warranties. A gain of \$3.8 million related to this sale was recorded in "Other income (expense), net" in the accompanying condensed consolidated statements of operations for the six months ended December 31, 2017. The 41,685 shares received and held as of December 31, 2017 were considered Level 1 investments as these have quoted prices in active markets.

During the quarter ended December 31, 2017, the Company recorded a liability for contingent consideration related to its acquisitions of the Data Center Business and the CF Business (see Note 2 for additional information related to the acquisitions). The fair value measurement of the contingent consideration obligations is determined using Level 3 inputs. The fair value of contingent consideration obligations is based on a discounted cash flow model. These fair value measurements represent Level 3 measurements as they are based on significant inputs not observable in the market. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, changes in assumptions could have a material impact on the amount of contingent consideration expense the Company records in any given period. Changes in the value of the contingent consideration obligations would be recorded in general and administrative expenses in the accompanying condensed consolidated statements of operations.

The change in the acquisition-related contingent consideration obligations is as follows (in thousands):

	Three Months Ended
	December 31,
	2017
Beginning balance	\$ —
Initial fair value measurements	47,030
Change in fair value	—
Ending balance	<u>\$ 47,030</u>

There were no transfers of assets or liabilities between Level 2 and Level 3 during the first six months of fiscal year 2018 or 2017. There were no impairments recorded for the first six months of fiscal 2018 or 2017.

7. Share-based Compensation

Shares reserved for issuance

The Company had reserved for issuance for the periods noted (in thousands):

	December 31, 2017	June 30, 2017
2014 Employee Stock Purchase Plan	6,517	7,785
Employee stock options and awards outstanding	10,900	9,726
2013 Equity Incentive Plan shares available for grant	12,242	7,629
Total shares reserved for issuance	<u>29,659</u>	<u>25,140</u>

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

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Cost of product revenue	\$ 134	\$ 122	\$ 226	\$ 190
Cost of service revenue	296	186	429	418
Research and development	1,829	906	2,880	1,968
Sales and marketing	2,699	1,180	4,342	2,321
General and administrative	2,067	987	3,951	1,959
Total share-based compensation expense	<u>\$ 7,025</u>	<u>\$ 3,381</u>	<u>\$ 11,828</u>	<u>\$ 6,856</u>

During the six months ended December 31, 2017 or 2016, the Company did not capitalize any share-based compensation expense in inventory, as the amounts were immaterial.

Stock Awards

Stock awards may be granted under the 2013 Equity Incentive Plan (the "2013 Plan") on terms approved by the Compensation Committee of the Board of Directors. Stock awards generally provide for the issuance of restricted stock units ("RSUs") including performance or market-based RSUs which vest over a fixed period of time or based upon the satisfaction of certain performance criteria. The Company uses the straight-line method for expense attribution, and beginning with fiscal 2017, the Company does not estimate forfeitures, but accounts for them as incurred.

The following table summarizes stock award activity for the six months ended December 31, 2017 (in thousands, except grant date fair value):

	Number of Shares	Weighted- Average Grant Date Fair Value	Aggregate Fair Market Value
Non-vested stock awards outstanding at June 30, 2017	6,664	\$ 4.66	\$ 61,440
Granted	3,726	11.13	
Vested	(1,871)	3.78	
Cancelled	(160)	5.17	
Non-vested stock awards outstanding at December 31, 2017	<u>8,359</u>	\$ 7.73	\$ 104,653

The following table summarizes stock option activity for the six months ended December 31, 2017 (in thousands, except per share and contractual term):

	Number of Shares	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2017	3,062	\$ 4.06	4.19	\$ 15,868
Exercised	(517)	4.42		
Cancelled	(4)	4.31		
Options outstanding at December 31, 2017	<u>2,541</u>	\$ 3.99	3.28	\$ 21,687
Vested and expected to vest at December 31, 2017	2,541	\$ 3.99	3.28	\$ 21,687
Exercisable at December 31, 2017	2,126	\$ 4.24	3.08	\$ 17,599

The fair value of each stock option grant under the 2013 Plan and 2005 Equity Incentive Plan is estimated on the date of grant using the Black-Scholes-Merton option valuation model with the weighted average assumptions noted in the following table. The Company uses the Monte-Carlo simulation model to determine the fair value and the derived service period of stock awards with market conditions, on the date of the grant. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination behavior. The risk-free rate is based upon the estimated life of the option and the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on the historical volatility on the Company's stock.

The fair value of each RSUs grant with performance-based vesting criteria ("PSUs") under the 2013 Plan is estimated on the date of grant using the Monte-Carlo simulation model to determine the fair value and the derived service period of stock awards with market conditions, on the date of the grant.

During the first quarter of fiscal 2018, the Company approved the grant of 1,154,014 stock awards to its vice president level employees or above ("VPs"), including 560,344 stock awards to its Executive Officers, and 939,925 stock awards to its other employees. Fifty percent (50%) of the stock awards granted to the VPs, except the chief executive officer, were in the form of PSUs, with grant date fair values of \$10.90, and fifty percent (50%) of the stock awards granted were in the form of service-based RSUs. The Company's chief executive officer received sixty percent (60%) of his stock award grant in the form of PSUs, while forty percent (40%) of this award were in the form of RSUs, with a grant date fair value of \$10.90. The RSUs vest from the original grant date as to one-third (1/3) on the one year anniversary and one-twelfth (1/12) each quarter thereafter, subject to continued service to the Company. No PSUs were granted during the second quarter of fiscal 2018.

For the PSUs referenced in the preceding paragraph, they will be considered earned once the Company's combined earnings per share equals or exceeds \$0.32 for two consecutive quarters. (the "FY18 Performance Threshold"). Once the FY18 Performance Threshold is satisfied the PSUs shall vest with respect to the number of RSUs granted on the same date that have vested as of the date the FY18 Performance Threshold is satisfied and thereafter shall vest on the same schedule as the RSUs, subject to continued service to the Company. If the FY18 Performance Threshold is not met by the third anniversary of the grant date the award is canceled. In addition, the FY18 Performance Threshold shall be deemed satisfied upon the closing of a Change in Control (within the meaning of the Company's 2013 Equity Incentive Plan) in the event the per share consideration received by the Company's stockholders equals or exceeds \$16.00 per share.

During the three months and six months ended December 31, 2017, none of the PSU grants referenced above achieved their FY18 Performance Threshold.

During the first quarter of fiscal 2017, the Company approved the grant of 1,505,120 stock awards to its VPs, including 680,000 stock awards to its Executive Officers, and 1,053,300 stock awards to other Company employees. Fifty percent (50%) of the stock awards granted to the VPs were in the form of PSUs, with grant date fair values ranging from \$3.02 to \$3.09, and fifty percent (50%) of the stock awards granted were in the form of RSUs. The RSUs vest from the original grant date as to one-third (1/3) on the one year anniversary and one-twelfth (1/12) each quarter thereafter, subject to continued service to the Company. No PSUs were granted during the second quarter of fiscal 2017.

The PSUs were considered earned once the Company's stock price equaled or exceeded \$5.00 per share for 30 consecutive trading days after January 1, 2017 (the "FY17 Performance Threshold"). Once the FY17 Performance Threshold goal was attained the PSUs began to vest on the same schedule as the RSUs that were granted at the same time, subject to continued service to the Company.

During the quarter ended March 31, 2017, all of the PSU grants referenced above achieved their FY17 Performance Threshold and as such, began vesting and will be released on the schedule as noted, subject to continued service to the Company.

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

There were no shares granted under the ESPP during the three months ended December 31, 2017 or 2016. The weighted-average fair value of shares granted under the Company's 2014 ESPP during the six months ended December 31, 2017 and 2016, was \$2.41 and \$1.00, respectively. There were 1,267,930 and 1,103,599 shares issued under the Company's 2014 ESPP during the six months ended December 31, 2017 and 2016, respectively.

	Employee Stock Purchase Plan	
	Six Month Ended	
	December 31, 2017	December 31, 2016
Expected life	0.50 years	0.50 years
Risk-free interest rate	1.15%	0.40%
Volatility	42%	40%
Dividend yield	—%	—%

8. Restructuring Charges

No restructuring charges were recorded during the three or six months ended December 31, 2017.

For the three and six months ended December 31, 2016, the Company recorded \$1.9 million in restructuring and other charges including accelerated depreciation of leasehold improvements and fixed assets in the amount of \$1.7 million and adjustments to estimated sub-lease income to be received related to the estimated future obligations for non-cancelable lease payments for excess facilities of \$0.1 million.

Restructuring liabilities consisted of obligations pertaining to the estimated future obligations for non-cancelable lease payments, as well as severance and benefits obligations. The restructuring liabilities are recorded in "Other accrued liabilities" and "Other long-term liabilities" in the accompanying condensed consolidated balance sheets.

In fiscal 2017, the Company announced a reduction-in-force ("RIF"). The Company recorded \$5.6 million in severance and benefits charges, net during the year ended June 30, 2017. Cash payments of \$2.2 million were paid during the first six months of fiscal 2018. The balance of cash payments for the RIF was immaterial as of December 31, 2017. The excess facilities payments will continue through fiscal year 2023.

Total restructuring and related liabilities consist of (in thousands):

	Excess Facilities	Severance Benefits	Other	Total
Balance as of June 30, 2017	\$ 2,184	\$ 1,853	\$ 85	\$ 4,122
Period payments	(397)	(1,770)	(73)	(2,240)
Balance as of December 31, 2017	<u>\$ 1,787</u>	<u>\$ 83</u>	<u>\$ 12</u>	<u>\$ 1,882</u>
Less: current portion included in other accrued liabilities				473
Restructuring accrual included in other long-term liabilities				<u>\$ 1,409</u>

9. Commitments and Contingencies

Purchase Commitments

The Company currently has arrangements with contract manufacturers and suppliers for the manufacture of its products. Those arrangements allow the contract manufacturers to procure long lead-time component inventory based upon a rolling production forecast provided by the Company. The Company is obligated to purchase long lead-time component inventory that its contract manufacturer procures in accordance with the Company's forecast, unless the Company gives notice of order cancellation outside of applicable component lead-times. As of December 31, 2017, the Company had non-cancelable commitments to purchase \$145.3 million of such

inventory. As of December 31, 2017 the Company had non-cancelable software and maintenance support commitments to purchase \$19.0 million of software and support services.

Legal Proceedings

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

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

Brazilian Tax Assessment Matter

On May 28, 2007, the Public Treasury Department of the State of Sao Paulo, Brazil (the "Tax Authority") assessed our Brazilian subsidiary, Enterasys Networks do Brasil Ltda. ("Enterasys Brasil"), based on an alleged underpayment of taxes. The Tax Authority also charged interest and penalties with respect to the assessment (collectively, the "ICMS Tax Assessment"). The Tax Authority denied Enterasys Brasil the use of certain presumed tax credits granted by the State of Espirito Santo, Brazil under the terms of the FUNDAP program for the period from February 2003 to December 2004. The value of the disallowed presumed tax credits is BRL 3.4 million (approximately U.S. \$1.0 million), excluding interest and penalties. All currency conversions in this Legal Proceedings section are as of December 31, 2017.

Unable to resolve the matter at the administrative level, on October 1, 2014, Enterasys Brasil filed a lawsuit in the 11th Public Treasury Court of the Sao Paulo State Court of Justice (Judiciary District of Sao Paulo) to overturn or reduce the ICMS Tax Assessment. As part of this lawsuit, Enterasys Brasil requested a stay of execution, so that no tax foreclosure could be filed and no guarantee would be required until the court issued its final ruling. On or about October 6, 2014, the court granted a preliminary injunction staying any execution on the assessment, but requiring that Enterasys Brasil deposit the assessed amount with the court. Enterasys Brasil appealed this ruling and, on or about January 28, 2015, the appellate court ruled that no cash deposit (or guarantee) was required. In a decision dated August 28, 2017, and published on October 3, 2017, the court validated the assessment and penalty imposed by the Tax Authority, but ruled that the Tax Authority was charging an unlawfully high interest rate on the tax assessment and penalty amounts, and ordered the interest rate reduced to the maximum Federal rate. The August 28, 2017 decision, were it to become final, would require Enterasys Brasil to pay a total of BRL 16.7 million (approximately U.S. \$5.1 million), which includes penalties, court costs, attorneys' fees, and accrued interest as of December 31, 2017. The Company believes the ICMS Tax Assessment against Enterasys Brasil is without merit, has appealed the lower court's decision and has requested a stay of execution.

Based on the currently available information, the Company believes the ultimate outcome of the ICMS Tax Assessment litigation will not have a material adverse effect on the Company's financial position or overall results of operations. However, due to the complexities and uncertainty surrounding the judicial process in Brazil and the nature of the claims asserted, there can be no assurance of a favorable outcome for Enterasys Brasil, which recorded an accrual of BRL 9.4 million (approximately U.S. \$2.9 million) as of the date the Company acquired Enterasys Networks.

The Company made a demand on April 11, 2014 for a defense from, and indemnification by, the former equity holder of Enterasys Networks, Inc. ("Seller") in connection with the ICMS Tax Assessment. Seller agreed to assume the defense of the ICMS Tax Assessment on May 20, 2014. In addition, through the settlement of an indemnification-related lawsuit with the Seller on June 18, 2015, Seller agreed to continue to defend the Company with respect to the ICMS Tax Assessment and to indemnify the Company for losses related thereto subject to certain conditions. These conditions include the offsetting of foreign income tax benefits realized by

the Company in connection with the acquisition of Enterasys. Based upon current projections of the foreign income tax benefits to be realized, and the potential liability in the event of an adverse final judgment in the ICMS Tax Assessment litigation, the Company does not presently anticipate that any amounts under the indemnification will be due from the Seller in connection with the ICMS Tax Assessment.

In re Extreme Networks, Inc. Securities Litigation

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

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

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

On April 19, 2017, XR Communications, LLC ("XR") (d/b/a Vivato Technologies) sued the Company in the Central District of California (*XR Communications, LLC, dba Vivato Technologies v. Extreme Networks, Inc.*, No. 2:17-cv-2953-AG). The operative Second Amended Complaint asserts infringement of U.S. Patent Nos. 7,062,296, 7,729,728, and 6,611,231 based on the Company's manufacture, use, sale, offer for sale, and/or importation into the United States of certain access points and routers supporting multi-user, multiple-input, multiple-output technology. XR seeks unspecified damages, ongoing royalties, pre- and post-judgment interest, and attorneys' fees (but no injunction). On July 24, 2017, the Company filed its answer. In an order entered on October 23, 2017, the court scheduled a claim construction hearing for April 10, 2018, and ordered any trial of this matter to commence no earlier than March 19, 2019. The Company believes the claims are without merit and intends to defend them vigorously.

Indemnification Obligations

Subject to certain limitations, the Company may be obligated to indemnify its current and former directors, officers and employees. These obligations arise under the terms of its certificate of incorporation, its bylaws, applicable contracts, and applicable law. The obligation to indemnify, where applicable, generally means that the Company is required to pay or reimburse, and in certain circumstances the Company has paid or reimbursed, the individuals' reasonable legal expenses and possibly damages and other liabilities incurred in connection with certain legal matters. For example, the Company currently is paying or reimbursing legal expenses being incurred by certain current and former officers and directors in connection with the shareholder litigation described above. The Company also procures Directors and Officers insurance to help cover its defense and/or indemnification costs, although its ability to recover such costs through insurance is uncertain. While it is not possible to estimate the maximum potential amount that could be owed under these indemnification agreements due to the Company's limited history with prior indemnification claims, indemnification (including defense) costs could, in the future, have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows.

10. Income Taxes

For the three months ended December 31, 2017 and 2016, the Company recorded income tax benefit of \$1.6 million and income tax provision of \$1.2 million, respectively. For the six months ended December 31, 2017 and 2016, the Company recorded income tax provision of \$0.1 million and \$2.1 million, respectively.

The income tax provisions for the three months ended December 31, 2017 and 2016, consisted primarily of taxes on the income of the Company's foreign subsidiaries as well as tax expense associated with the establishment of a U.S. deferred tax liability for amortizable goodwill resulting from the acquisition of Enterasys Networks, Inc., the Zebra WLAN Business and the Campus Fabric Business. The tax provision for the three months ended December 31, 2017 is offset by a tax benefit of \$2.5 million resulting from the reduction of the U.S. Federal tax rate from 35% to 21% applied to our deferred tax liability related to amortizable goodwill as required by the recently enacted U.S. tax legislation discussed below. The income tax provisions for both fiscal years were calculated based on the actual results of operations for the three months ended December 31, 2017 and 2016, and therefore may not reflect the annual effective tax rate.

The income tax provisions for the six months ended December 31, 2017 and 2016 consisted primarily of taxes on the income of the Company's foreign subsidiaries as well as tax expense associated with the establishment of a U.S. deferred tax liability for amortizable goodwill resulting from the acquisitions referenced above. The income tax provision for the six months ended December 31, 2017 is offset by the tax benefit of \$2.5 million resulting from the U.S. Federal tax legislation referenced above.

On December 22, 2017, the President of the United States signed and enacted into law H.R. 1, the Tax Cuts and Jobs Act ("TCJA"), which, except for certain provisions, is effective for tax years beginning on or after January 1, 2018. As a fiscal year taxpayer, the Company will not be subject to the majority of the tax law provisions until fiscal year 2019; however, there are certain significant items of impact that will be recognized in fiscal year 2018. Because a change in tax law is accounted for in the period of enactment, the effects of the TCJA, a tax benefit of \$2.5 million, have been reflected in the second quarter of fiscal 2018.

The TCJA's primary change is a reduction in the U.S. Federal statutory corporate tax rate from 35% to 21%, including a pro rata reduction from 35% to 28% for the Company in fiscal 2018. As a result, the Company has recognized a tax benefit in the amount of \$2.5 million in the second quarter of fiscal 2018 due to the revaluation of the Company's deferred tax liability related to amortizable goodwill to reflect the lower statutory rate. Because the U.S. deferred tax assets are offset by a full valuation allowance, the reduction in deferred tax assets for the lower rate was fully offset by a corresponding reduction in valuation allowance resulting in no additional tax provision.

The TCJA moves the U.S. from a global taxation regime to a modified territorial regime. Under the territorial regime, the company's foreign earnings will generally not be subject to tax in the US. As part of transitioning to this new regime, U.S. companies are required to pay tax on historical earnings generated offshore that have not been repatriated to the U.S. ("Transition Tax"). The Company has estimated as of the second quarter of fiscal 2018, there will be no incremental tax provision relating to the Transition Tax given the Company's ability to utilize existing tax attributes to offset the impact of the deemed repatriation.

The TCJA makes broad and complex changes to the U.S. tax code, and in certain instances, lacks clarity and is subject to interpretation until additional U.S. Treasury guidance is issued. On December 22, 2017, the SEC issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which allows registrants to record provisional amounts during a one year "measurement period" similar to that used when accounting for business combinations. However, the measurement period is deemed to have ended earlier when the registrant has obtained, prepared and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared or analyzed. The SAB summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the TCJA.

Amounts recorded where accounting is complete in the three and six months ended December 31, 2017 principally relate to the reduction in the U.S. federal tax rate to 21 percent, which resulted in the Company reporting an income tax benefit of \$2.5 million to remeasure deferred taxes liabilities associated with indefinitely lived intangible assets that will reverse at the new 21% rate. Absent this deferred tax liability, the Company is in a net deferred tax asset position that is offset by a full valuation allowance. Though the impact of the rate change related to net deferred tax assets has a net tax effect of zero, the accounting to determine the gross change in the deferred tax position and the offsetting valuation is not yet complete. In accordance with Staff Accounting Bulletin ("SAB") 118, the estimated income tax impact associated with the Transition Tax of zero represents our best estimate based on interpretation of the U.S. legislation as we are still accumulating data to finalize the underlying calculation. In accordance with SAB 118, estimated income tax impact associated with the Transition Tax is considered provisional and will be finalized prior to the end of the measurement period. The ultimate impact may differ from these provisional amounts, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the TCJA.

With respect to provisions of the TCJA effective for tax years beginning on or after January 1, 2018, the company anticipates several new provisions may potentially impact tax provisions in future periods including limitations on the deductibility of interest expense and certain executive compensation, a minimum tax on certain foreign earnings (i.e., global intangible low-taxed income or “GILTI”), as well as a base-erosion and anti-abuse tax (“BEAT”). The GILTI provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. Based on initial assessment and interpretation of the new provision, the Company expects that it will be subject to incremental U.S. tax on GILTI income beginning in fiscal 2019. The Company may elect to account for GILTI tax as a component of tax expense in the period in which it is incurred or account for the GILTI tax in the measurement of deferred taxes. The Company is continuing to evaluate this particular provision and therefore has not yet elected a method but will do so once our analysis is complete. The BEAT provisions in the Tax Reform Act eliminate the deduction of certain base-erosion payments made to related foreign corporations, and impose a minimum tax if greater than regular tax. There is a reasonable amount of uncertainty surrounding the interpretation of this new provision, however, based on initial assessment and a conservative interpretation of the new provision, the Company expects that it will be subject to the incremental U.S. tax on BEAT income beginning in fiscal 2019.

The Company has provided a full valuation allowance against all of its U.S. federal and state deferred tax assets as well as the deferred tax assets in Australia, Brazil and Japan. A valuation allowance is determined by assessing both negative and positive evidence to determine whether it is “more likely than not” that the deferred tax assets are recoverable; such assessment is required on a jurisdiction by jurisdiction basis. The Company’s inconsistent earnings in recent periods, including a cumulative loss over the last three years, coupled with its difficulty in forecasting future revenue trends as well as the cyclical nature of its business represent sufficient negative evidence to require a full valuation allowance against its U.S. federal and state net deferred tax assets as well as the above mentioned foreign jurisdictions. This valuation allowance will be evaluated periodically and can be reversed partially or in whole if business results and the economic environment have sufficiently improved to support realization of some or all of the Company’s deferred tax assets.

The acquisition of Enterasys in October 2013 included a U.S. parent company as well as its wholly-owned domestic and foreign subsidiaries. The Company elected to treat this stock acquisition as an asset purchase by filing the required election forms under IRC Sec 338(h)(10). Additionally, the Company completed asset purchases of the Zebra WLAN Business, the Campus Fabric Business and the Brocade Data Center Business in October 2016, July 2017 and October 2017, respectively. The Company has estimated the value of the intangible assets from these transactions and is amortizing the amounts over 15 years for tax purposes. During the three and six months ended December 31, 2017, the Company deducted \$2.1 million and \$3.7 million of tax amortization expense respectively, for each period related to capitalized goodwill resulting from these acquisitions. As of December 31, 2017, the Company recorded a deferred tax liability of \$4.9 million related to this goodwill amortization which is not considered a future source of taxable income in evaluating the need for a valuation allowance against its deferred tax assets.

The Company had \$19.0 million of unrecognized tax benefits as of December 31, 2017. The future impact of the unrecognized tax benefit of \$18.9 million, if recognized, would result in adjustments to deferred tax assets and corresponding adjustments to the valuation allowance. The Company does not anticipate any events to occur during the next twelve months that would reduce the unrealized tax benefit as currently stated in the Company’s balance sheet.

The Company’s policy is to accrue interest and penalties related to the underpayment of income taxes as a component of tax expense in the accompanying condensed consolidated statements of operations.

In general, the Company’s U.S. federal income tax returns are subject to examination by tax authorities for fiscal years 2001 forward due to net operating losses and the Company’s state income tax returns are subject to examination for fiscal years 2000 forward due to net operating losses. The Company is currently under examination by the state of North Carolina for the fiscal years ended 2014, 2015 and 2016.

11. Net Loss Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Dilutive earnings per share is calculated by dividing net earnings by the weighted average number of common shares used in the basic earnings per share calculation plus the dilutive effect of shares subject to repurchase, options, warrants and unvested restricted stock units.

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

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016 (As adjusted)	December 31, 2017	December 31, 2016 (As adjusted)
Net loss	\$ (31,923)	\$ (4,229)	\$ (27,547)	\$ (9,971)
Weighted-average shares used in per share calculation - basic and diluted	113,621	107,425	112,931	106,690
Net loss per share - basic and diluted	\$ (0.28)	\$ (0.04)	\$ (0.24)	\$ (0.09)

The following securities were excluded from the computation of net loss per diluted share of common stock for the periods presented as their effect would have been anti-dilutive (in thousands):

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Options to purchase common stock	2,622	2,301	2,781	2,762
Restricted stock units	7,950	28	7,162	79
Employee Stock Purchase Plan shares	834	330	906	330
Total shares excluded	11,406	2,659	10,849	3,171

12. Foreign Exchange Forward Contracts

The Company uses derivative financial instruments to manage exposures to foreign currency. The Company's objective for holding derivatives is to use the most effective methods to minimize the impact of these exposures. The Company does not enter into derivatives for speculative or trading purposes. The fair value of the Company's derivatives in a gain position are recorded in "Prepaid expenses and other current assets" and derivatives in a loss position are recorded in "Other accrued liabilities" in the accompanying condensed consolidated balance sheets. Changes in the fair value of derivatives are recorded in "Other income (expense), net" in the accompanying condensed consolidated statements of operations. The Company enters into foreign exchange forward contracts to mitigate the effect of gains and losses generated by foreign currency transactions related to certain operating expenses and re-measurement of certain assets and liabilities denominated in foreign currencies. These derivatives do not qualify as hedges.

As of December 31, 2017, forward foreign currency contracts had a notional principal amount of \$1.5 million and an immaterial unrealized gain. These contracts have maturities of less than 60 days. Changes in the fair value of these foreign exchange forward contracts are offset largely by re-measurement of the underlying assets and liabilities. As of December 31, 2016, the Company did not have any derivative instruments outstanding.

Foreign currency transactions gains and losses from operations was loss of \$0.6 million and gain of \$1.1 million for the three months ended December 31, 2017 and 2016, respectively. Foreign currency transactions gains and losses from operations was loss of \$1.1 million and gain of \$0.8 million for the six months ended December 31, 2017 and 2016, respectively.

13. Disclosure about Segments of an Enterprise and Geographic Areas

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

The Company attributes revenues to geographic regions and channels based on the customer's ship-to location as follows (in thousands):

	Three Months Ended					
	December 31, 2017			December 31, 2016		
	Distributor	Direct	Total	Distributor	(As adjusted) Direct	Total
Americas:						
United States	\$ 56,269	\$ 54,559	\$ 110,828	\$ 39,063	\$ 38,396	\$ 77,459
Other	1,155	5,698	6,853	2,827	3,243	6,070
Total Americas	57,424	60,257	117,681	41,890	41,639	83,529
EMEA:	55,956	33,624	89,580	36,070	24,361	60,431
APAC:	5,131	18,731	23,862	1,613	10,804	12,417
Total net revenues	\$ 118,511	\$ 112,612	\$ 231,123	\$ 79,573	\$ 76,804	\$ 156,377

	Six Months Ended					
	December 31, 2017			December 31, 2016		
	Distributor	Direct	Total	Distributor	(As adjusted) Direct	Total
Americas:						
United States	\$ 98,661	\$ 105,549	\$ 204,210	\$ 66,054	\$ 65,225	\$ 131,279
Other	15,491	12,093	27,584	4,220	12,871	17,091
Total Americas	114,152	117,642	231,794	70,274	78,096	148,370
EMEA:	107,188	61,527	168,715	67,369	40,890	108,259
APAC:	8,395	33,934	42,329	3,065	19,287	22,352
Total net revenues	\$ 229,735	\$ 213,103	\$ 442,838	\$ 140,708	\$ 138,273	\$ 278,981

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

Long Lived Assets	December 31, 2017	June 30, 2017
		(As adjusted)
Americas	\$ 187,617	\$ 67,369
EMEA	10,066	8,998
APAC	8,075	4,275
Total long lived assets	\$ 205,758	\$ 80,642

14. Subsequent Event

On January 31, 2018, the Company approved and on February 2, 2018 began executing a reduction-in-force (the "Plan") to re-align the Company's resources as a result of the Company's recent acquisitions of the Campus Fabric Business and the Data Center Business. The Plan is expected to reduce the overall costs of the Company and to accelerate the achievement of the Company's operating margin target objectives. The Company expects to incur charges of approximately \$4.0 million in connection with the Plan. Upon completion of the Plan, the potential savings expected to be achieved as a result of reduced employee related expenses and lower operating costs will yield annualized savings of \$7.0 - \$9.0 million. The costs associated with this Plan primarily include employee severance and benefits expenses. The amount and timing of the actual charges may vary due to required consultation activities with certain employees as well as compliance with statutory severance requirements in local jurisdictions.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report on Form 10-Q, including the following sections, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including in particular, our expectations regarding market demands, customer requirements and the general economic environment, future results of operations, and other statements that include words such as “may,” “will,” “should,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue” and similar expressions. These forward-looking statements involve risks and uncertainties. We caution investors that actual results may differ materially from those projected in the forward-looking statements as a result of certain risk factors identified in the section entitled “Risk Factors” in this Quarterly Report on Form 10-Q for the second quarter of fiscal six months ended December 31, 2016, our Annual Report on Form 10-K for the fiscal year ended June 30, 2017, and other filings we have made with the Securities and Exchange Commission. These risk factors, include, but are not limited to: fluctuations in demand for our products and services; a highly competitive business environment for network switching equipment; our effectiveness in controlling expenses; the possibility that we might experience delays in the development or introduction of new technology and products; customer response to our new technology and products; fluctuations in the global economy; risks related to pending or future litigation; a dependency on third parties for certain components and for the manufacturing of our products and our ability to receive the anticipated benefits of the acquisition of the Zebra Business.

Business Overview

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

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

We believe that understanding the following key developments is helpful to an understanding of our operating results for the fiscal quarter ended December 31, 2017.

Industry Developments

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

- **Ethernet (wired and wireless) has solidified its role in both public and private networks through its scalability, adaptability and cost-effectiveness.** At the same time, the enterprises and service providers expect the technology to follow a price-performance curve that mandates continued innovation by Ethernet vendors.
- **The mobile workforce continues to proliferate.** Employees expect high-quality and secure access to corporate resources in a BYOD world across a diversity of endpoints such as laptops, tablets, smart phones and wearables, whether they are within the corporate firewall or on-the-go. With ExtremeManagement, IT departments focus their investment decisions on this mobile workforce, taking a unified view of wireless access, from the campus core and the data center. Networking vendors offer end-to-end solutions that permit IT managers to meet employee expectations and to maximize IT return on investment.
- **Verticals such as healthcare, education, manufacturing, government, and hospitality, which includes sports and entertainment venues and retail are connecting with their customers and guests beyond the network.** These enterprises are investing in guest and location technologies that connect with their customers via their mobile devices over their WLAN. This allows them to obtain rich analytics for contextual marketing, which in turn, enables them to deliver a personalized brand experience. ExtremeGuest™ and ExtremeLocation™ have been built on cloud-based technology for simple implementation and fast release to market to better provide necessary insights into guest demographics and location-based analytics.

- **Growing usage of the cloud.** Enterprises have migrated increasing numbers of applications and services to either private clouds or public clouds offered by third parties. In either case, the network infrastructure must adapt to this new dynamic environment. Intelligence and automation are key if enterprises are to derive maximum benefit from their cloud deployments. Ethernet speeds, scaling from 10 Gigabits per second (“G”) to 40G and even 100G, provide the infrastructure for both private and public clouds. In addition, there is growing interest in software-defined networking (“SDN”) approaches that may include technologies such as OpenFlow, OpenStack, and CloudStack for increased network agility.
- **Vendor consolidation is expected to continue.** Consolidation of vendors within the enterprise network equipment market and between adjacent markets (storage, security, wireless & voice software and applications) continues to gain momentum. We identified this trend in 2013 with our acquisition of Enterasys. Further, we believe customers are demanding more end-to-end, integrated networking solutions. To address this demand, we acquired the wireless local area network business (the “WLAN Business”) from Zebra Technologies Corporation in October 2016, Avaya’s fabric-based secure networking solutions and network security solutions business (the “Campus Fabric Business”) in July 2017, and Brocade’s data center business (the “Data Center Business”) in October 2017.

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

Our key points of differentiation include:

- **Data Center to access edge wired and wireless solutions.** The addition of the WLAN Business, the Campus Fabric Business and the Data Center Business will allow Extreme to offer a complete, unified portfolio of software-driven network access solutions. We offer the latest in wireless access points for both outdoor and indoor use plus a complete line of switches for the Campus, Core and Data Center.
- **Multi-vendor management from a “single pane-of-glass”.** Extreme’s Management Center (“EMC”) is a single unified management system that is designed to provide visibility, security, and control across the entire network. This can make the network easier to manage and troubleshoot, often with lower operating expenses. Extreme’s software can manage third-party vendors’ network devices, including Campus Fabric products, enabling our customers to potentially maximize device lifespan and protect investments.
- **Software-driven vertical solutions.** Extreme’s software-driven solutions are designed to be easily adaptable to vertical solutions in industries such as healthcare, education, manufacturing, retail, transportation and logistics, government and hospitality. Extreme solutions are also designed to be well-suited for vertical-specific partners in these industries.
- **Application-aware Quality of Service (“QoS”) and analytics.** Extreme has innovative analytic software that enables our customers to see application usage across the network and apply policies that maximize network capabilities. This allows our customers to improve the user experience.
- **Built-in identity and access control.** ExtremeControl™, a network access control, and identity management solution is delivered with the wired and wireless hardware. This may reduce the need to add on expensive software or hardware that may require complex compatibility testing.
- **Easier policy assignment and SDN.** ExtremeControl™ and ExtremeManagement™ software allow our customers to assign policy across the entire network. The SDN component adds versatility for implementing policies that increase network utilization.
- **100% in-sourced tech support.** ExtremeWorks™ delivers best in class customer support in the industry with 92% first call resolution through a 100% in-sourced support model.

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

Acquisitions

Campus Fabric

On July 14, 2017 (“Avaya Closing Date”), we completed the acquisition of Avaya Inc’s. fabric-based secure networking solutions and network security solutions business (the “Campus Fabric Business”), that had been announced on March 7, 2017, and funds were remitted to Avaya pursuant to the Avaya Purchase Agreement. We acquired customers, employees, technology and other assets, as well as assumed contracts and other liabilities of the Campus Fabric Business, for a purchase price of \$79.8 million,

including all adjustments. Pursuant to certain ancillary agreements, Avaya also provides us transition services for a period of time following the Avaya Closing Date. See Note 2. Business Combination for additional information.

The acquisition was accounted for using the acquisition method of accounting whereby the acquired assets and liabilities of the Campus Fabric Business is recorded at their respective fair values and added to those of ours including an amount for goodwill representing the difference between the acquisition consideration and the fair value of the identifiable net assets. Results of operations of the Campus Fabric Business are included in our operations beginning with the Avaya Closing Date.

During the three months and six months ended December 31, 2017, we recognized acquisition and integration costs of \$6.6 million and \$9.5 million, respectively, related to the Campus Fabric Business which is included in "Acquisition and integration costs, net of bargain purchase gain" in the accompanying condensed consolidated statements of operations.

Data Center Business

On October 27, 2017 ("Brocade Closing Date"), we completed our acquisition of Brocade Communication Systems, Inc.'s ("Brocade") Data Center Business that had been announced on October 3, 2017. Upon the terms and subject to the conditions of the Brocade Asset Purchase Agreement, we acquired customers, employees, technology and other assets of the Data Center Business, as well as assumed certain contracts and other liabilities of the Data Center Business, for an upfront cash closing payment equal to \$23.0 million, plus deferred payments of \$20.0 million to be paid \$1.0 million per quarter for 20 quarters following the Brocade Closing Date, plus quarterly earn out payments equal to 50% of profits of the Data Center Business for the five-year period commencing at the end of our first full fiscal quarter following the Brocade Closing Date. Pursuant to certain ancillary agreements, Brocade also provides us with transition services for a period of time following the Brocade Closing Date. See Note 2. Business Combination for additional information.

The acquisition was accounted for using the acquisition method of accounting whereby the acquired assets and liabilities of the Data Center Business is recorded at their respective fair values and added to those of ours including an amount for goodwill representing the difference between the acquisition consideration and the fair value of the identifiable net assets. Results of operations of the Data Center Business are included in our operations beginning with the Closing Date.

During the three and six months ended December 31, 2017, we recognized acquisition costs of \$32.5 million and \$33.8 million, respectively, including a \$25.0 million consent fee paid to Broadcom Corporation ("Broadcom"), to terminate a previous asset purchase agreement entered into by the Company to purchase the Data Center Business from Broadcom, in anticipation of Broadcom's acquisition of Brocade. The fee was paid to Broadcom to allow the Company to buy the Data Center Business directly from Brocade. Acquisitions costs are included in "Acquisition and integration costs, net of bargain purchase gain" in the accompanying condensed consolidated statements of operations.

Key Financial Metrics

During the second quarter of fiscal 2018, we reflected the following results:

- Net revenues of \$231.1 million compared to \$156.4 million in the second quarter of fiscal 2017.
- Product revenues of \$174.9 million compared to \$118.1 million in the second quarter of fiscal 2017.
- Service revenues of \$56.3 million compared to \$38.3 million in the second quarter of fiscal 2017.
- Total gross margin of 55.8% of net revenues compared to 50.9% of net revenues in the second quarter of fiscal 2017.
- Operating loss of \$31.1 million compared to operating loss \$3.0 million in the second quarter of fiscal 2017.
- Net loss of \$31.9 million compared to a net loss of \$4.2 million in the second quarter of fiscal 2017.
- Cash flow provided by operating activities of \$14.2 million compared to \$19.3 million in the six months ended December 31, 2016.
- Cash, cash equivalents and marketable securities of \$128.2 million compared to \$130.5 million as of June 30, 2017.

Net Revenues

The following table presents net product and service revenue for the periods presented (dollars in thousands):

	Three Months Ended				Six Months Ended			
	December 31, 2017	December 31, 2016 (As adjusted)	\$ Change	% Change	December 31, 2017	December 31, 2016 (As adjusted)	\$ Change	% Change
Net Revenues:								
Product	\$ 174,850	\$ 118,055	\$56,795	48.1%	\$ 339,624	\$ 208,148	\$ 131,476	63.2%
<i>Percentage of net revenue</i>	75.7%	75.5%			76.7%	74.6%		
Service	56,273	38,322	17,951	46.8%	103,214	70,833	32,381	45.7%
<i>Percentage of net revenue</i>	24.3%	24.5%			23.3%	25.4%		
Total net revenues	<u>\$ 231,123</u>	<u>\$ 156,377</u>	<u>\$74,746</u>	47.8%	<u>\$ 442,838</u>	<u>\$ 278,981</u>	<u>\$ 163,857</u>	58.7%

Product revenues increased \$56.8 million or 48.1% for the three months ended December 31, 2017 as compared to the corresponding period of fiscal 2017. Product revenues increased \$131.5 million or 63.2% for the six months ended December 31, 2017 as compared to the corresponding period of fiscal 2017. The increase in product revenues for both periods of fiscal 2018 were attributable to low single digit organic growth and growth related to the acquisitions of the WLAN Business, Campus Fabric Business and the Data Center Business.

Service revenues increased \$18.0 million, or 46.8% for the three months ended December 31, 2017 as compared to the corresponding period of fiscal 2017. Service revenues increased \$32.4 million or 45.7% for the six months ended December 31, 2017 as compared to the corresponding period of fiscal 2017. The increase in service revenue for both periods of fiscal 2018 were due to the increased number of service contracts acquired as a result of the acquisitions of the WLAN Business, Campus Fabric Business and the Data Center Business.

The following table presents the product and service, gross profit and the respective gross profit percentages for the periods presented (dollars in thousands):

	Three Months Ended				Six Months Ended			
	December 31, 2017	December 31, 2016 (As adjusted)	\$ Change	% Change	December 31, 2017	December 31, 2016 (As adjusted)	\$ Change	% Change
Gross profit:								
Product	\$ 96,378	\$ 55,428	\$ 40,950	73.9%	\$ 181,107	\$ 101,272	\$ 79,835	78.8%
<i>Percentage of product revenue</i>	55.1%	47.0%			53.3%	48.7%		
Service	32,608	24,224	8,384	34.6%	60,260	44,266	15,994	36.1%
<i>Percentage of service revenue</i>	57.9%	63.2%			58.4%	62.5%		
Total gross profit	<u>\$ 128,986</u>	<u>\$ 79,652</u>	<u>\$ 49,334</u>	61.9%	<u>\$ 241,367</u>	<u>\$ 145,538</u>	<u>\$ 95,829</u>	65.8%
<i>Percentage of net revenue</i>	55.8%	50.9%			54.5%	52.2%		

Product gross profit increased \$41.0 million or 73.9% for the three months ended December 31, 2017 as compared to the corresponding period in fiscal 2017, primarily due to the acquisitions of the WLAN Business, the Campus Fabric Business and the Data Center Business and the corresponding revenues attributed to those acquisitions, more favorable manufacturing costs due to cost reduction efforts and a decrease in integration costs of \$3.9 million including excess inventory charges related to the discontinuance of certain product lines due to the acquisition of the Data Center Business as opposed to the same charges incurred related to the acquisition of the WLAN Business in the corresponding period in fiscal 2017. The increases in product gross profit were partially offset by increases in amortization of developed technology intangibles of \$2.2 million and warranty charges of \$1.0 million.

Product gross profit increased \$79.8 million or 78.8% for the six months ended December 31, 2017 as compared to the corresponding period of fiscal 2017, primarily due to the acquisitions of the WLAN Business, Campus Fabric Business and the Data Center Business and the corresponding revenues attributed to those acquisitions and more favorable manufacturing costs due to cost reduction efforts. The increases in product gross profit were partially offset by increases in warranty charges of \$2.7 million, royalty charges of \$1.4 million, amortization of developed technology intangibles of \$1.1 million, and integration costs of \$0.9 million including excess inventory charges related to the discontinuance of certain product lines due to the acquisitions of the Campus Fabric Business and the Data Center Business as opposed to the same charges incurred related to the acquisition of the WLAN Business in the corresponding period in fiscal 2017.

Service gross profit increased \$8.4 million or 34.6% for the three months ended December 31, 2017 as compared to the corresponding period in fiscal 2017, primarily due to the acquisitions of the WLAN Business, Campus Fabric Business and the Data Center Business as a result of higher number of maintenance contracts.

Service gross profit increased \$16.0 million or 36.1% for the six months ended December 31, 2017 as compared to the corresponding period in fiscal 2017, primarily due the acquisitions of the WLAN Business, Campus Fabric Business and the Data Center Business as a result of higher number of maintenance contracts.

Operating Expenses

The following table presents operating expenses for the periods presented (dollars in thousands):

	Three Months Ended				Six Months Ended			
	December 31, 2017	December 31, 2016 (As adjusted)	\$ Change	% Change	December 31, 2017	December 31, 2016 (As adjusted)	\$ Change	% Change
Research and development	\$ 45,907	\$ 24,013	\$21,894	91.2%	\$ 80,192	\$ 42,312	\$ 37,880	89.5%
Sales and marketing	65,659	41,025	24,634	60.0%	121,220	77,884	43,336	55.6%
General and administrative	11,669	9,397	2,272	24.2%	23,854	17,684	6,170	34.9%
Acquisition and integration costs, net of bargain purchase gain	34,115	4,169	29,946	718.3%	38,359	6,490	31,869	491.0%
Restructuring and related charges, net of reversals	—	1,853	(1,853)	(100.0)%	—	1,853	(1,853)	(100.0)%
Amortization of intangibles	2,746	2,175	571	26.3%	4,360	6,317	(1,957)	(31.0)%
Total operating expenses	<u>\$ 160,096</u>	<u>\$ 82,632</u>	<u>\$77,464</u>	93.7%	<u>\$ 267,985</u>	<u>\$ 152,540</u>	<u>\$115,445</u>	75.7%

Research and Development Expenses

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

Research and development expenses increased by \$21.9 million or 91.2% for the three months ended December 31, 2017 as compared to the corresponding period of fiscal 2017. The increase in research and development expenses was due to higher personnel costs (which consists of compensation, benefits and non-cash stock based compensation) of \$18.5 million due to increased headcount related to the acquisitions of the WLAN Business, the Campus Fabric Business and the Data Center Business, \$2.8 million in increased facility and information technology costs, \$0.4 million in increased supplies and equipment costs and \$0.2 million in increased travel and other costs.

Research and development expenses increased by \$37.9 million or 89.5% for the six months ended December 31, 2017 as compared to the corresponding period of fiscal 2017. The increase in research and development expenses was due to higher personnel costs (which consists of compensation, benefits and non-cash stock based compensation) of \$29.7 million due to increased headcount related to the acquisitions of the WLAN Business, the Campus Fabric Business and the Data Center Business, \$5.3 million in increased facility and information technology costs, \$1.8 million in increased supplies and equipment costs and \$1.1 million in increased travel and other costs.

Sales and Marketing Expenses

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

Sales and marketing expenses increased by \$24.6 million or 60.0% for the three months ended December 31, 2017 as compared to the corresponding period of fiscal 2017 three and six months ended December 31, 2017 primarily as a result of the acquisitions of the WLAN Business, the Campus Fabric Business and the Data Center Business. The increase consisted of higher personnel costs including benefits and non-cash stock compensation of \$18.5 million, \$3.0 million in increased travel, meeting and conference costs, and \$1.8 million in increased facility and information technology costs and \$0.9 million in additional professional fees.

Sales and marketing expenses increased by \$43.3 million or 55.6% for the six months ended December 31, 2017 as compared to the corresponding period of fiscal 2017 three and six months ended December 31, 2017 primarily as a result of the acquisitions of the WLAN Business, the Campus Fabric Business and the Data Center Business. The increase consisted of higher personnel costs including benefits and non-cash stock compensation of \$30.9 million, \$6.7 million in increased travel, meeting and conference costs, \$3.4 million in increased facility and information technology costs and \$2.1 million in additional professional fees.

General and Administrative Expenses

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

General and administrative expenses increased by \$2.3 million or 24.2% for the three months ended December 31, 2017 as compared to the corresponding period of fiscal 2017 primarily due to \$1.6 million in higher compensation, benefits and non-cash stock based compensation, \$0.7 million in higher bad debts provision, \$0.3 million in higher professional fees and \$0.3 million in reduced facility and information technology costs.

General and administrative expenses increased by \$6.2 million or 34.9% for the six months ended December 31, 2017 as compared to the corresponding period of fiscal 2017 primarily due to \$3.8 million in higher compensation, benefits and non-cash stock based compensation, \$1.3 million in higher professional fees and \$1.1 million in higher bad debts provision.

Acquisition and Integration Costs, Net of Bargain Purchase Gain

During the three months ended December 31, 2017 and 2016, we recorded \$34.1 million and \$4.2 million, respectively, of acquisition and integration costs.

For the three months ended December 31, 2017, we incurred \$4.6 million of acquisition and \$1.9 million of integration costs related to the acquisition of the Campus Fabric Business and \$30.3 million of acquisition and \$2.2 million of integration costs related to the acquisition of the Data Center Business. The Data Center Business acquisition costs includes a \$25.0 million consent fee paid to Broadcom, to terminate a previous asset purchase agreement entered into by the Company to purchase the Data Center Business from Broadcom, in anticipation of Broadcom's acquisition of Brocade. The fee was paid to Broadcom to allow the Company to buy the Data Center Business directly from Brocade. Included in Acquisition and Integration Costs is a gain on bargain purchase of \$4.9 million related to the acquisition of the capital financing business ("CF Business").

Expenses for the three months ended December 31, 2016 consisted primarily of legal and accounting services associated with the acquisition of the WLAN Business.

During the six months ended December 31, 2017 and 2016, we recorded \$38.4 million and \$6.5 million, respectively, of acquisition and integration costs.

For the six months ended December 31, 2017, we incurred \$5.9 million of acquisition and \$3.4 million of integration costs related to the acquisition of the Campus Fabric Business and \$31.6 million of acquisition and \$2.2 million of integration costs related to the acquisition of the Data Center Business. We also recorded a gain on bargain purchase of \$4.9 million related to the acquisition of the CF Business.

Expenses for the six months ended December 31, 2016 consisted primarily of legal and accounting services associated with the acquisition of the WLAN Business.

Restructuring and Related Charges, Net of Reversals

No restructuring charges were recorded for the three or six months ended December 31, 2017.

For the three and six months ended December 31, 2016, we incurred \$1.9 million in restructuring and other charges including accelerated depreciation of leasehold improvements and fixed assets in the amount of \$1.7 million and adjustments to estimated sub-lease income to be received related to the estimated future obligations for non-cancelable lease payments for excess facilities of \$0.1 million.

Amortization of Intangibles

During the three months ended December 31, 2017 and 2016, we recorded \$2.7 million and \$2.2 million, respectively, of amortization of our intangibles. The increase was mainly due to additional amortization related to the acquired intangibles from the Campus Fabric and the Data Center Business, partially offset by the acquired intangibles from the Enterasys acquisition becoming fully amortized.

During the six months ended December 31, 2017 and 2016, we recorded \$4.4 million and \$6.3 million, respectively of amortization expense as operating expenses in the accompanying condensed consolidated statements of operations. The reduction was due to the acquired intangibles from the Enterasys acquisition becoming fully amortized, partially offset by additional amortization related to the acquired intangibles from the Campus Fabric and the Data Center Business.

Interest Expense

During the three months ended December 31, 2017 and 2016, we recorded \$2.5 million and \$1.2 million, respectively, in interest expense. The increase in interest expense was primarily in connection with the increased balance of our Credit Facility due to the acquisitions of the Campus Fabric Business and the Data Center Business.

During the six months ended December 31, 2017 and 2016, we recorded \$4.7 million and \$1.8 million, respectively, in interest expense. The increase in interest expense was primarily in connection with the increased balance of our Credit Facility due to the acquisitions of the WLAN Business, the Campus Fabric Business and the Data Center Business.

Other Income (Expense), Net

During the three months ended December 31, 2017 and 2016, we recorded expense of \$0.6 million and income of \$1.0 million, respectively, in other income (expense), net. The change was primarily due to foreign exchange gains and losses from the revaluation of certain assets and liabilities denominated in foreign currencies into U.S. Dollars.

During the six months ended December 31, 2017 and 2016, we recorded income of 2.5 million and \$0.8 million, respectively, in other income (expense), net. The income for fiscal 2018 period was primarily driven by a gain of \$3.8 million due to the sale of non-marketable equity investment, partially offset by foreign exchange losses. The income for fiscal 2017 period was primarily due to foreign exchange gains from the revaluation of certain assets and liabilities denominated in foreign currencies into U.S. Dollars.

Provision (Benefit) for Income Taxes

For the three months ended December 31, 2017 and 2016, we recorded an income tax benefit of \$1.6 million and an income tax provision of \$1.2 million, respectively, which consisted primarily of taxes on the income of our foreign subsidiaries as well as tax expense associated with the establishment of a U.S. deferred tax liability for amortizable goodwill resulting from the acquisition of Enterasys, the WLAN Business and the Campus Fabric Business. The tax provision for the three months ended December 31, 2017 is offset by a tax benefit resulting from the reduction of the U.S. Federal tax rate from 35% to 21% applied to our deferred tax liability related to amortizable goodwill as required by the recently enacted U.S. tax legislation discussed in Note 10 of the accompanying condensed consolidated financial statements. The income tax provisions for both fiscal years were calculated based on the actual results of operations for the three months ended December 31, 2017 and 2016, and therefore may not reflect the annual effective tax rate.

For the six months ended December 31, 2017 and 2016, we recorded an income tax provision of \$0.1 million and \$2.1 million, respectively, which consisted primarily of taxes on the income of the Company's foreign subsidiaries as well as tax expense associated with the establishment of a U.S. deferred tax liability for amortizable goodwill resulting from the acquisitions referenced above. The income tax provision for the six months ended December 31, 2017 is offset by the tax benefit referenced above.

On December 22, 2017, the President of the United States signed and enacted into law H.R. 1, the Tax Cuts and Jobs Act ("TCJA"), which, except for certain provisions, is effective for tax years beginning on or after January 1, 2018. As a fiscal year taxpayer, we will not be subject to the majority of the tax law provisions until fiscal year 2019; however, there are certain significant items of impact that will be recognized in fiscal year 2018. Because a change in tax law is accounted for in the period of enactment, the effects of the TCJA, a tax benefit of \$2.5 million, have been reflected in the second quarter of fiscal 2018. See Note 10 to the consolidated financial statements includes a detailed discussion of the various provisions of the new U.S. tax legislation.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. On an ongoing basis, we evaluate our estimates and assumptions. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

As discussed in Part II, Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" of our Annual Report on Form 10-K for the year ended June 30, 2017, we consider the following accounting policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements:

- *Revenue Recognition*
- *Goodwill*
- *Share-based Payments*

- *Business Combinations*
- *Restructuring Charges*

The following critical accounting policies are the only change since the filing of our last Annual Report on Form 10-K.

Revenue Recognition

We account for revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which we adopted on July 1, 2017, using the full retrospective method. The adoption of this ASC, which we opted to early adopt pursuant to the guidance, requires us, among other things to restate prior periods to conform to current presentation and the adoption of ASC 606 is considered an accounting change. Under ASC 606 revenue is recognized when a customer obtains control of promised goods or services and is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services.

We derive the majority of our revenue from sales of our networking equipment, with the remaining revenue generated from service fees relating to maintenance contracts, professional services, and training for our products. We sell our products and maintenance contracts to partners in two distribution channels, or tiers. The first tier consists of a limited number of independent distributors that stock our products and sell primarily to resellers. The second tier of the distribution channel consists of a non-stocking distributors and value-added resellers that sell directly to end-users. Products and services may be sold separately or in bundled packages.

We consider customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer. For each contract, we consider the promise to transfer products, each of which are distinct, to be the identified performance obligations. In determining the transaction price we evaluate whether the price is subject to refund or adjustment to determine the net consideration to which we expect to be entitled.

For all of our sales and distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e. when our performance obligation is satisfied), which typically occurs at shipment for product sales. For product sales to our value-added resellers, non-stocking distributors and end-user customers, we generally do not grant return privileges, except for defective products during the warranty period. Sales incentives and other programs that we may make available to these customers are considered to be a form of variable consideration and we maintain estimated accruals and allowances using the expected value method.

Sales to stocking distributors are made under terms allowing certain price adjustments and limited rights of return (known as “stock rotation”) of the Company’s products held in their inventory. Revenue from sales to distributors is recognized upon the transfer of control to the distributor. Frequently, distributors need to sell at a price lower than the contractual distribution price in order to win business, and submits rebate requests for Company pre-approval prior to selling the product through at the discounted price. At the time the distributor invoices its customer or soon thereafter, the distributor submits a rebate claim to the Company to adjust the distributor’s cost from the contractual price to the pre-approved lower price. After the Company verifies that the claim was pre-approved, a credit memo is issued to the distributor for the rebate claim. In determining the transaction price, the Company considers these rebate adjustments to be variable consideration. Such price adjustments are estimated using the expected value method based on an analysis of actual claims, at the distributor level over a trailing twelve-month period of time considered adequate to account for current pricing and business trends. Stock rotation rights grant the distributor the ability to return certain specified amounts of inventory. Stock rotation adjustments are an additional form of variable consideration and are also estimated using the expected value method based on historical return rates. The Company did not experience significant differences in its estimates during the six months ended December 31, 2017. For additional information, see Note 3, Summary of Significant Accounting Policies.

Business Combinations

We apply the acquisition method of accounting for business combinations. Under this method of accounting, all assets acquired and liabilities assumed are recorded at their respective fair values at the date of the completion of the transaction. Determining the fair value of assets acquired and liabilities assumed requires management’s judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, intangibles and other asset lives, among other items. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, we may have been required to value the acquired assets at fair value measures that do not reflect its intended use of those assets. Use of different estimates and judgments could yield different results. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. If the fair value of net assets acquired exceeds the fair value of purchase price, a gain on bargain purchase is recognized in the statements of operations. Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part

on historical experience and information that may be obtained from the management of the acquired company and are inherently uncertain. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

New Accounting Pronouncements

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

Liquidity and Capital Resources

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

	December 31, 2017	June 30, 2017
Cash and cash equivalents	\$ 127,108	\$ 130,450
Marketable securities	1,104	—
Total cash, cash equivalent and marketable securities	<u>\$ 128,212</u>	<u>\$ 130,450</u>
Working capital	\$ 43,889	\$ 85,637

As of December 31, 2017, our principal sources of liquidity consisted of cash, cash equivalents and marketable securities of \$128.2 million, accounts receivable, net of \$154.9 million and availability of borrowings from the five-year revolving credit facility (“Revolver”) of \$48.8 million. Our principal uses of cash will include repayments of debt and related interest, purchase of finished goods inventory from our contract manufacturers, payroll, restructuring expenses and other operating expenses related to the development, marketing of our products and purchases of property and equipment. We believe that our \$128.2 million of cash, cash equivalents and marketable securities at December 31, 2017, cash flows from operations along with the availability of borrowings from the Revolver will be sufficient to fund our principal uses of cash for at least the next 12 months.

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

On October 26, 2017, we entered into the Third Amendment to the Credit Facility (the “Third Amendment”). Among other things, the Third Amendment (i) amends the negative covenant governing dispositions to increase the general dispositions basket for our fiscal year ending June 30, 2018, and (ii) amends certain definitions and provisions to update certain references to the Brocade Purchase Agreement. On October 27, 2017, we borrowed \$20.0 million on the Term Loan to partially fund the acquisition of the Data Center Business.

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

If not repaid earlier, the borrowings on the Revolver shall be repaid on the termination date. The Credit Facility is secured by substantially all of our assets and is jointly and severally guaranteed by us and certain of our subsidiaries.

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

The Credit Facility also includes customary events of default, including failure to pay principal, interest or fees when due, failure to comply with covenants, if any representation or warranty made by us is false or misleading in any material respect, certain insolvency or receivership events affecting us and our subsidiaries, the occurrence of certain material judgments, the occurrence of certain ERISA events, the invalidity of the loan documents or a change in control of us. The amounts outstanding under the Credit Facility may be accelerated upon certain events of default. At December 31, 2017, we were in compliance with the covenants of the Credit Facility and they are not expected to impact our liquidity or capital resources.

Key Components of Cash Flows and Liquidity

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

	Six Months Ended	
	December 31, 2017	December 31, 2016 (As adjusted)
Net cash provided by operating activities	\$ 14,248	\$ 19,288
Net cash used in investing activities	(105,968)	(55,750)
Net cash provided by financing activities	88,284	46,241
Foreign currency effect on cash	94	(115)
Net (decrease) increase in cash and cash equivalents	<u>\$ (3,342)</u>	<u>\$ 9,664</u>

Net Cash Provided by Operating Activities

Cash flows provided by operations in the six months ended December 31, 2017 were \$14.2 million, including net loss of \$27.5 million and non-cash expenses of \$23.1 million for items such as amortization of intangibles, stock-based compensation, depreciation, deferred income taxes, gain on bargain purchase and gain on sale of non-marketable equity investment as well as increases in accounts payable, accrued compensation, deferred revenue and other current and long-term liabilities and a decrease in prepaid expenses and other assets. This was partially offset by increases in accounts receivable and inventories.

Cash flows provided by operations in the six months ended December 31, 2016 were \$19.3 million, including net loss of \$10.0 million and non-cash expenses of \$25.8 million such as amortization of intangibles, stock-based compensation, depreciation, deferred income taxes and non-cash restructuring and related charges as well as decreases in inventories, prepaid expenses and other current assets and an increase in current and long-term liabilities. This was partially offset by an increase of accounts receivable and decreases of accounts payable, accrued compensation and deferred revenue.

Net Cash Used in Investing Activities

Cash flows used in investing activities in the six months ended December 31, 2017 were \$106.0 million which consisted of expenditures for acquisitions of \$97.6 million consisting of \$69.6 million for the acquisition of the Campus Fabric Business and \$29.5 million for the acquisition of the Data Center Business, less receipt of \$1.6 million as final settlement of a working capital adjustment related to the WLAN Business acquisition, purchases of property and equipment of \$13.3 million and proceeds of \$4.9 million related to the sale of non-marketable equity investment.

Cash flows used in investing activities in the six months ended December 31, 2016 were \$55.8 million which consisted of expenditures of \$51.1 million for the WLAN Business acquisition and \$4.7 million of purchases of property and equipment.

Net Cash Provided by Financing Activities

Cash flows provided by financing activities in the six months ended December 31, 2017 were \$88.3 million, including new borrowings of \$100.0 million to fund our acquisitions of the Campus Fabric Business and the Data Center Business, \$5.6 million proceeds from issuance of shares of our common stock under our Employee Stock Purchase Plan ("ESPP") and the exercise of stock options less \$7.1 million of taxes paid on vested and released stock awards, partially offset by repayments of debt totaling \$8.7 million and \$1.5 million of loan fees incurred in connection with the Second Amendment of our Credit Facility.

Cash flows provided by financing activities in the six months ended December 31, 2016 were \$46.2 million which consisted of new borrowings of \$48.3 million under our Credit Facility, as amended, \$4.8 million proceeds from the issuance of shares of our

common stock under our ESPP and the exercise of stock options, net of taxes paid on vested and released stock awards, offset by repayments of debt totaling \$5.5 million and \$1.3 million of loan fees incurred in connection with the Credit Facility, as amended.

Foreign Currency Effect on Cash

Foreign currency effect on cash increased in the three and six months ended December 31, 2017, primarily due to changes in foreign currency exchange rates between the U.S. Dollar and particularly the Brazilian Real, British Pound, Indian Rupee and the EURO.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2017, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Contractual Obligations:					
Debt obligations	\$ 185,027	\$ 22,964	\$ 70,985	\$ 91,078	\$ —
Interest on debt obligations	25,383	8,259	12,437	4,687	—
Non-cancellable inventory purchase commitments	145,261	145,261	—	—	—
Non-cancellable purchase commitments	19,000	5,000	11,000	3,000	—
Non-cancellable operating lease obligations	103,958	21,164	35,169	26,533	21,092
Deferred payments for an acquisition	20,000	4,000	12,000	4,000	—
Contingent consideration for acquisitions	47,030	11,270	28,850	6,910	—
Other liabilities	1,107	244	488	375	—
Total contractual cash obligations	<u>\$ 546,766</u>	<u>\$ 218,162</u>	<u>\$ 170,929</u>	<u>\$ 136,583</u>	<u>\$ 21,092</u>

Non-cancelable inventory purchase commitments represent the purchase of long lead-time component inventory that our contract manufacturers procure in accordance with our forecast. Inventory purchase commitments were \$145.3 million as of December 31, 2017. We expect to honor the inventory purchase commitments within the next 12 months.

Non-cancelable purchase commitments represent future payments for software and support used in our products.

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

Deferred payments for an acquisition of the Data Center Business represent a \$1.0 million per quarter for our next twenty full fiscal quarters following the acquisition date of October 27, 2017.

Contingent consideration for acquisitions of the Data Center Business and the Capital Financing Business is recorded at fair value and actual results could be different.

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

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

We did not have any material commitments for capital expenditures as of December 31, 2017.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

The following table presents the amounts of our cash equivalents that are subject to market risk by range of expected maturity and weighted-average interest rates as of December 31, 2017 (dollars in thousands).

	Maturing in			Total	Fair Value
	Three months or less	Three months to one year	Greater than one year		
December 31, 2017					
Included in cash equivalents	\$ 4,500	\$ —	\$ —	\$ 4,500	\$ 4,500
Weighted average interest rate	0.2%	—%	—%		

The following tables present hypothetical changes in fair value of the financial instruments held at December 31, 2017, that are sensitive to changes in interest rates (in thousands):

Unrealized gain given a decrease in interest rate of X bps		Fair value as of December 31, 2017	Unrealized loss given an increase in interest rate of X bps	
(100 bps)	(50 bps)		100 bps	50 bps
\$ —	\$ —	\$ 4,500	\$ —	\$ —

Debt

At certain points in time we are exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from our credit facility.

At certain points in time we are exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from the Second Amendment to our Credit Facility. Our debt and Credit Facilities, as amended, are fully described in the Note 3 of our Notes to the Consolidated Financial Statements in our annual report on Form 10-K. At December 31, 2017, we had \$185.0 million of debt outstanding, all of which was from our Credit Facilities, as amended. Through the second quarter of fiscal 2018, the average daily outstanding amount was \$183.9 million with a high of \$189.6 million and a low of \$169.6 million.

The following table presents hypothetical changes in interest expense for the quarter ended December 31, 2017, on outstanding credit facility borrowings as of December 31, 2017, that are sensitive to changes in interest rates (in thousands):

Change in interest expense given a decrease in interest rate of X bps*		Average outstanding debt as of December 31, 2017	Change in interest expense given an increase in interest rate of X bps	
(100 bps)	(50 bps)		100 bps	50 bps
\$ (463)	\$ (231)	\$ 185,027	\$ 463	\$ 231

* Underlying interest rate was 1.30% during the quarter.

Exchange Rate Sensitivity

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

Foreign Exchange Forward Contracts

We record all derivatives on the balance sheet at fair value. Changes in the fair value of derivatives are recognized in earnings as Other expense, net. From time to time, we enter into foreign exchange forward contracts to mitigate the effect of gains and losses generated by the foreign currency forecast transactions related to certain operating expenses and re-measurement of certain assets and liabilities denominated in foreign currencies. These derivatives do not qualify as hedges. Changes in the fair value of these foreign exchange forward contracts are offset largely by re-measurement of the underlying assets and liabilities. At December 31, 2017, we had \$1.5 million notional of forward foreign currency contracts outstanding.

Foreign currency transaction gains and losses from operations was a loss of \$0.6 million and gain of \$0.2 million for the three months ended December 31, 2017 and 2016, respectively. Foreign currency transaction gains and losses from operations was a loss of \$1.1 million and gain of \$0.8 million for the six months ended December 31, 2017 and 2016, respectively.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Report. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a – 15(f) and 15(d) – 15(f) during the December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We implemented internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new accounting standards related to revenue recognition to facilitate its adoption on July 1, 2017. There were no significant changes to our internal control over financial reporting due to the adoption of this new standard.

Inherent Limitations on Effectiveness of Controls

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

PART II. Other Information

Item 1. Legal Proceedings

For information regarding litigation matters required by this item, refer to Part I, Item 3, Legal Proceedings of our Annual Report on Form 10-K for the fiscal year ended June 30, 2017, and Note 9 to our Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report which are incorporated herein by reference.

Item 1A. Risk Factors

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

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

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

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

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

For example, on October 28, 2016, we completed the acquisition of the WLAN Business from Zebra Technologies Corporation and amended the Credit Facility with our lenders to finance the acquisition. As of December 31, 2017, we have \$185.0 million of indebtedness outstanding.

On July 14, 2017, we completed the acquisition of the Campus Fabric Business for a purchase price of \$100.0 million subject to certain adjustments set forth in the Avaya Purchase Agreement.

On October 27, 2017, the Company completed its acquisition of the Data Center Business. Upon the terms and subject to the conditions of the Brocade Asset Purchase Agreement ("Brocade Purchase Agreement"), the Company acquired customers, employees, technology and other assets of the Data Center Business, as well as assumed certain contracts and other liabilities of the Data Center Business, for an upfront cash closing payment equal to \$23.0 million, plus a deferred payment equal to \$20.0 million to be paid \$1 million per quarter for 20 quarters following the Closing, plus quarterly earn out payments equal to 50% of profits of the Data Center Business, with certain deductions per the terms of the Brocade Purchase Agreement, for the five-year period commencing at the end of our first full fiscal quarter following the Brocade Closing Date.

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

Our ability to realize the anticipated benefits of our acquisitions and investment activities, including the WLAN Business, Campus Fabric Business and Brocade Data Center Business, also entail numerous risks, including, but not limited to:

- difficulties in the assimilation and successful integration of acquired operations, technologies and/or products;
- unanticipated costs, litigation or other contingent liabilities associated with the acquisition or investment transaction;
- incurrence of acquisition and integration-related costs, goodwill or in-process research and development impairment charges, or amortization costs for acquired intangible assets, that could negatively impact our operating results and financial condition;

- the diversion of management’s attention from other business concerns;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering markets in which we have no or limited prior experience;
- the potential loss of key employees of acquired organizations and inability to attract or retain other key employees; and
- substantial charges for the amortization of certain purchased intangible assets, deferred stock compensation or similar items.

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

Our credit facilities impose financial and operating restrictions on us.

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

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

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

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

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

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

Our success depends to a significant degree upon the continued contributions of our key management, engineering, sales and marketing, service and operations personnel, many of whom would be difficult to replace. We do not have employment contracts with

these individuals that mandate that they render services for any specific term, nor do we carry life insurance on any of our key personnel. We have experienced and may in the future experience significant turnover in our executive personnel. Changes in our management and key employees could affect our financial results, and a recent reduction in force, may impede our ability to attract and retain highly skilled personnel. We believe our future success will also depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing, service, finance and operations personnel. The market for these personnel is competitive, and we have had difficulty in hiring employees, particularly engineers, in the time-frame we desire.

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

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

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

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

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

- increases in the price of the components we purchase; and
- changes in funding for customer technology purchases in our markets, such as policy changes in public funding of educational institutions in the United States in accordance with the Federal Communications Commission's E-Rate program.

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

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

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

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

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

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

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

- longer accounts receivable collection cycles;
- difficulties in managing operations across disparate geographic areas;
- difficulties associated with enforcing agreements through foreign legal systems;
- reduced or limited protection of intellectual property rights, particularly in jurisdictions that have less developed intellectual property regimes, such as China and India;
- higher credit risks requiring cash in advance or letters of credit;
- potential adverse tax consequences;
- compliance with regulatory requirements of foreign countries, including compliance with rapidly evolving environmental regulations;
- compliance with U.S. laws and regulations pertaining to the sale and distribution of products to customers in foreign countries, including export controls and the Foreign Corrupt Practices Act;
- the payment of operating expenses in local currencies, which exposes us to risks of currency fluctuations.
- political and economic turbulence;
- terrorism, war or other armed conflict;
- compliance with U.S. and other applicable government regulations prohibiting certain end-uses and restrictions on trade with embargoed or sanctioned countries, such as Russia, and with denied parties;
- potential import tariffs imposed by the United States and the possibility of reciprocal tariffs by foreign countries;

- difficulty in conducting due diligence with respect to business partners in certain international markets;
- increased complexity of accounting rules and financial reporting requirements;
- fluctuations in local economies; and
- natural disasters and epidemics.

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

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

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

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

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

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

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

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

- ASICs - merchant silicon, Ethernet switching, custom and physical interface;
- microprocessors;
- programmable integrated circuits;
- selected other integrated circuits;
- custom power supplies; and
- custom-tooled sheet metal.

Our principal limited-source components include:

- flash memory;
- DRAMs and SRAMs;

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

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

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

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

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

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

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

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

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

occur, we may not achieve the cost savings expected from such restructurings, and our business and results of operations could be adversely affected.

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

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

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

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

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

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

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

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

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

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

develop and commercially introduce new products and enhancements, we cannot assure that new products or enhancements will achieve widespread market acceptance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have in the past, currently are and will likely in the future pursue or be subject to claims or lawsuits in the normal course of our business. In addition to the risks related to the intellectual property lawsuits described above, we are currently parties to other litigation as described in Note 9 to our Notes to Consolidated Financial Statements included elsewhere in this Quarterly Report. Regardless of the result, litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a lawsuit in which we are a defendant could result in a court order against us or payments to other parties that would have an adverse effect on our business, results of operations or financial condition. Even if we are successful in prosecuting claims and lawsuits, we may not recover damages sufficient to cover our expenses incurred to manage, investigate and pursue the litigation. In addition, subject to certain limitations, we may be obligated to indemnify our current and former customers, suppliers, directors, officers and employees in certain lawsuits. We may not have adequate insurance coverage to cover all of our litigation costs and liabilities.

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

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

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

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

Our products must successfully inter-operate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. The occurrence of system errors, whether or not caused by our products, could result in the delay or loss of market acceptance of our products and any necessary revisions may cause us to incur significant

expenses. The occurrence of any such problems would likely have a material adverse effect on our business, operating results and financial condition.

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

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

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

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

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

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

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

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

- budgetary constraints and internal acceptance reviews by customers will result in the loss of potential sales;
- there may be substantial variation in the length of the sales cycle from customer to customer, making decisions on the expenditure of resources difficult to assess;
- we may incur substantial sales and marketing expenses and expend significant management time in an attempt to initiate or increase the sale of products to customers, but not succeed;
- if a sales forecast from a specific customer for a particular quarter is not achieved in that quarter, we may be unable to compensate for the shortfall, which could harm our operating results; and
- downward pricing pressures could occur during the lengthy sales cycle for our products.

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

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

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

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

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

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

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

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

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

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

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

Recent U.S. tax legislation may materially adversely affect our financial condition, results of operations and cash flows.

Recently enacted U.S. tax legislation has significantly changed the U.S. federal income taxation of U.S. corporations, including by reducing the U.S. corporate income tax rate, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, imposing a one-time transition tax (or “repatriation tax”) on all undistributed earnings and profits of certain U.S.-owned foreign corporations, revising the rules governing net operating losses and the rules governing foreign tax credits, and introducing new anti-base erosion provisions. Many of these changes are effective immediately, without any transition periods or grandfathering for existing transactions. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the Treasury and Internal Revenue Service (“IRS”), any of which could lessen or increase certain adverse impacts of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While our analysis and interpretation of this legislation is preliminary and ongoing, based on our current evaluation, we do not expect the reduction of the U.S. corporate income tax rate will have a materially adverse impact to our earnings given our U.S. valuation allowance. We also do not currently believe the one-time transition tax will have a materially adverse impact given our ability to utilize existing tax attributes. An estimate of the impact was recorded in the second quarter of the fiscal year ending 2018, the period in which the tax legislation was enacted, however, these amounts may be subject to further adjustment in subsequent periods throughout fiscal 2018 in accordance with recent interpretive guidance issued by the SEC as well as future regulatory guidance. We believe the limitation on interest deductions, the expanded limitation on executive compensation deductions and the anti-base erosion provisions in the legislation may negatively impact our cash flows going forward. There may be other material adverse effects resulting from the legislation that we have not yet identified.

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

Our future effective tax rates may be volatile or adversely affected by changes in our business or U.S. or foreign tax laws, including: the partial or full release of the valuation allowance recorded against our net U.S. deferred tax assets; expiration of or lapses in the research and development tax credit laws; transfer pricing adjustments; tax effects of stock-based compensation; or costs related to restructuring. In addition, we are subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities. Although we regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes, there is no assurance that such determinations by us are in fact adequate. Changes in our effective tax rates or amounts assessed upon examination of our tax returns may have a material, adverse impact on our cash flows and our financial condition.

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

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

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

Our Rights Agreement provides that if a single stockholder (or group) acquires more than 4.95% of our outstanding common stock without a waiver from our Board of Directors, each holder of one share of our common stock (other than the stockholder or group who acquired in excess of 4.95% of our common stock) may purchase a fractional share of our preferred stock that would result in substantial dilution to the triggering stockholder or group. Accordingly, although this plan is designed to prevent any limitation on

the utilization of our net operating losses by avoiding issues raised under Section 382 of the U.S. Internal Revenue Code, the Rights Agreement could also serve as a deterrent to stockholders wishing to effect a change of control.

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

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

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

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

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

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

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

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

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

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

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

In addition, fluctuations in our stock price and our price-to-earnings multiple may make our stock attractive to momentum, hedge or day-trading investors who often shift funds into and out of stock rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis. These fluctuations may adversely affect the trading price or liquidity of our common stock. Some companies, including us, that have had volatile market prices for their securities have had securities class action lawsuits

filed against them. If a suit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management's attention and resources.

We rely on the availability of third-party licenses.

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

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

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

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

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

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

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

Our products are designed to interface with our customers' existing networks, each of which have different specifications and utilize multiple protocol standards and products from other vendors. Many of our customers' networks contain multiple generations of

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

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

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

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

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

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

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

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds – Not applicable

Item 3. Defaults Upon Senior Securities - Not applicable

Item 4. Mine Safety Disclosure - Not Applicable

Item 5. Other Information – Not Applicable

Item 6. Exhibits

(a) Exhibits:

Exhibit Number	Description of Document	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Number	
2.1	Asset Purchase Agreement, dated October 3, 2017, by and between Extreme Networks, Inc. and Brocade Communications Systems, Inc.	8-K	10/3/17	2.1	
10.1	Third Amendment to the Amended and Restated Credit Agreement, dated as of October 26, 2017, by and among the Company, as borrower, the several banks and other financial institutions or entities party thereto as lenders, and Silicon Valley Bank, as administrative agent and collateral agent.	8-K	10/30/17	10.1	
10.2	Consent Agreement Re: Termination of Prior Asset Purchase Agreement, dated as of October 3, 2017, by and among LSI Corporation, Broadcom Corporation and Extreme Networks, Inc.	8-K	10/03/17	10.1	
10.4*	Extreme Networks, Inc. Amended and Restated 2013 Equity Incentive Plan.	S-8	12/01/17	99.1	
10.5	Lease by and between SI 64, LLC, (“Landlord”) and Extreme Networks, Inc., (“Tenant”) (6480 Via Del Oro) dated November 6, 2017.				X
10.6	Lease by and between SI 33, LLC, (“Landlord”) and Extreme Networks, Inc., (“Tenant”) (6377 San Ignacio Avenue) dated November 6, 2017.				X
31.1	Section 302 Certification of Chief Executive Officer.				X
31.2	Section 302 Certification of Chief Financial Officer.				X
32.1**	Section 906 Certification of Chief Executive Officer.				X
32.2**	Section 906 Certification of Chief Financial Officer.				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X

*Indicates management compensatory contract, plan or arrangement.

** Furnished herewith. Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be “filed” for purposes of section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

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 thereunto duly authorized.

EXTREME NETWORKS, INC.
(Registrant)

/s/ B. DREW DAVIES

B. Drew Davies
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)

February 8, 2018

LEASE

By and Between

**SI 64, LLC,
a California limited liability company**

("Landlord")

and

**Extreme Networks, Inc.,
a Delaware corporation
("Tenant")**

(6480 Via Del Oro)

Dated For Reference Purposes Only: November 6, 2017

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EXHIBIT "A" – Project Site Plan (Attached)

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Basic Lease Information Sheet

1. Date of Lease (for reference purposes only): November 6, 2017
2. Tenant: Extreme Networks, Inc.,
a Delaware corporation
3. Tenant's Address For Notices: At the Premises
Attn: Ted Lawson, Director of Real Estate
Email address: TeLawson@ExtremeNetworks.com

With a Copy to:
At the Premises
Attn: Gina Christopher, Deputy General Counsel
Email Address: GChristopher@extremenetworks.com
4. Tenant Billing Contact as of the Date of Lease: Banita de Ornelas, Lease Manager
6480 Via Del Oro, San Jose, CA 95119
Phone: (408) 579-3494
Email Address: bornelas@extremenetworks.com
5. Tenant Facility Contact as of the Date of Lease: Paul Fick, Facility Manager
6480 Via Del Oro, San Jose, CA 95119
Phone: (408) 579-3494
pfick@extremenetworks.com
6. Landlord: SI 64, LLC
a California limited liability company
7. Landlord's Address: c/o The Sobrato Organization, LLC
10600 North De Anza Boulevard, Suite 200
Cupertino, CA 95014
Attn: Property Manager
Email address: As set forth in Paragraph 8 of this Basic Lease Information Sheet
8. Landlord's Property Manager Contact as of the Date of Lease: Lisa Kellogg
(408) 446-0700
lkellogg@sobrato.com
9. Premises: 6480 Via Del Oro,
San Jose, CA 95119
(Section 2)

10. Rentable Square Footage/Tenant's Allocable Share: Rentable Square Footage: Approximately One Hundred Two Thousand One Hundred Thirty Nine (102,139) square feet
(Section 2)
- Tenant's Allocable Share of Reimbursable Operating Costs:
- Allocable Share of Reimbursable Operating Costs allocable to the Building – one hundred percent (100%)
- Allocable Share of Reimbursable Operating Costs allocable to the Project – twenty three and fifty seven one-hundredths percent (23.57%)
(Section 9.E)
11. Commencement Date: The Effective Date (defined in Section 2)
(Section 4.A)
12. Reimbursable Operating Costs and Management Fees: Payable commencing on the Commencement Date
(Section 4.A)
13. Expiration Date: April 30, 2027
(Section 4.A)
14. Term: Initial Term: The period beginning on the Commencement Date up to and including August 31, 2019, plus an additional ninety two (92) months commencing September 1, 2019 and expiring on April 30, 2027
(Section 4.A)
- Option Terms: two (2) consecutive terms of sixty (60) months each
- Option Term Notice Period: No earlier than fifteen (15) months nor later than twelve (12) months prior to the date the Lease Term would otherwise expire
(Section 19)
15. Base Monthly Rent: MonthBase Monthly Rent Approximate Rate Per Designated Square FootCommencement Date - 8/31/2018One Hundred Ninety One Thousand Nine Hundred One Dollars (\$191,901)One Dollar and Eighty Eight Cents (\$1.88)9/1/2018 - 8/31/2019One Hundred Ninety Seven Thousand Two Hundred Seventy Four Dollars (\$197,274)One Dollar and Ninety Three Cents (\$1.93)9/1/2019 – 4/30/2020One Hundred Forty One Thousand Nine Hundred Seventy Three Dollars and Twenty One Cents (\$141,973.21)One Dollar and Thirty Nine Cents (\$1.39)5/1/2020 – 4/30/2021One Hundred Forty Six Thousand Two hundred Thirty Two Dollars and Forty One Cents (\$146,232.41)One Dollar and Forty Three Cents (\$1.43)5/1/2021 – 4/30/2022One Hundred Fifty Thousand Six Hundred Nineteen Dollars and Thirty Eight Cents (\$150,619.38)One Dollar and Forty Seven Cents (\$1.47)5/1/2022 – 4/30/2023One Hundred Fifty Five Thousand One Hundred Thirty Seven Dollars and Ninety Six Cents (\$155,137.96)One Dollar and Fifty Two Cents (\$1.52)5/1/2023 – 4/30/2024One Hundred Fifty Nine Thousand Seven Hundred Ninety Two Dollars and Ten Cents (\$159,792.10)One Dollar and Fifty Six Cents (\$1.56)5/1/2024 – 4/30/2025One Hundred Sixty Four Thousand Five Hundred Eighty Five Dollars and Eighty Six Cents (\$164,585.86)One Dollar and Sixty One Cents (\$1.61)5/1/2025 – 4/30/2026One Hundred Sixty Nine Thousand Five Hundred Twenty Three Dollars and Forty Four Cents (\$169,523.44)One Dollar and Sixty Six Cents (\$1.66)5/1/2026 – 4/30/2027One Hundred Seventy Four Thousand Six Hundred Nine Dollars and Fourteen Cents (\$174,609.14)One Dollar and Seventy Nine Cents (\$1.79)
- (Section 4.A)
- Option Term Rent: Fair Market Rental
(Section 19)
- Holdover After Lease Expiration:
- Without Landlord's Consent - tenancy at sufferance, at reasonable rental value of the Premises but not less than one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding expiration or earlier termination (without regard to temporary abatements or reductions).

With Landlord's Consent - month to month tenancy, at one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding expiration or sooner termination of this Lease (without regard to temporary abatements or reductions).
(Section 7.D)

16. Reimbursable Operating Costs See Section 9.D for list of Reimbursable Operating Costs (payable with Base Monthly Rent starting on the Commencement Date)
(Section 9.D)
17. Property Management Fee: Monthly fee for management services - three percent (3%) of the Base Monthly Rent, without regard to temporary abatements or reductions then in effect (payable at same time Base Monthly Rent would be due, but for temporary abatements or reductions then in effect, starting on the Commencement Date)
(Section 20.N)

18. Late Charge: Five (5%) percent of the overdue amount not received within ten (10) days after the due date
(Section 4.C)
19. Security Deposit: One Hundred Seventy Four Thousand Six Hundred Nine Dollars and Fourteen Cents
(\$174,609.14)
(Section 5)
20. Parking: Non-exclusive right to use not more than three hundred fifty (350) parking spaces in the Common Area
(Section 2)
21. Building Shell and/or Tenant Improvement Plans Delivery Dates: Not applicable.
22. Work Allowance: Two Million Two Hundred Ninety Eight Thousand One Hundred Twenty Seven Dollars and Fifty Cents (\$2,298,127.50)
(Section 6.F)
23. Broker(s): Landlord's Broker: None
Tenant's Broker: CBRE, Inc.
(Section 20.C)

This Basic Lease Information Sheet and the parenthetical references to sections of this Lease are for convenience of reference only, and designate some of the Lease sections where applicable provisions are set forth. In the event of any conflict between any information in this Basic Lease Information Sheet and the other provisions of the Lease, the other provisions of the Lease shall control.

LEASE

Lease between SI 64, LLC and Extreme Networks, Inc. (6480 Via Del Oro)

1. PARTIES:

THIS LEASE, dated for reference purposes only as of November 6, 2017, is between SI 64, LLC, a California limited liability company (“**Landlord**”), whose address is set forth in Paragraph 7 of the Basic Lease Information Sheet, and Extreme Networks, Inc., a Delaware corporation (“**Tenant**”), whose address is set forth in Paragraph 3 of the Basic Lease Information Sheet. Landlord and Tenant are sometimes collectively referred to in this Lease as the “**Parties**” and sometimes individually as a “**Party**”.

2. PREMISES:

This Lease shall become effective when it has been signed by Landlord and Tenant (the date this Lease becomes effective being both the “**Effective Date**” and the “**Commencement Date**”). Tenant currently leases the Premises (defined below) from Landlord pursuant to a lease dated August 24, 1998 between Landlord’s predecessor in interest (by assignment), Sobrato Land Holdings, a California limited partnership, and Tenant’s predecessor in interest (by assignment), Symbol Technologies, Inc., a Delaware corporation (such lease, as the same has been amended as of the Effective Date, being the “**Existing Lease**”). Unless and until this Lease becomes effective, the Existing Lease shall remain in full force and effect on the terms and conditions contained in the Existing Lease. Immediately upon this Lease becoming effective, the Existing Lease shall automatically terminate, and the term of this Lease shall immediately commence, and Tenant shall continue in occupancy of the Premises pursuant to this Lease.

Subject to this Lease becoming effective, Landlord hereby leases to Tenant, and Tenant hires from Landlord those certain premises situated in the City of San Jose, County of Santa Clara, State of California, being all of the rentable square

footage contained in that certain building commonly known and designated as 6480 Via Del Oro (the “**Premises**”), the general location of such building being shown on Exhibit “A” attached hereto. For purposes of this Lease, the square footage of the building in which the Premises is located (“**Building**”) is deemed to be one hundred two thousand one hundred thirty nine (102,139) rentable square feet. Tenant shall have the nonexclusive right during the Lease Term (defined in Section 4.A below) to use three hundred fifty (350) of the parking spaces within the Common Area (defined below), provided however that (i) Tenant may not use any parking spaces upon an Additional Building Parcel (defined below) which are designated by the owner of such Additional Building Parcel from time to time for the exclusive use of its tenants and other designated users, and (ii) the number of parking spaces which Tenant is allowed to use under this Lease shall be proportionally reduced in the event the size of the Premises decreases or there is a taking of the Common Area which decreases the number of parking spaces in the Project. In addition, during the Lease Term, Tenant shall have the non-exclusive right to use other areas in the Project designated by Landlord as common area from time to time (the parking areas and such other areas designated by Landlord as common area being the “**Common Area**”) including but not limited to sidewalks, service areas, and other common exterior facilities. Unless expressly provided otherwise, the term Premises as used herein shall include the Tenant Improvements (defined in Section 6.B below).

The Building and Common Area are situated within a project site shared with four (4) additional buildings shown generally on Exhibit “A” attached hereto (“**Project**”). The four (4) additional buildings in the Project consist of the following buildings owned by various entities (each, an “**Additional Building**”): (i) 6373 San Ignacio Avenue, deemed to contain eighty two thousand one hundred forty four (82,144) rentable square

feet.; (ii) 6375 San Ignacio Avenue, deemed to contain one hundred two thousand one hundred thirty nine (102,139) rentable square feet; (iii) 6377 San Ignacio Avenue (the “**6377 San Ignacio Building**”), deemed to contain eighty two thousand five hundred seventy four (82,574) rentable square feet; and (iv) 6379 San Ignacio Avenue, deemed to contain sixty four thousand three hundred eighty five (64,385) rentable square feet. The parcel of land upon which an Additional Building is located is referred to in this Lease as an “**Additional Building Parcel**”.

Landlord shall have the right, in its sole and absolute discretion, from time to time, to do the following, provided that reasonable access to the Premises remains available, such changes or actions do not materially interfere with Tenant’s use of the Premises or its business operations, and the number of parking spaces allocated to Tenant is not permanently reduced: (a) make changes to the Common Area and/or the Project, including, without limitation, driveways, entrances, circulation drives, parking spaces, parking areas, direction of driveways, landscaped areas and walkways; (b) close temporarily any of the Common Area for maintenance and repair purposes or to prevent a public dedication thereof; (c) add additional buildings to the Project and improvements to the Common Area or remove (except for the Building) or alter existing buildings or improvements in the Project; (d) use the Common Area while engaged in making additional improvements, repairs or alterations to the Project; (e) erect, use, and maintain pipes, wires and conduits in and through the Premises; and (f) do and perform any other acts, alter or expand or make any other changes in, to or with respect to the Common Area and/or the Project as Landlord may, in its sole and absolute discretion, deem to be appropriate, all of which are hereby consented to by Tenant. Landlord reserves the absolute right to effectuate such other tenancies in the other Project buildings that Landlord may own from time to time (if any), as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of Landlord. Tenant has not relied on the fact, nor has Landlord represented, that any specific tenant or type or number of tenants shall occupy any space in the other Project buildings, or that any specific tenant or type of tenant shall be

excluded from occupying any space in the other Project buildings.

Landlord and Tenant have agreed to use the square footage numbers set forth in this Lease as the basis of calculating the rent due under this Lease and Tenant’s Allocable Share (defined in Section 9.E below). The rent per square foot numbers set forth in the third column of the Base Monthly Rent schedule in Paragraph 15 of the Basic Lease Information Sheet is intended solely as an approximate number calculated based on the agreed upon rentable square footage number for the Premises set forth in this Lease. Notwithstanding such rent per square foot numbers, the Base Monthly Rent amount set forth in the second column of such Base Monthly Rent schedule in Paragraph 15 of the Basic Lease Information Sheet shall control and shall not be subject to revision if the actual square footage of the Premises is more or less than the square footage stated in this Lease. The rent due under this Lease and Tenant’s Allocable Share shall not be subject to revision if the actual square footages are more or less than as stated in this Lease, except in the event of a physical expansion or contraction of the rentable square footage in the Premises or Project, in the event of a partial taking of the Project which reduces the parking spaces within the Project as described in Section 17 below, or as otherwise expressly provided in this Lease. No representation or warranty of any kind, express or implied, is given to Tenant with respect to the square footage or acreage of the Premises, Building or any other portion of the Project. Landlord shall have no liability to Tenant if the square footages or acreage described in this Lease differ from the actual square footages or acreage.

3. USE:

A. Permitted Uses:

Tenant shall use the Premises to the extent permitted under applicable Laws (defined in Section 8.C below) only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord, which Landlord may withhold in its sole and absolute discretion: general office, research and development, lab, and all other legally permitted uses associated with Tenant’s business, such

however to the other terms and conditions of this Lease. Tenant shall use only the number of parking spaces allocated to Tenant under this Lease. All commercial trucks and delivery vehicles shall be (i) parked at the rear of the Building, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain within the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord reserves the right to impose such additional rules and regulations as Landlord deems reasonably necessary to operate the Project in a manner which protects the quiet enjoyment of all tenants in the Project. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws (as defined in Section 8.C below).

B. Uses Prohibited:

Tenant shall not commit or suffer to be committed on the Premises, and Tenant and Tenant’s Agents (defined in Section 13.A) shall not commit or permit on any portion of the Project, any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant or user of the Project, nor allow any use of the Premises for an unlawful purpose or for any sale by auction. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the Building in excess of the load limits for which such ceiling, walls or columns are designed, or set any load on the floor in excess of the load limits for which such floors are designed, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises or any portion of the Project, including without limitation the soils or ground water in or around the Project. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Project outside of the Building by Tenant or Tenant’s Agents without Landlord’s prior approval, which approval may be withheld in its sole and absolute discretion. Neither Tenant nor Tenant’s Agents shall dispose of any waste materials, refuse, scrap, debris or garbage

anywhere outside of the Premises except in enclosed trash containers designated for that purpose by Landlord. In no event shall Tenant use or permit the use of the Premises or the Common Areas in any manner that creates or maintains any noise or sound that exceeds lawful limits. Neither Tenant nor Tenant’s Agents shall conduct any auction in, on or about the Project.

C. Advertisements and Signs:

Tenant shall not place or permit to be placed, in, upon or about the Premises any signs not approved by the City of San Jose (“City”) and other governing authorities having jurisdiction. Tenant shall not place or permit to be placed upon the Premises any signs, advertisements or notices visible from outside the Premises without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Subject to this Section 3.C above, Tenant may install, at its sole cost and expense, its building top sign at the front of the Building, and at the rear of the Building facing Highway 85, as well as its sign in the slots designated for the Building on the sign monuments located within the Project as of the Effective Date. In addition, if Landlord or another owner of any building within the Project installs in the Project one (1) or more additional exterior monuments for signage intended by such owner for use by the Building, then Tenant shall have the right to use that portion of such monuments intended for use by the Building for Tenant’s signage. All signs placed in, upon or about the Premises, and all signs of Tenant placed upon any sign monument within the Project, shall be removed by Tenant, at its sole cost, prior to the expiration or sooner termination of the Lease, and Tenant shall repair, at its sole cost, all damage or injury to the Premises, sign monuments or Project caused thereby, and if not so removed and repaired, then Landlord may have same so removed and repaired at Tenant’s expense.

D. Covenants, Conditions and Restrictions:

This Lease is subject to the effect of (i) all covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or

documents of record, and (ii) all zoning laws and other governmental requirements of the city, county and state where the Building is situated (the matters described in this sentence being collectively referred to herein as “**Restrictions**”), and Tenant shall conform to and shall not violate the terms of any such Restrictions. Provided that reasonable access to the Premises remains available, such actions do not materially interfere with Tenant’s use of the Premises or its business operations, and the number of parking spaces allocated to Tenant is not permanently reduced, Landlord shall have the right from time to time to encumber or consent to the encumbering of the Project with any and all public utility easements, private easements and covenants, conditions and restrictions required by the City or any other governmental, or needed or desired by Landlord for the ownership, use and operation of the Project, all of which shall constitute part of the Restrictions; and Tenant agrees that its rights under this Lease shall be subject and subordinate to all such Restrictions. Landlord shall have the right to change the size of any parcel comprising the land upon which the Project is located (“**Land**”), parcelize, subdivide and/or merge any parcels comprising the Land and/or condominiumize any portion of the Project (other than the Premises), without Tenant’s approval. Not later than ten (10) business days after request by Landlord, Tenant shall execute all documents reasonably required to evidence or effectuate Tenant’s subordination and/or consent to the matters described in this Section above.

E. Sustainability Requirements:

As used in this Lease, “**Sustainability Requirements**” means any and all Laws relating to “green building” or other environmental sustainability practices and requirements now or hereafter in effect or imposed by any governmental authority or applicable Laws from time to time, or requirements necessary to qualify for, or to obtain and maintain LEED (Leadership In Energy & Environmental Design) or other so called “green” initiatives and certifications for all or any portion of the Project (which Landlord shall have the right, but not the obligation, to obtain and maintain). Without limiting the scope of any Sustainability Requirements that may be in effect from time to time, Tenant acknowledges that Sustainability

Requirements may address whole-building or premises operations, construction issues, maintenance issues and other issues, including without limitation requirements relating to: chemical use; indoor air quality; energy and water efficiency; recycling programs; interior and exterior maintenance programs; systems upgrades to meet green or sustainable building energy, water, air quality, and lighting performance standards; construction methods and procedures; material purchases; disposal of garbage, trash, rubbish and other refuse and waste; and the use of proven energy and carbon reduction measures. Neither Tenant nor Tenant’s Agents shall use or operate the Premises in a manner that will cause any part of the Project to be in non-compliance with any Sustainability Requirements in effect from time to time, of which Tenant has been given notice.

4. TERM AND RENTAL:

A. Term; Base Monthly Rent:

The Lease term (“**Lease Term**”) shall be for the period described in Paragraph 14 of the Basic Lease Information Sheet, commencing immediately upon the effectiveness of this Lease as described in Section 2 above, and ending on April 30, 2027 (“**Expiration Date**”), subject to extension or sooner termination as described in this Lease.

In addition to all other sums payable by Tenant under this Lease, Tenant shall pay as base monthly rent (“**Base Monthly Rent**”) for the Premises the amounts set forth in Paragraph 15 of the Basic Lease Information Sheet for each partial or full calendar month, subject to proration as described below. Base Monthly Rent shall be due in advance on or before the first day of each calendar month during the Lease Term. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and except as otherwise expressly provided in this Lease without prior notice or demand, at the address specified in Paragraph 7 of the Basic Lease Information Sheet or at such place or places as may be designated in writing by Landlord during the Lease Term. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly

installment based on the number of days in the partial calendar month; provided that if this Lease terminates due to Tenant's default, Tenant shall not be relieved of the obligation to pay future accruing rent, and the provisions of Section 14 shall control. Notwithstanding any provision of the Existing Lease or this Lease to the contrary, upon execution of this Lease by Landlord and Tenant, resulting in the termination of the Existing Lease and the effectiveness of this Lease, for purposes of proration under the Existing Lease and this Lease, the day immediately preceding the Commencement Date shall be treated as the last day of the Existing Lease, and the Commencement Date shall be treated as the first full day of the Lease Term. Any prorated portion of rents paid by Tenant under the Existing Lease which are attributable to the period on or after the Commencement Date shall be applied against rents due under this Lease as such rents become due under this Lease, until credited in full, and Landlord shall not be required to return such applied amounts to Tenant under the Existing Lease or otherwise.

B. [Intentionally Deleted]

C. Late Charge:

Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant is not received by Landlord or Landlord's designee within ten (10) days after it is due, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The Parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and attorneys' fees and costs. If any Base Monthly Rent or other sum due from Tenant remains

delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate (defined in Section 14.B) from the date such amount became due until paid. Acceptance by Landlord of such late charge or interest shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Monthly Rent, then the Base Monthly Rent, property management fees and Tenant's Allocable Share of Reimbursable Operating Costs (defined in Section 9.D) shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any amount due under this Lease. Notwithstanding the foregoing, Tenant shall be entitled to one (1) written notice and five (5) day cure period each calendar year before the first late charge for such calendar year shall accrue. No notice or additional cure period shall be required or apply for the second or any subsequent late charge during the calendar year.

5. SECURITY DEPOSIT:

A. Amount and Purpose:

Concurrently with Tenant's execution of this Lease, Tenant shall provide Landlord an irrevocable standby letter of credit (as replaced or amended pursuant to this Section 5, the "**Letter of Credit**") in the amount of One Hundred Seventy Four Thousand Six Hundred Nine Dollars and Fourteen Cents (\$174,609.14) in a form, containing terms, issued by a lending institution, and drawable in a location all reasonably acceptable to Landlord (the Letter of Credit and all proceeds thereof, and all other sums paid to Landlord in substitution of the foregoing, being referred to as the "**Security Deposit**"). If Tenant defaults with respect to any provision of this Lease beyond any applicable notice and cure period expressly set forth in this Lease, including but not limited to (i) the provisions relating to payment of Base Monthly Rent or other charges due under this

Lease, or any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default beyond any applicable notice and cure period expressly set forth in this Lease, or (ii) breach of any of Tenant's obligations under this Section 5, Landlord shall be entitled to draw the full amount of the Letter of Credit or any portion thereof at any time by certifying the occurrence of such default to the issuer; thereafter, as to any cash remaining from the drawdown of the Letter of Credit and application of the amounts drawn to amounts owed to Landlord, such portion of the Security Deposit shall be in the form of cash held by Landlord. Tenant's failure to timely comply with its obligations under this Section 5 shall constitute a material default of Tenant, for which no notice or opportunity to cure shall apply or be required before Landlord is entitled to draw the full amount or any other portion of the Letter of Credit, time being of the essence with respect to Tenant's obligations under this Section 5. The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of every term, covenant and condition of this Lease applicable to Tenant, and not as prepayment of rent. Landlord may, but shall not be obligated to, and without waiving or releasing Tenant from any obligation under this Lease, use, apply or retain the whole or any part of the Security Deposit reasonably necessary for the payment of any amount which Landlord may spend by reason of Tenant's default beyond any applicable notice and cure period expressly set forth in this Lease or as necessary to compensate Landlord for any loss or damage which Landlord may suffer by reason of such default, including without limitation loss of future rents due under this Lease upon termination of this Lease due to such default and other damages recoverable under California Civil Code Section 1951.2. Landlord shall not be deemed a trustee of the Security Deposit or any other funds held by Landlord, and Landlord shall not be required to keep the Security Deposit or any such other funds separate from its general funds. The Security Deposit and such other funds shall not bear interest for the benefit of Tenant.

B. Requirements of Letter of Credit:

Tenant shall keep the Letter of Credit in effect during the entire Lease Term, as the same may be extended, plus a period of four (4) weeks following

the Expiration Date. At least thirty (30) days prior to expiration of any Letter of Credit, the term thereof shall be renewed or extended for a period of at least one (1) year. If the issuer of the Letter of Credit becomes insolvent, is closed or is placed in receivership, or if Landlord is notified that the Letter of Credit will not be honored, or if there is a material negative change in the issuer's credit rating or ability to meet its obligations, then within seven (7) days after demand from Landlord, Tenant shall deliver to Landlord a new Letter of Credit issued by a lending institution acceptable to Landlord in Landlord's reasonable discretion, and otherwise meeting the requirements of this Section 5. In the event Landlord draws against the Letter of Credit and applies any portion of the proceeds thereof to the amounts owed to Landlord, Tenant shall replenish the remaining Security Deposit such that the aggregate amount of Security Deposit available to Landlord at all times during the Lease Term is the amount of the Security Deposit originally required, as the same may be required to be increased as provided in this Section 5. To the fullest extent allowed under applicable Laws, if at any time while a Letter of Credit is held as a Security Deposit, Tenant is a Debtor (as defined in Section 101(13) of the Bankruptcy Code) under any case or filing, then, anything in this Section 5 to the contrary notwithstanding, Landlord shall not be required to give Tenant written notice of and/or opportunity to cure or grace period to cure any breach or default by Tenant under this Lease prior to Landlord drawing upon the Letter of Credit following Tenant's failure to perform any of its obligations under this Lease. The Security Deposit shall be returned to Tenant within thirty (30) days after the Expiration Date and surrender of the Premises to Landlord in the condition required by this Lease, less any amount deducted in accordance with this Section 5, together with Landlord's written notice itemizing the amounts and purposes for such deduction; provided however that if at the end of such thirty (30) day period there are any uncured breaches or defaults by Tenant of its obligations under this Lease and the cost of cure or extent of damage as a result has not yet been ascertained by Landlord, then such thirty (30) day period shall be extended as reasonably necessary for Landlord to ascertain the cost of cure and extent to which Landlord has been damaged as a result thereof. Tenant hereby waives California Civil Code Section 1950.7 (except

subsection (b)), or any similar law now or hereafter in effect (including, without limitation, any federal law) which may have the effect of limiting the circumstances under which Landlord would be allowed to use or apply the Security Deposit or amount that could be so used or applied, or imposing a deadline for the return of the Security Deposit. In the event of termination of Landlord's interest in this Lease, Landlord shall promptly thereafter deliver the Letter of Credit or cash Security Deposit to Landlord's successor in interest in the Premises and thereupon be relieved of further responsibility with respect to the Letter of Credit or cash Security Deposit; provided, however, that if Tenant fails to timely perform its obligations under the next sentence, Landlord shall have the right, upon request of Landlord's successor, to draw on the Letter of Credit on behalf of Landlord's successor if the transfer of the Letter of Credit into the name of Landlord's successor has not yet been effectuated. Upon termination or transfer of Landlord's interest in the Lease, within five (5) days after request by Landlord or Landlord's successor, Tenant shall either cause the Letter of Credit to be amended to name Landlord's successor as the party entitled to draw down on the Letter of Credit and deliver such amendment to the requesting party, or shall obtain and deliver to the requesting party a new Letter of Credit naming Landlord's successor as the party entitled to draw on the Letter of Credit and otherwise meeting the requirement of this Section 5. Landlord shall have the right to pledge the Letter of Credit or cash Security Deposit or otherwise grant a security interest therein to Landlord's lenders, and shall have the right to deliver the Letter of Credit or all or any portion of any cash Security Deposit to Landlord's lenders in connection therewith, provided the Letter of Credit or cash Security Deposit shall only be used in accordance with, and shall continue to be governed by, the terms and provisions of this Section 5. At Landlord's election, within ten (10) days after request by Landlord, Tenant shall either cause the Letter of Credit to be amended to name Landlord's lenders as the beneficiary or as a co-beneficiary with Landlord, and/or as a co-signer of any certification presented for a draw down of the Letter of Credit, and to incorporate other changes to the Letter of Credit reasonably requested by Landlord or Landlord's lenders, or shall obtain a new Letter of Credit to effectuate such changes and otherwise

meeting the requirements of this Section 5. If a new Letter of Credit is delivered to Landlord as required by this Section 5.B, the old Letter of Credit shall be promptly returned to Tenant. If Landlord or a designated lender rightfully attempts to draw on the Letter of Credit but does not receive the full amount requested in cash, Tenant shall within five (5) days after demand from Landlord, deposit with Landlord cash in the amount of the deficiency.

6. CONSTRUCTION:

A. No Work By Landlord:

The Premises is being delivered to Tenant under this Lease, and Tenant shall accept such delivery, in its then "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, express or implied, other than any which may be expressly contained in this Lease, and with no obligation on the part of Landlord to perform any other work (other than such other work as this Lease expressly states must be performed by Landlord during the Lease Term). Tenant acknowledges that Tenant occupies the Premises as of the Effective Date pursuant to the Existing Lease and that Tenant is fully aware of the condition of the Premises.

B. Work Allowance:

Landlord agrees to provide Tenant a work allowance to be utilized by Tenant in accordance with this Lease to construct a new office environment and rack/server lab(s) needed for the conduct of Tenant's business at the Premises (the "**Tenant Improvements**"), in the amount of Two Million Two Hundred Ninety Eight Thousand One Hundred Twenty Seven Dollars and Fifty Cents (\$2,298,127.50) (the "**Work Allowance**"), subject to this Section 6.B below. Tenant shall pay all costs associated with the Tenant Improvements, subject to Landlord's obligation to provide the Work Allowance pursuant to this Section 6.B. The cost of the Tenant Improvements for which the Work Allowance may be utilized by Tenant ("**Work Allowance Costs**") shall consist of only the following to the extent actually incurred or paid by Tenant in connection with the design and construction of the Tenant Improvements to its unaffiliated third party general contractor

("Tenant's General Contractor") , architects, engineers, consultants, project managers, designers and suppliers for the Tenant Improvements, subject to this Section 6.B below: the fees of Tenant's General Contractor, architects, engineers, consultants, project managers, designers and suppliers; materials, labor and other construction costs; governmental permit fees, construction taxes or other costs imposed by governmental authorities related to the Tenant Improvements. Notwithstanding the foregoing, in no event shall the Work Allowance be used for Tenant's furniture, the Pad Improvements described in Section 8.A below, trade fixtures other than the rack/server lab(s) described above, telephone and other office equipment, personal property, cabling/wiring/telecommunication costs (other than cabling and wiring for the rack/server labs), the Communications Equipment (defined in Section 8.E below), or any oversized kitchen area or oversized cafeteria (i.e. kitchen area and cafeteria not proportional to the number of Building occupants determined without regard to the use of the kitchen area or cafeteria), fitness center, or other Specialized Tenant Improvements (defined in Section 10.B below). In no event shall any portion of the Work Allowance be used or payable for any improvements designed or constructed for any subtenant of any portion of the Premises. The Work Allowance shall be paid by Landlord to Tenant as payments for the Work Allowance Costs become due to Tenant's General Contractor, architects, engineers, consultants, project managers, designers and suppliers in accordance with this Section 6.B below. During the course of design and construction of the Tenant Improvements, but not more than once in any calendar month, Tenant shall deliver to Landlord the following (the "**Disbursement Documentation**"): (i) a written request for disbursement, setting forth the amount requested for disbursement ("**Disbursement Request**"); (ii) a schedule of values allocating costs to the various portions of the Tenant Improvements for which disbursement is sought, in form and content reasonably satisfactory to Landlord, and which shall substantiate that the full amount requested for disbursement has been incurred or expended by Tenant for those Tenant Improvements for which the Work Allowance may be utilized; (iii) proof of payment or evidence of costs incurred of all amounts owed to the applicable third party, in form

reasonably acceptable to Landlord, (iv) conditional lien releases, in form and content reasonably satisfactory to Landlord, from Tenant's General Contractor and all subcontractors, material suppliers and other persons or entities providing work or materials for which the current Disbursement Request relates, (v) unconditional lien releases, in form and content reasonably satisfactory to Landlord, from Tenant's General Contractor and all subcontractors, material suppliers and other persons or entities providing work or materials for which prior disbursements were made from the Work Allowance, to the extent not already delivered to Landlord; and (vi) invoices, vouchers, statements, affidavits and/or other documents in a form reasonably acceptable to Landlord which substantiate and justify the disbursement requested. Within thirty (30) days after Landlord's receipt of the above items Landlord shall pay directly to Tenant or to the third (3rd) party entitled to payment, as elected by Landlord, an amount equal to the lesser of the undisbursed portion of the Work Allowance or the following: an amount equal to the product of (i) the amount requested for disbursement, multiplied by (ii) the lesser of (x) one (1) or (y) a fraction, the numerator of which is the total amount of the Work Allowance and the denominator of which is the total cost of the Tenant Improvements as evidenced by the contracts entered into between Tenant and Tenant's General Contractor, architect, designers and suppliers (all of which contracts or copies thereof shall be delivered to Landlord as a condition precedent to Landlord's obligation to make the first disbursement of the Work Allowance) for the Tenant Improvement work, until such time as Landlord has expended the full amount of the Work Allowance. Notwithstanding the foregoing, to the extent the amount requested for reimbursement has already been paid by Tenant to the third party entitled to payment, and evidence reasonably satisfactory to Landlord of such payment has been delivered to Landlord, Landlord agrees to reimburse Tenant directly for the amount paid by Tenant to the third party.

If following completion of the Tenant Improvements and payment of Landlord's share of Work Allowance Costs in accordance with this Section 6.B above there are any un-disbursed Work Allowance funds, Tenant shall not be entitled to any further disbursements of such funds

and shall not be entitled to any credit with respect to such funds, except as provided in this Section 6.B below. If any portion of the Work Allowance remains un-disbursed as of the date that is twelve (12) months after the Effective Date (the “**Outside Disbursement Date**”), then as to those remaining funds for which the required Disbursement Documentation has not been submitted to Landlord, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds, subject to this Section 6.B below. All Work Allowance Costs shall be fully documented to and subject to reasonable verification by Landlord.

Notwithstanding this Section 6.B above, if on the Effective Date Tenant has also entered into a lease with SI 33, LLC, a California limited liability company (“**SI 33**”) for the lease by Tenant of the 6377 San Ignacio Building (such lease being the “**6377 San Ignacio Lease**”), and if following completion of the Tenant Improvements and payment of Landlord’s share of Work Allowance Costs in accordance with this Section 6.B, at least Two Million Dollars (\$2,000,000) of the Work Allowance has been used for the Tenant Improvements for the Building and there are any un-disbursed Work Allowance funds under this Lease, then Tenant shall have the right to use the un-disbursed portion of the Work Allowance by adding it to the work allowance provided to Tenant in the 6377 San Ignacio Lease, to be used by Tenant under the 6377 San Ignacio Lease subject to and in accordance with all of the terms and conditions set forth in the 6377 San Ignacio Lease.

Notwithstanding the foregoing, Landlord shall not be required make any disbursements of the Work Allowance, and Tenant shall not be entitled to any transfer of un-disbursed Work Allowance funds to the 6377 San Ignacio Lease, during any period when Tenant is in default under this Lease beyond any applicable cure period expressly granted in this Lease.

C. Construction Related Accessibility Standards Notice:

In accordance with California Civil Code Section 1938, Landlord hereby notifies Tenant that, except to the extent known by or previously disclosed to

Tenant, as of the Effective Date Landlord has no actual knowledge of the Premises having been inspected by a Certified Access Specialist (CASp). The following notice is also hereby inserted pursuant to California Civil Code Section 1938(e): “A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.” The notice set forth in the prior sentence is not intended to modify Landlord’s or Tenant’s respective obligations expressly set forth in this Lease. As used in this Lease, a “**Certified access specialist**” or “**CASp**” means any person who has been certified by the State of California as such pursuant to applicable California law (including without limitation Section 4459.5 of the California Government Code).

Notwithstanding this Section 6.C above and/or anything to the contrary contained in this Lease, Landlord and Tenant hereby agree and acknowledge that, if Tenant desires to obtain a CASp inspection, it shall be limited to an inspection of the Premises, and in addition:

Tenant shall provide Landlord with not less than ten (10) days prior written notice of its desire to conduct such CASp inspection (“**Tenant’s CASp Inspection**”), identifying the date that such inspection will occur, and identifying the CASp that will conduct the inspection and providing evidence reasonably satisfactory to Landlord that the CASp is licensed and certified as a Certified Access Specialist in accordance with applicable laws. Landlord shall have the right to, among other things, have one (1) or more Landlord representatives present during such inspection. Subject to the foregoing, Tenant

shall coordinate Tenant's CASp Inspection with Landlord before the inspection is conducted. **Report**") showing that the Premises then comply with all applicable construction-related accessibility standards. Any and all costs and expenses associated with Tenant's CASp Work and/or Tenant's Updated CASp Report shall be at Tenant's sole cost and expense. The preceding to the contrary notwithstanding, if Tenant's CASp Report identifies any CASp Violation(s), Landlord may, at Landlord's option, perform, or cause to be performed by any of Landlord's agents, employees, contractors or consultants, the Tenant's CASp Work necessary to correct such CASp Violation(s) at Tenant's expense, the entire cost of which shall be paid by Tenant to Landlord not later than thirty (30) days following Tenant's receipt of a written invoice from Landlord.

(b) shall (x) provide Landlord with a copy of any and all findings, reports and/or other materials provided by the CASp performing Tenant's CASp Inspection (collectively, "**Tenant's CASp Report**") not later than two (2) business days following Tenant's receipt thereof, (y) at all times maintain (and cause to be maintained) Tenant's CASp Report and its findings (and any and all other materials related thereto) confidential and (z) pay for Tenant's CASp Inspection and Tenant's CASp Report prior to delinquency at Tenant's sole cost and expense. If Tenant receives a disability access inspection certificate, as described in subdivision (e) of California Civil Code Section 55.53, in connection with or following Tenant's CASp Inspection, then Tenant shall cause such certificate to be provided to Landlord not later than two (2) business days after received by Tenant.

If Tenant's CASp Report identifies any violation(s) of applicable construction-related accessibility standards ("**CASp Violation(s)**"), then not later than two (2) business days after Tenant's receipt of Tenant's CASp Report, Tenant shall provide written notice to Landlord of any and all such CASp Violation(s). In such event, Tenant shall, at Tenant's sole cost and expense, perform, or cause to be performed, all repairs, modifications and/or other work necessary to correct such CASp Violation(s) (such repairs, modifications and/or other work being collectively referred to herein as "**Tenant's CASp Work**", and Tenant's CASp Work also constituting Alterations (defined in Section 8.A) under this Lease). Tenant shall work diligently to prepare all plans and specifications required for Tenant's CASp Work, to obtain Landlord's approval of Tenant's CASp Work and to obtain all permits required for Tenant's CASp Work, and to thereafter commence (or cause the commencement of) Tenant's CASp Work in accordance with the terms and conditions set forth in this Lease relating to Tenant's Alterations. Tenant shall diligently prosecute (or cause to be diligently prosecuted) to completion all of Tenant's CASp Work in a lien free, good and workmanlike manner, and, promptly following completion, obtain and deliver to Landlord an updated CASp Report ("**Tenant's Updated CASp**

Without limiting the generality of the foregoing, Tenant hereby agrees and acknowledges that Tenant assumes all risk of, and agrees that Landlord shall not be liable for, any and all loss, cost, damage, expense and liability (including, without limitation, court costs and reasonable attorneys' fees) sustained as a result of the Premises not having been inspected by a CASp. To the fullest extent permitted by law, Tenant hereby (A) waives and disclaims any objection to, cause of action based upon, or claim that its obligations hereunder should be reduced or limited as a result of, the lack of any CASp inspection of the Premises, and (B) agrees and acknowledges that the lack of such inspection shall in no event diminish or reduce Tenant's obligations under this Lease.

7. ACCEPTANCE OF POSSESSION AND COVENANTS TO SURRENDER:

A. Landlord's Work

Tenant is currently in occupancy of the Premises pursuant to the Existing Lease. Effectively immediately upon the Effective Date, Landlord shall be deemed to have delivered the Premises to Tenant, and Tenant shall be deemed to have accepted such delivery, pursuant to this Lease.

B. Condition Upon Surrender:

Tenant further agrees on the expiration or sooner termination of this Lease, to surrender the

Premises to Landlord in broom clean and good condition and repair, normal wear and tear and casualty excepted (subject to Section 16 below). As used in this Lease, “**normal wear and tear**” shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of the commercially reasonable standards for maintenance, repair, replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. Notwithstanding this Section 7.B above, Tenant shall cause the following to be done prior to the expiration or sooner termination of this Lease to the extent Tenant is not required to remove any of the following pursuant to other provisions of this Lease: (i) all cabling placed above the ceiling by Tenant or Tenant’s contractors shall be removed, (ii) the HVAC system shall be serviced by a reputable and licensed service firm and left in good operating condition and repair, which condition shall be so certified by such firm, and (iii) the plumbing and electrical systems and lighting shall be placed in good order and repair. On or before the expiration or sooner termination of this Lease, Tenant shall remove all its personal property and trade fixtures from the Premises. All property and trade fixtures not so removed before the expiration or sooner termination of the Lease shall be deemed to have been abandoned by Tenant. On or before the expiration or sooner termination of this Lease, Tenant shall also have removed all the Pad Improvements and restored the areas affected by the installation and removal of the Pad Improvements the condition existing before installation (including without limitation removal of any pad upon which any Pad Improvements are installed), at Tenant’s sole cost and expense (subject to this Section below relating to compliance with building codes and Laws then in effect). As to Alterations for which Landlord’s consent was not obtained, Tenant shall ascertain from Landlord not more than one (1) year and not less than ninety (90) days before the expiration or sooner termination of this Lease whether Landlord desires to have any such Alterations removed and the Premises or any parts thereof restored to the condition existing immediately prior to the date such Alterations were made (in which case Tenant shall be required to perform such work and restore the Premises as described below), or to cause Tenant to surrender all such Alterations in place

to Landlord; provided however that in no event shall Tenant be required to remove any Alterations performed before the Commencement Date or to remove any Tenant Improvements performed before the Outside Disbursement Date for which Landlord’s consent has been obtained (other than Pad Improvements, and other trade fixtures and Specialized Tenant Improvements (other than rack/server lab(s) and the cabling and wiring for the rack/server labs), all of which shall be removed by Tenant prior to expiration or sooner termination of this Lease). In addition, if at the time Tenant obtains Landlord’s consent to any Alterations, other than the Tenant Improvements, Landlord advises Tenant that any such Alterations must be removed and the Premises restored to the condition existing before such Alterations were made, then Tenant shall be required to surrender the Premises in that condition at expiration or sooner termination of the Lease (subject to this Section below relating to compliance with building codes and Laws then in effect); provided however that in no event shall Tenant be required to remove any Alterations performed before the Commencement Date. Tenant’s repair and restoration obligation under this Section 7.B shall include causing the Premises to be brought into compliance with all applicable building codes and other Laws in effect at the time of the removal, repair and restoration to the extent such compliance is necessitated by the removal, repair and restoration work. The foregoing provisions relating to Alterations for which Landlord’s consent was not obtained shall in no event be construed as giving Tenant the right to do any Alterations without Landlord’s consent.

C.Failure to Surrender:

Subject to this Section 7.C below, if Tenant remains in possession of the Premises after the expiration or sooner termination of this Lease without Landlord’s consent, or fails to surrender the Premises at expiration or sooner termination of this Lease in the condition required by this Lease, such hold over or failure shall not constitute a renewal or extension of the Lease Term, Tenant’s continued possession shall be on the basis of a tenancy at sufferance, and Tenant shall be liable to Landlord for Base Monthly Rent at one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the expiration or earlier termination, as applicable (without regard to

temporary abatements or reductions then in effect)) plus all other amounts payable by Tenant under this Lease. In addition, subject to this Section 7.C below), if Tenant holds over without Landlord's consent or fails to surrender the Premises at expiration or sooner termination of this Lease in the condition required by this Lease, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord, and hold Landlord and Landlord's trustees, beneficiaries, shareholders, directors, officers, members, employees, partners, affiliates, agents, successors and assigns (collectively "**Landlord Related Parties**") harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) resulting from delay by Tenant in timely surrendering the Premises in the required condition, including without limitation all lost rents, lost profits and lost or delayed business opportunities (including without limitation those relating to any delay or prevention in Landlord's ability to redevelop all or any portion of the Project) provided that Landlord gives Tenant at least thirty (30) days' prior notice of any such losses or damages, and Landlord shall be entitled to all other rights and remedies available to a landlord against a tenant wrongfully holding over after the expiration or termination of the term of a lease without the landlord's consent. If Tenant holds over after the expiration or sooner termination of this Lease with Landlord's consent, such holding over shall be construed as a month to month tenancy (with the Lease Term having been extended only on such month to month basis), at one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding expiration or sooner termination of this Lease (without regard to temporary abatements or reductions then in effect) in addition to all other rent due under this Lease, and shall otherwise be on the terms and conditions of this Lease, except for the following: those provisions relating to the Lease Term to the extent inconsistent with a month to month tenancy, those provisions requiring Landlord to pay any work allowances, and any options or rights to extend or renew this Lease, which provisions shall be of no further force and effect. This Section 7.C shall survive the termination or expiration of the Lease.

Notwithstanding this Section 7.C above, if Tenant surrenders the Premises at expiration or sooner termination of this Lease, but the Premises is not in the condition required by this Lease, Tenant shall not be required to pay Base Monthly Rent and other rentals as described in the first sentence of this Section 7.C for the period following such surrender, if and only if (i) the cost to perform the work to render the Premises in the required condition is less than Eighty Seven Thousand Five Hundred Dollars (\$87,500), (ii) such work is unrelated to any Hazardous Materials condition, (iii) there are no other uncured defaults of Tenant under this Lease at the time of surrender, and (iv) the Letter of Credit or other Security Deposit held by Landlord under this Lease is in the full amount required by this Lease. Notwithstanding that Tenant may be relieved of the obligation to pay rentals for the period following the surrender of the Premises to Landlord pursuant to the immediately prior sentence, Tenant shall not be relieved of any other liability to Landlord resulting from such default, and no notice or cure period shall apply with respect to such default.

8. ALTERATIONS & ADDITIONS:

A. General Provisions:

Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("**Alterations**"), or any part thereof, without obtaining Landlord's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed) and delivering to Landlord the proposed architectural and structural plans (to the extent applicable to the type of work to be performed) for all such Alterations at least fifteen (15) days prior to the start of construction. If Landlord's consent is required for such Alterations, Landlord shall have a period of ten (10) business days thereafter to grant or deny its consent. Landlord shall indicate to Tenant at the time of Landlord's consent to Alterations, whether or not Landlord will require Tenant to remove such Alterations at the Expiration Date. Tenant shall have the right to install either a back-up generator or a chilled water cooling tower on a pad site to be installed by Tenant, at Tenant's sole cost and expense (and not as a Work Allowance Cost), in a location reasonably acceptable to Landlord. The

back-up generator or chilled water cooling tower and related improvements (collectively, the “**Pad Improvements**”), and all Tenant Improvements, shall also constitute “**Alterations**” under this Lease. If Alterations affect the structure of the Building, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant’s plans, except that Landlord shall not be entitled to any review fees or review costs in connection with the Tenant Improvements or the Pad Improvements. The Pad Improvements shall at all times be Tenant’s property. After obtaining Landlord’s consent, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits, and provides Landlord proof reasonably acceptable to Landlord of funds immediately available to Tenant for such Alterations, to protect Landlord against mechanics’ lien claims. Tenant agrees to provide Landlord (i) not less than fifteen (15) days prior written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15” X 21”) vellum as-built drawings promptly after completion of the Alterations, and (iii) to the extent applicable, a certificate of occupancy, or other final government approval if the City or other governmental authority having jurisdiction does not issue certificates of occupancy, for the work upon completion of the Alterations. All Alterations shall be constructed by a licensed general contractor reasonably acceptable to Landlord in compliance with all applicable Laws including, without limitation, all building codes, Sustainability Requirements and the Americans with Disabilities Act of 1990 as amended from time to time. All Alterations shall be designed and constructed in such a manner as to not negatively affect any LEED or other green building certifications which may be then in place as to any portion of the Project. Upon the expiration or sooner termination of this Lease, all Alterations, except movable furniture and trade fixtures, shall become a part of the realty and belong to Landlord but shall nevertheless be subject to removal by Tenant as provided in Section 7.B. Alterations which are not to be deemed trade fixtures include without limitation heating, lighting, electrical systems, air conditioning, walls, carpeting, or any installation which has become an integral part of the Premises. All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and

expense. In no event shall Landlord’s approval of, or consent to, any architect, contractor, engineer or other consultant or professional, any Alterations, or any plans, specifications and drawings for any Alterations constitute a representation or warranty by Landlord of (i) the accuracy or completeness of the plans, specifications, drawings and Alterations or the absence of design defects or construction flaws therein, or the qualification of any person or entity, or (ii) compliance with applicable Laws, and Tenant agrees that Landlord shall incur no liability by reason of such approval or consent. Once any Alterations begin, Tenant shall diligently and continuously pursue their completion. Notwithstanding the foregoing, Tenant may, without Landlord’s prior written consent, make non-structural Alterations to the Premises which do not affect the structure, roof or Building systems and are not visible from outside of the Building, provided that (i) such Alterations do not exceed Two Hundred Thousand Dollars (\$200,000) per contract, or Five Hundred Thousand Dollars (\$500,000) in the aggregate in a calendar year, and (ii) Tenant otherwise complies with the provisions of this Lease relating to Alterations.

B. Free From Liens:

Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for or furnished to Tenant (but excluding work performed by Landlord). In the event Tenant fails to discharge any such lien within ten (10) days after receiving notice of the filing, Landlord shall immediately be entitled to discharge the lien at Tenant’s expense and all resulting costs incurred by Landlord, including attorney’s fees shall be due immediately from Tenant as additional rent.

C. Compliance With Governmental Regulations:

The term Laws or Governmental Regulations shall mean all federal, state, county, city or governmental agency laws, statutes, ordinances, codes, standards, rules, requirements, regulations, Sustainability Requirements or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures

regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Tenant, at Tenant's sole expense shall comply with all such Governmental Regulations applicable to the Premises or the Tenant's use of the Premises and shall make all repairs, replacements, alterations, or improvements necessary to comply with said Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant. Tenant's obligations pursuant to this Section 8.C shall include, without limitation, maintaining and restoring the Premises and making structural and nonstructural alterations and additions to the Premises, Building and Common Area in compliance and conformity with all Laws and recorded documents to the extent required because of Tenant's particular use of the Premises or in connection with any work or Alteration made by or on behalf of Tenant during the Lease Term or any breach of Tenant's obligations under this Lease. The foregoing shall include, without limitation, compliance with and improvements required by the Americans With Disabilities Act or any similar Laws, as they may be amended from time to time whether or not required because of Tenant's particular use of the Premises or any work or Alteration made by or on behalf of Tenant during the Lease Term or any breach of Tenant's obligations under this Lease Landlord's approval of any Alteration or other act by Tenant shall not be deemed to be a representation by Landlord that said Alteration or act complies with applicable Laws, and Tenant shall remain solely responsible for said compliance.

Notwithstanding anything contained herein to the contrary, if any improvement or alteration to the Premises is required as a result of any future Laws or changes in Laws affecting the Premises (other than ADA) and is not triggered by Tenant's particular use of the Premises and is not required because of Alterations made by Tenant, and the cost of such work is reasonably estimated by Tenant and Landlord to be One Hundred Thousand Dollars (\$100,000) or more, then Landlord shall

perform such work and the cost of such improvements shall be allocated between Landlord and Tenant, and Tenant shall only be obligated to pay, each month during the remainder of the Lease Term after such improvements are made or such costs are incurred, on the date on which Monthly Base Rent is due, an amount equal to the product obtained by multiplying the cost of such work by a fraction, the numerator of which is one, and the denominator of which is the anticipated useful life (in months) of the improvement, together with interest thereon at the greater of Landlord's cost of funds or seven percent (7%) per annum (the "**Amortization Interest Rate**").

D. Insurance Requirements:

Tenant or its general contractors shall maintain during the course of construction of Alterations, at Tenant's sole cost and expense, builders' risk insurance for the amount of the completed value of the Alterations on an all-risk non-reporting form covering all improvements under construction, including building materials, and other insurance in amounts and against such risks as Landlord shall reasonably require in connection with the Alterations. In addition to and without limitation on the generality of the foregoing, Tenant shall ensure that its contractors procure and maintain in full force and effect during the course of construction a "broad form" commercial general liability and property damage policy of insurance naming Landlord, any property manager reasonably designated by Landlord and Landlord's lenders and any affiliates of Landlord that are designated by Landlord from time to time as additional insureds. The minimum limit of coverage of the aforesaid policy shall be in the amount of not less than Five Million Dollars (\$5,000,000) per occurrence and Five Million Dollars (\$5,000,000) annual aggregate, and shall contain a severability of interest clause or a cross liability endorsement. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit. In no event shall the amount or type of insurance maintained or required to be maintained by Tenant or any of its contractors under this Lease in any way limit Tenant's liability under this Lease, including

without limitation any indemnification, defense or hold harmless provision in favor of Landlord under this Lease.

E. Rooftop Equipment Rights:

At no additional rent to Tenant, Tenant shall have the right, in common with Landlord, upon prior written approval by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and at Tenant's sole cost and expense (and not as a Work Allowance Cost), to install and operate a satellite dish or antennae on a portion of the roof of the Building (such portion being the "Roof Space") for receipt of satellite and other communications transmissions, and to install cables from such equipment into the Building (collectively, the "Communications Equipment") provided that (i) Tenant has obtained all governmental approvals required with respect to the installation and use of such equipment, and such Communications Equipment complies with all applicable Laws, (ii) such installation shall be performed by a licensed contractor in a good and workmanlike manner, and in a manner that does not invalidate any roof or other warranties, (iii) such equipment shall be installed in a location reasonably acceptable to Landlord, (iv) such equipment shall be screened in a manner reasonably acceptable to Landlord, (v) such work will not adversely affect the structural components of the Building or the roof structure or membrane, (vi) Tenant shall not access the roof for any reason without at least twenty four (24) hours prior notice to Landlord in each instance, except for routine maintenance of such Communications Equipment, (vii) Landlord or its representatives shall have the right to be present during any such access, except for routine maintenance of such Communications Equipment, and (viii) Tenant otherwise complies with all of the requirements in this Lease as it relates to Alterations. The Communications Equipment shall constitute an Alteration, subject to the terms and conditions of this Lease relating to Alterations. Tenant, at its sole cost and expense (except to the extent such costs are covered by insurance, guaranties or warranties) shall promptly repair any and all damage to the roof or equipment located thereon or any other portion of the Building, including any needed replacements resulting from the activities of Tenant or Tenant's Agents, including without

limitation, all roof leaks and damage to flashing, roof membrane, parapet walls, roof top equipment and materials. Upon the expiration or earlier termination of this Lease, Tenant shall promptly remove all Communications Equipment, and repair any damage to the roof of the Building and other areas thereof caused by such removal. Such repair work shall be undertaken in accordance with all applicable Laws in effect as of the date of such repair. If Landlord requires access to the portion of the roof within the Roof Space for maintenance and repair thereof, Landlord shall give Tenant reasonable prior written notice of such requirement and the reasonable dates on which Landlord proposes to perform such maintenance and repair. Prior to the date specified in Landlord's notice, if deemed necessary by Landlord, Tenant shall, at Tenant's sole cost and expense, take all actions necessary to remove the Communications Equipment from the Roof Space and make the Roof Space available to Landlord for roof maintenance and repair. Upon completion of the roof maintenance and repair, Tenant may reinstall the Communications Equipment, at its sole cost and expense, in accordance with the requirements of this Section 8.E above. If emergency roof repairs are necessary, Landlord may itself remove the Communications Equipment from the affected area, after first using reasonable efforts to notify Tenant, and Landlord shall not be liable to Tenant for any loss, cost, damage or expense arising from such removal during an emergency. Tenant agrees that Landlord has no obligation to protect, secure, install, construct, maintain, repair or remove any Communications Equipment, and Tenant hereby assumes all risk of loss or damage to or from the Communications Equipment from any cause. Tenant hereby waives all claims against Landlord and the Landlord Related Parties with respect to any such loss or damage.

9. MAINTENANCE OF PREMISES:

A.Landlord's Obligations:

Landlord, at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the structural components of the Building, which for the purpose of this Lease means and is limited to the foundation, exterior load bearing walls and roof structure (but not roof membrane), except that the

cost to repair any damage to such items caused by Tenant or Tenant's Agents shall be paid for by Tenant to the extent the cost of repair is not fully paid to Landlord from available insurance proceeds, guaranties or warranties.

B. Tenant's Obligations:

Except for those items described in Section 9.A above which are required to be maintained and repaired by Landlord, Tenant shall clean, maintain, repair and replace when necessary the Building and every part thereof through regular inspections and servicing, including but not limited to the following, to the extent Landlord does not elect to maintain the same as Reimbursable Operating Costs: (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls, floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking, and skylights, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher equipment, (vii) [intentionally deleted], (viii) all elevator equipment, and (ix) the roof membrane system. All wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements. With respect to items (ii), (viii) and (ix) above, Tenant shall provide Landlord a copy of a service contract between Tenant and a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord. To the extent that any part of the items in (i) through (ix) above is determined by Landlord to be for the benefit of more than one (1) tenant or occupant of the Building or Project, Landlord shall assume the obligation to clean, maintain, repair and replace the same as Reimbursable Operating Costs and Tenant shall during the period of such assumption have no obligation to clean, maintain, repair or replace such item. If any damage or destruction to the Premises or the Project is caused by the act or negligence of Tenant or Tenant's Agents, Tenant shall promptly repair or restore such damage or destruction, except to the extent the cost of such repair or restoration is covered by insurance

maintained or required to be maintained by Landlord, warranties or guaranties, and is required to be repaired by Landlord pursuant to Article 16 below.

Notwithstanding this Section 9.B above, if Tenant determines that any mechanical, sprinkler, life safety, heating, ventilating and air conditioning, electrical or plumbing systems or elevators located in or servicing the Building (but not including any such equipment or systems added to service any rack/server labs or any other trade fixtures or Specialized Tenant Improvements) which Tenant is required to repair and replace (other than Tenant Improvements or Alterations or work required of Tenant to comply with applicable Laws pursuant to Section 8.C) or the Building's roof membrane are in need of material repair or replacement, and (i) the cost of such repair replacement is in excess of One Hundred Thousand Dollars (\$100,000), and (ii) the material repair or replacement constitutes a capital cost under generally accepted accounting principles, then Tenant shall notify Landlord of same in writing. If Tenant notifies Landlord of the foregoing pursuant to the prior sentence, then Landlord shall cause such repair or replacement (whether an item is repaired or replaced shall be determined by Landlord in its reasonable discretion) to be made, subject to reimbursement by Tenant as follows: The entire cost incurred by Landlord with respect to such work, together with interest thereon at the Amortization Interest Rate, shall be amortized over the useful life of the capital repair or replacement, as reasonably determined by Landlord in accordance with GAAP (defined in Section 9.D), and the monthly amortized cost (and interest thereon at the Amortization Interest Rate) shall be paid by Tenant under this Lease each month at the same time that Base Monthly Rent is due hereunder until the earlier of the Expiration Date (as the same may be extended pursuant to this Lease, whether by exercise of an Option, extension on a month to month basis or otherwise) or the date that the entire cost of such work and interest thereon has been reimbursed to Landlord.

C. Obligations Regarding Reimbursable Operating Costs:

In addition to the direct payment by Tenant of expenses as provided in Section 9.B, 10, 11 and 12

of this Lease, Tenant agrees to reimburse Landlord for Tenant's Allocable Share of Reimbursable Operating Costs (as defined in Section 9.D below) resulting from Landlord payment of expenses related to the Building or Project which are not otherwise paid by Tenant or other Project tenants directly other than as Reimbursable Operating Costs and which are not Landlord's sole responsibility hereunder. Payment of Tenant's Allocable Share of Reimbursable Operating Costs shall commence on the Commencement Date and shall be due and payable throughout the Lease Term. Landlord shall have the right to periodically provide Tenant with a written estimate of Reimbursable Operating Costs for the next twelve (12) months and Tenant shall thereafter, until Landlord revises such estimate, pay to Landlord as additional rent, along with its Base Monthly Rent, one twelfth of Tenant's Allocable Share of the Reimbursable Operating Costs as estimated by Landlord. Within ninety (90) days after the end of each calendar year during the Lease Term (including without limitation the calendar year in which the Lease Term ends) Landlord shall deliver to Tenant a statement ("**Annual Statement**") in which Landlord shall set forth the actual expenditures for Reimbursable Operating Costs for such calendar year and Tenant's Allocable Share thereof. The Annual Statement shall be certified by an authorized officer of Landlord to be correct. If the Annual Statement shows that Tenant's payments of estimated Reimbursable Operating Costs exceeded Tenant's actual obligation in respect of such calendar year, the amount of such excess shall be credited against installments of Reimbursable Operating Costs next coming due after the delivery of Annual Statement until credited in full. To the extent any amount owed to Tenant pursuant to the immediately prior sentence has not been fully credited as of the expiration or sooner termination of the Lease, then the portion of the overpayment not fully credited shall be paid to Tenant not later than ten (10) days after the date that the Lease has expired or terminated, the amount owed to Tenant has been determined, there are no outstanding amounts owed under this Lease and a final reconciliation of Reimbursable Operating Costs has been completed by Landlord, which obligation shall survive the expiration or sooner termination of the Lease Term. If the Annual Statement shows that Tenant's payments of estimated Reimbursable Operating

Costs were less than its actual obligation in respect of such calendar year, Tenant shall pay said difference to Landlord within thirty (30) days after Tenant's receipt of the Annual Statement, which obligation shall survive the expiration or sooner termination of the Lease Term.

If Tenant disputes the amount or characterization of any item contained in the Annual Statement then Tenant shall give written notice thereof to Landlord not later than ninety (90) days after the Annual Statement is delivered to Tenant. Tenant shall then have the right to cause Landlord's records upon which the Annual Statement is based to be audited by an independent nationally recognized certified public accounting firm. Except as provided below, the fee for any audit conducted on Tenant's behalf shall be borne solely by Tenant. In no event shall the fee for any audit be computed on a contingency fee basis or be otherwise dependent upon the findings of such audit, and Tenant shall demonstrate to Landlord's reasonable satisfaction the non-contingent nature of the contract between Tenant and such auditor. Tenant shall not have any right to withhold any payment pending resolution of such dispute or audit, and payment by Tenant of any sum or sums in dispute shall not be deemed to be a waiver of Tenant's right to audit or contest the Annual Statement in accordance with the terms and conditions of this Lease. Landlord shall cooperate with such audit and shall provide Landlord's books and records reasonably requested and relative to the audit which shall be conducted during regular business hours at the office where Landlord maintains its books and records, at no cost to Landlord except as expressly provided below. If after such audit the parties do not agree on the audit findings then the dispute shall be settled by arbitration pursuant to Section 20.E below. If, as a result of Tenant's inspection of Landlord's books or the findings of the third party independent audit of Landlord's records and review, an error is discovered in the Annual Statement, Landlord shall revise the Annual Statement accordingly and any overpayment by Tenant shall be credited against payments of Reimbursable Operating Costs thereafter coming due until credited in full, and any underpayment shall be paid by Tenant not later than thirty (30) days after receipt by Tenant of written demand for payment, which obligation shall survive the expiration or sooner termination

of this Lease. To the extent any amount owed to Tenant pursuant to the immediately prior sentence has not been fully credited as of the expiration or sooner termination of this Lease, then the portion of the overpayment not fully credited shall be paid to Tenant not later than thirty (30) days after the date that this Lease has expired or terminated, the amount owed to Tenant has been determined, there are no outstanding amounts owed under this Lease and a final reconciliation of Reimbursable Operating Costs has been completed by Landlord, which obligation shall survive the expiration or sooner termination of this Lease. If Tenant does not notify Landlord of a dispute within ninety (90) days after receipt of any Annual Statement, Tenant shall be deemed to have accepted such Annual Statement and waived its right to dispute the Annual Statement or conduct an audit with respect to the Annual Statement. Landlord's records and any information provided by Landlord to auditors pursuant to this Section, and the results of any such audit, shall be kept confidential by Tenant and its auditors, and shall not be made available by the auditors or Tenant to any other person or entity except to Tenant's parent or affiliates and outside legal and financial representatives and except in any dispute resolution proceeding between the parties relating to such audit. If requested by Landlord, Tenant and its auditor shall, prior to any such audit, execute and deliver to Landlord a confidentiality agreement prepared by Landlord, reasonably acceptable to Tenant. If the final audit discloses an error in Landlord's determination of the Reimbursable Operating Costs in excess of five percent (5%) in Landlord's favor (i.e. the Annual Statement overstated Reimbursable Operating Costs by more than five percent (5%)), then all reasonable out-of-pocket costs of the audit shall be borne by Landlord; otherwise the cost of the audit shall be borne by Tenant.

D.Reimbursable Operating Costs:

For purposes of calculating Tenant's Allocable Share of Building and Project costs, the term "**Reimbursable Operating Costs**" is defined as all costs and expenses which are incurred by Landlord in connection with ownership and operation of the Building or the Project, together with such additional facilities as may be determined by Landlord to be reasonably desirable or necessary to the ownership or operation of the

Building and/or Project, except for costs that are Landlord's sole responsibility hereunder or excluded elsewhere herein. All costs and expenses shall be determined in accordance with generally accepted accounting principles which shall be consistently applied with accruals appropriate to Landlord's business ("**GAAP**"). Reimbursable Operating Costs shall include, but not be limited to, the following to the extent the obligation therefor is not that of Tenant under the provisions of Section 9.B above: (i) common area utilities, including water, power, telephone, heating, lighting, air conditioning, ventilating, and Building utilities to the extent not separately metered to the Building; (ii) common area maintenance and service agreements for the Building and/or Project and the equipment therein, including without limitation, common area janitorial services, alarm and security services (if Landlord elects to provide such services), third party property manager (if any) cleaning of exterior surfaces of exterior building windows, and maintenance of the sidewalks, landscaping, waterscape, roof membrane, parking areas, driveways, service areas, mechanical rooms, elevators, and the building exteriors; (iii) insurance premiums and costs, including without limitation, the premiums and cost of All Risk or Special Cause of Loss property coverage (or its equivalent or industry replacement) (including Business Interruption), liability coverage, rental abatement, Environmental Liability coverage and if elected by Landlord, earthquake insurance applicable to the Building or Project; (iv) repairs, replacements and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Tenant or other third parties other than as Reimbursable Operating Costs, and repairs or alterations attributable solely to tenants of the Building or Project other than Tenant); (v) all real estate taxes and assessment installments and other impositions and charges which may be levied on the Building or Project, upon the occupancy of the Building or Project and including any substitute or additional charges which may be imposed during the Lease Term, or which are applicable to the Lease Term regardless of when imposed, including real estate tax increases due to a sale, transfer or other change of ownership of the Building or Project, as such taxes are levied or appear on the City and County tax bills and assessment rolls; (vi) costs of complying with Sustainability

Requirements; (vii) deductibles under insurance policies, except for deductibles under earthquake insurance policies in excess of Two Hundred Fifty Thousand Dollars (\$250,000) per event of casualty; (viii) capital expenditures (1) required by Laws, (2) reasonably necessary to repair or replace existing capital items, or (3) reasonably incurred to increase efficiencies and save costs in the Building(s) but not in excess of such cost savings, provided that all such costs shall be amortized over their useful lives as reasonably determined by Landlord in accordance with GAAP, together with interest on the unpaid portion of such expenditure at the Amortization Interest Rate, subject to this paragraph below and the next paragraph of this Section 9.D; (ix) the wages and benefits of all employees devoting time on operating or managing the Project, provided that as to any employee who does not devote substantially all of his or her employed time to the Project, that employee's wages and benefits shall be prorated to reflect the time spent on operating or managing the Project as opposed to time spent on matters unrelated to operating and managing the Project; (x) maintenance, repairs and replacement of all bicycles provided by Landlord for the use of tenants and other occupants of the Project, if Landlord elects to provide such bicycles; and (xi) any of items (i) through (vi) in Section 9.B above to the extent Landlord has assumed with respect thereto the obligation for cleaning, maintenance, repair and/or replacement of any of them as Reimbursable Operating Costs. A capital expenditure of One Hundred Thousand Dollars (\$100,000) or more (per item of expense) shall be amortized over its useful life as reasonably determined by Landlord in accordance with GAAP, together with interest on the unpaid portion of such expenditure at the Amortization Interest Rate. Notwithstanding this paragraph above or the next paragraph of this Section 9.D below, a capital expenditure of less than One Hundred Thousand Dollars (\$100,000) (per item of expense) may be expensed by Landlord in the year incurred, rather than amortized; but if not expensed shall be amortized over its useful life as described in the immediately preceding sentence. Landlord shall have no obligation to provide guard services or other security measures for the benefit of the Project; provided, however, that nothing contained herein shall prevent Landlord, at its sole option, from providing security measures for the Project.

Notwithstanding Landlord's election to provide security measures for the Project, Tenant assumes all responsibility for the protection of Tenant and Tenant's Agents from acts of third parties. This is a "Net" Lease, meaning that Base Monthly Rent is paid to Landlord absolutely net of all costs and expenses, except only those costs which this Lease expressly states shall be paid by Landlord at Landlord's sole cost or excluded elsewhere herein. The provision for payment of Reimbursable Operating Costs by means of monthly payment of Tenant's Allocable Share of Building and/or Project costs is intended to pass on to Tenant and reimburse Landlord for Tenant's Allocable Share of all costs of operating and managing the Building and/or Project, other than those costs which this Lease expressly states shall be paid by Landlord at Landlord's sole cost. If less than one hundred percent (100%) of the Building and other Project buildings is leased at any time during the Lease Term, Landlord shall adjust Reimbursable Operating Costs to equal Landlord's reasonable estimate of what Reimbursable Operating Costs would be had one hundred percent (100%) of the Building and the other Project buildings been leased. If a bill for real property taxes and assessments is received by Landlord after the expiration or termination of the Lease Term (including without limitation a supplemental tax bill), but is applicable to any tax year within the Lease Term, Tenant shall pay Tenant's Allocable Share of such taxes and assessments not later than thirty (30) days after Tenant's receipt of notice of the amount due from Landlord, which obligation shall survive expiration or sooner termination of the Lease Term.

Notwithstanding anything contained herein to the contrary, Reimbursable Operating Costs shall not include any of the following: (a) debt service under mortgages or other liens, (b) ground lease rent, (c) costs of restoration to the extent of net insurance proceeds received by Landlord, or which were required by this Lease to be covered by insurance, or which were paid for directly by Tenant or any third party other than as part of Reimbursable Operating Costs, or which are covered by warranties or guaranties, (d) leasing commissions and costs incurred in connection with entering into new leases or disputes under existing leases, (e) costs associated with bad debt losses, (f) reserves, (g) costs of capital improvements,

repairs, replacements or expenditures, except as provided in the provision in the prior paragraph of this Section 9.D relating to expensing of capital expenditures of less than One Hundred Thousand Dollars (\$100,000) and in Section 9.D(viii) above, (h) expenses for tenant improvement work or allowances, inducements, and other concessions for any tenant, (i) the cost of any repairs, improvements, or replacements made to remedy any structural defect in the original structural design or construction of the base Building or Project (as opposed to Tenant Improvements and other Alterations made under this Lease or any tenant improvement or other alterations made by any prior tenant of the Building), (j) costs to remove or remediate any Hazardous Materials that were not caused by Tenant or its agents, (k) management and administrative fees or costs, which in the aggregate, exceed the management fee in Section 20.N below, or (l) deductibles under earthquake insurance policies in excess of Two Hundred Fifty Thousand Dollars (\$250,000) per event of casualty. Exclusion of costs from Reimbursable Operating Costs shall not be construed to release Tenant from the obligation to pay for such costs other than as Reimbursable Operating Costs as expressly provided elsewhere in this Lease (including but not limited to Tenant's obligations relating to Hazardous Materials pursuant to Article 13 below).

E. Tenant's Allocable Share:

For purposes of prorating Reimbursable Operating Costs which Tenant shall pay, Tenant's Allocable Share of Reimbursable Operating Costs shall be computed by multiplying the Reimbursable Operating Costs by a fraction, the numerator of which is the rentable square footage of the Premises and the denominator of which is either (i) the total rentable square footage of the Building if the service or cost is allocable only to the Building, or (ii) the total rentable square footage of the buildings in the Project if the service or cost is allocable to the entire Project and there are other buildings in the Project, or (iii) the total rentable square footage of the premises of those tenants or occupants that Landlord determines to be benefiting from such service or facility. Tenant's obligation to share in Reimbursable Operating Costs shall be adjusted to reflect the Lease Commencement Date and Expiration Date

and is subject to recalculation in the event of expansion or contraction of the rentable square footage of the Premises, Building or Project.

F. Waiver of Liability:

Failure by Landlord to perform any defined services required of Landlord under this Lease, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein as being Landlord's obligation break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same as soon as reasonably possible, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent, and any similar Law now or hereafter in effect. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

10. INSURANCE:

A. Tenant's Use:

Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article

prohibited by the standard form of insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of property and liability policies covering the Premises and appurtenances.

B. Landlord's Insurance:

Landlord agrees to purchase and keep in force All Risk or Special Cause of Loss insurance (or its equivalent or industry replacement) in an amount equal to the replacement cost of the Building (excluding deductibles and any Tenant Improvements and Alterations that are Specialized Tenant Improvements (defined below) and other than Alterations for which Landlord's consent is not obtained). As used in this Lease, "**Specialized Tenant Improvements**" means offices and conference rooms which are hard walled constructed. In addition, Landlord may elect to purchase insurance coverage for perils including earthquake, flood and/or terrorist acts, in amounts and with deductibles reasonably determined by Landlord. Landlord may also maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, (ii) rental loss insurance covering a minimum of twelve (12) months and (iii) Environmental Impairment/Pollution Liability coverage. Tenant agrees to pay Landlord as additional rent, within thirty (30) days after written invoice to Tenant, Tenant's Allocable Share of the amount of any deductible under such policies (except deductibles under earthquake insurance policies in excess of Two Hundred Fifty Thousand Dollars (\$250,000) per event of casualty), provided that if damage is confined to the Premises, Tenant shall pay the entire deductible to Landlord (except deductibles under earthquake insurance policies in excess of Two Hundred Fifty Thousand Dollars (\$250,000) per event of casualty). It is understood and agreed that Tenant's obligation to pay insurance premiums under this Section 10.B will be prorated to reflect the Commencement Date and Expiration Date.

C. Tenant's Insurance:

Tenant agrees, at its sole cost, to insure its personal property, trade fixtures, Specialized Tenant Improvements and other Alterations not required to be insured by Landlord against damage for their full replacement value (without depreciation). Said insurance shall provide All Risk or Special Cause of Loss coverage (or its equivalent or industry replacement) equal to the replacement cost of said property. The property insurance provided by Tenant as required by this paragraph shall be carried in favor of Landlord and Tenant as their respective interests may appear and shall provide that any loss to Alterations shall be adjusted with and be payable to both Landlord and Tenant. Tenant agrees, at its sole cost, to obtain and maintain throughout the Lease Term Commercial General Liability insurance for occurrences within the Project with a combined single limit of not less than Five Million Dollars (\$5,000,000), worker's compensation insurance in compliance with statutory requirements, and Employer's Liability with a limit of not less than Five Million Dollars (\$5,000,000). Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. All such insurance shall provide for severability of interests; shall provide that an act or omission of one of the named or additional insureds shall not reduce or avoid coverage to the other named or additional insureds. Tenant shall name Landlord, Landlord's affiliates and property manager and Landlord's lenders as additional insureds on Tenant's liability policies and shall name Landlord and Landlord's lenders as loss payees on its property insurance. Tenant shall provide a waiver of subrogation in favor of Landlord, Landlord's affiliates and property manager for worker's compensation and employer's liability. Tenant shall deliver to Landlord a copy of all required policies and renewal certificates, or other evidence of coverage reasonably acceptable to Landlord, evidencing the coverage required of Tenant, prior to the earlier of the Commencement Date or first entry to ready any portion of the Premises for Tenant's occupancy, and before expiration of any such policies, but in no event later than five (5) days before the scheduled expiration of such policies. All insurance policies required under this Section 10.C

shall provide that the insurer will endeavor to provide give ten (10) days' prior written notice to Landlord of any cancellation, termination, or reduction in coverage, but in any case Tenant shall be obligated to notify Landlord of the occurrence of any such event not later than five (5) days after Tenant becomes aware of any such event. Notwithstanding the above, Tenant shall obtain and maintain throughout the Lease Term, at Tenant's sole cost and expense, such increased amounts of coverage and other forms and amounts of insurance as may be reasonably requested by Landlord from time to time, but no more than once in any five (5) year period, provided that such increased or new amounts or types of insurance are reasonably available and are required of comparable tenants by landlords of comparable buildings in Santa Clara County, California. In no event shall the types or limits of any insurance policies maintained or required to be maintained under this Lease by Tenant or its contractors limit Tenant's liability under this Lease, including without limitation Tenant's indemnification, defense and hold harmless obligations.

D. Waiver:

Notwithstanding anything contained herein to the contrary, Landlord and Tenant hereby waive all tort, contract or other rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, to the Premises or its contents, or the other Project improvements, which may arise from any risk to the extent covered by their respective property insurance policies (or to the extent they would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above; provided that such waiver shall be effective only to the extent permitted by the insurance covering such loss or, if insurance is required by this Lease but not obtained, permitted by the insurance that would cover such loss if such insurance were obtained as required by this Lease. The Parties shall each obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be, with respect to the property insurance maintained with respect to this Lease.

11. TAXES:

Tenant shall be liable for and shall pay as additional rent, prior to delinquency, all taxes and assessments levied against Tenant's personal property and trade or business fixtures. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or buildings, Tenant shall pay and discharge its Allocable Share of such tax or excise on rents or other tax before it becomes delinquent as part of Reimbursable Operating Costs; except that this provision is not intended to cover net income taxes, documentary transfer, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its Allocable Share of such tax on behalf of Landlord, then at Landlord's sole election, Landlord may increase the Base Monthly Rent by the exact amount of Tenant's Allocable Share of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party appeal firm for such services, as part of Reimbursable Operating Costs.

12. UTILITIES:

Tenant shall arrange for and pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish services or utilities to the Premises or any other portion of the Project, and no failure or shortage of services or utilities shall entitle Tenant to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease or affect the continued effectiveness of this Lease. Tenant acknowledges that the Premises, the Building and/or the Project may become subject to the rationing of utility services or restrictions on utility use as required by a public utility company,

governmental agency or other similar entity having jurisdiction thereof. Tenant acknowledges and agrees that its tenancy and occupancy hereunder shall be subject to such rationing or restrictions as may be imposed upon Landlord, Tenant, the Premises, the Building and/or the Project, and Tenant shall in no event be excused or relieved from any covenant or obligation to be kept or performed by Tenant by reason of any such rationing or restrictions.

Landlord makes no representation with respect to the adequacy or fitness of the air-conditioning or ventilation equipment serving the Building to maintain temperatures which may be required for, or because of, any equipment of Tenant, and Landlord shall have no liability for loss or damage in connection therewith.

13. TOXIC WASTE AND ENVIRONMENTAL DAMAGE:

A. Use of Hazardous Materials:

Without the prior written consent of Landlord, neither Tenant, nor any subtenant of the Premises (of any tier in the chain of title) or any of Tenant's or such subtenant's agents, employees, representatives, affiliates, architects, contractors (including without limitation subcontractors of all tiers), suppliers, vendors, subtenants, licensees or invitees (collectively "**Tenant's Agents**"), shall cause or permit any Hazardous Materials, as defined below, to be generated, brought onto, used, stored, created, released or disposed of in or about the Premises or Project, except that Tenant may use and store small quantities of common household cleaners and office supplies on the Premises and fuel for the generator (if the Pad Improvements include a generator) provided such use and storage is in strict compliance with all Environmental Laws, as defined below. As used herein, the term "**Hazardous Materials**" shall mean any and all substances, materials or wastes (whether liquid, solid or gaseous), which are a pollutant or contaminant, or which are hazardous, toxic, ignitable, reactive, corrosive, dangerous, harmful or injurious, or which present a risk to public health or the environment, or which are or may become regulated by or under the authority of any Environmental Laws, including, without limitation, asbestos or asbestos containing

materials, petroleum products, pesticides, polychlorinated biphenyls, flammable explosives, radioactive materials and urea formaldehyde. As used herein, the term "**Environmental Laws**" shall mean any present or future federal, state or local Laws, whether common law, statute, rule, regulation or ordinance, judgment, order, or other governmental restriction, guideline, listing or requirement, relating to the environment or any Hazardous Materials, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §6901 et seq., and applicable provisions of the California Health and Safety Code and the California Water Code, all as heretofore or hereafter may be amended from time to time. In order to obtain Landlord's consent, Tenant shall deliver to Landlord its written proposal describing the types and quantities of Hazardous Materials to be brought onto the Premises, measures to be taken for storage and disposal thereof, and safety measures to be employed to prevent pollution or contamination of the air, soil, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. Without diminishing Tenant's obligation to obtain Landlord's consent to Tenant's use of Hazardous Materials on the Premises where this Lease requires such consent, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials generated, brought onto, used, stored, created, released or disposed of by Tenant or Tenant's Agents, or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises during the term of this Lease or the Existing Lease, including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal Laws and provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits and management plans required for the use, storage and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises and Project free from any and all Hazardous Materials generated, brought, used, stored, created, released, or disposed of by Tenant or Tenant's Agents, or by

anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises during the term of this Lease or the Existing Lease; and (v) to the extent required by Laws with respect to the activities of Tenant or Tenant's Agents, properly close the facility with regard to such Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with such Hazardous Materials and obtaining a closure certificate from the local administering agency prior to the expiration or sooner termination of this Lease.

B. Tenant's Indemnity Regarding Hazardous Materials:

Tenant shall, at its sole cost and expense and with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and the Landlord Related Parties from and against any and all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred or suffered arising from generating, bringing, using, storing, creating, releasing or disposing of Hazardous Materials in or about the Premises or Project by Tenant or Tenant's Agents, or by anyone else coming onto the Premises during the term of this Lease or the Existing Lease (other than Landlord or Landlord's agents, employees and contractors), or the violation of any Governmental Regulation or Environmental Laws by Tenant or Tenant's Agents, or by anyone else coming onto the Premises during the term of this Lease or the Existing Lease (other than Landlord or Landlord's agents, employees or contractors). This indemnification, defense and hold harmless obligation applies whether or not the concentrations of any such Hazardous Materials exceed applicable maximum contaminant or action levels or any governmental agency has issued a cleanup order. Tenant's indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liabilities, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under present or future Laws, including Environmental Laws; (ii) claims, liabilities, costs or expenses pertaining to the

assessment and identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) losses attributable to diminution in the value of the Premises, Building or Project (iv) loss or restriction of use of rentable space in the Building or Project; (v) adverse effect on the marketing of any space in the Building or Project; and (vi) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 13.B shall survive the expiration or termination of this Lease.

C. Notice of Release or Violation:

If, during the Lease Term (including any extensions), Tenant becomes aware of (i) any actual or threatened release of any Hazardous Materials on, under or about the Premises or Project or (ii) any inquiry, investigation, proceeding, claim, notice or order by any private or public person or entity regarding the presence of Hazardous Materials on, under or about the Premises or Project, including without limitation alleged violations of Environmental Laws by Tenant or Tenant's Agents, Tenant shall give Landlord written notice of the release or investigation within five (5) days after learning of it and shall simultaneously and thereafter furnish Landlord with copies of any claims, notices of violation, reports, or other writings received by Tenant concerning the release or investigation. In the event of an actual release of Hazardous Materials, Tenant shall also give Landlord immediate verbal notice of such release. In the event of any release on or into the Premises or any portion of the Project or into the soil or ground water under the Premises, the Building or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents, or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises during the term of this Lease or the Existing Lease, Tenant agrees to comply, at its sole cost, with all laws, regulations,

ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and any lender designated by Landlord to attempt to eliminate and mitigate any financial exposure to such lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Project has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable Laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under Section 13.B of this Lease to indemnify, defend and hold Landlord and the Landlord Related Parties harmless. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps. In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable Laws, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 13.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by arbitration pursuant to this Lease.

D. Remediation Obligations:

In the event of any release on, under or about the Premises or the Project of any Hazardous Materials generated, brought onto, used, stored, created or disposed of by Tenant or Tenant's Agents, or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises during the term of this Lease or the Existing Lease, Tenant shall, at its sole cost, promptly take all necessary and appropriate actions, in compliance with applicable Environmental Laws, to remove or remediate such

Hazardous Materials, whether or not any governmental agency has issued a cleanup order, so as to return the Premises and Project to the condition that existed before the introduction of such Hazardous Materials. Tenant shall obtain Landlord's written consent prior to implementing any proposed removal or remedial action, provided, however, that Tenant shall be entitled to respond immediately to an emergency without first obtaining Landlord's written consent. Nothing in the preceding sentence shall in any way eliminate, modify or reduce the obligation of Tenant under Section 13.B of this Lease to indemnify, defend and hold Landlord and the Landlord Related Parties harmless. Landlord agrees that Tenant and Tenant's Agents shall not be liable to Landlord for, and Landlord shall not require Tenant to remove or remediate (or pay for the cost thereof), any Hazardous Materials that were present at the Project as of the date the original tenant under the Existing Lease first occupied the Premises pursuant to the Existing Lease or that have migrated to or under a Building or the Project from off-site (i.e. off the Project) sources, except to the extent caused by Tenant or Tenant's Agents.

E. Environmental Monitoring:

Landlord and its agents and consultants shall have the right to inspect, investigate, sample and monitor the Premises, including any air, soil, water, ground water, or to conduct any other sampling or testing, digging, drilling or analysis, to determine whether Tenant is complying with the terms of this Section 13. If Landlord discovers that Tenant is not in compliance with the terms of this Section 13, all costs incurred by Landlord in determining Tenant's non-compliance, including attorneys', consultants' and experts' fees, shall be due and payable by Tenant to Landlord within five (5) days following Landlord's written demand therefor.

14. TENANT'S DEFAULT

A. Events of Default

The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent or any other payment due under this Lease (including additional rent) by the

date such amount is due, where such failure continues for three (3) business days after written notice from Landlord to Tenant; (ii) the abandonment of the Premises by Tenant; (iii) Tenant's failure to deliver to Landlord any document or agreement required to be delivered by Tenant pursuant to Sections 3.D, 20.H, 20.K, 20.T within the time required by those Sections, or failure to discharge any liens within the time required by Section 8.B, or failure to deliver any evidence of insurance within the time required by this Lease, where such failure continues for two (2) business days after notice of the failure has been delivered to Tenant; (iv) Tenant's failure to observe and perform any other required provision of this Lease, or the occurrence of any other event described as a breach or default in other Sections of this Lease or any amendment to this Lease, where such failure or default continues for thirty (30) days after written notice from Landlord, provided, however, that if the nature of the default is such that it cannot reasonably be cured within such thirty (30) day period, Tenant shall not be deemed in default if it commences within such thirty (30) day period to cure, thereafter diligently prosecutes the same to completion, and completes such cure not later than sixty (60) days after such written notice from Landlord, except that if this Lease expressly provides that no notice or cure is required for a breach or default of Tenant to exist then such notice requirement and thirty (30) day or longer cure period shall not apply; (v) Tenant's making of any general assignment for the benefit of creditors; (vi) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within thirty (30) days after the filing); (vii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (viii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days; or (ix) a default by the tenant under the 6377 San Ignacio Lease, beyond any applicable cure period expressly granted to such tenant in the

6377 San Ignacio Lease, without the necessity for additional notice or cure under this Lease.

B. Remedies:

In the event of any default by Tenant beyond any applicable notice and cure period expressly set forth in this Lease, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "**rent**", as used in this Lease, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "**worth at the time of award**" shall be computed by allowing interest at a rate equal to the greater of the following (the "**Agreed Interest Rate**") (i) the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum, as of the twenty-fifth

(25th) day of the month immediately preceding Tenant's breach or default, on advances to member banks under Section 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended, or (ii) ten percent (10%) per annum. As used in (iii) above, "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent. Furthermore, in the event of a default as described in clause (v), (vi), (vii) or (viii) in Section 14.A above, Landlord reserves the right to compensation for all damages and costs incurred by Landlord as a result of Tenant's default, including without limitation those based upon a tort claim or contractual claim, and without any cap other than that imposed by the United States Bankruptcy Code (as amended, and as interpreted by case law, the "**Code**") with respect to rent, as defined in the Code. Tenant hereby waives the protection of any limitation in the Code imposed upon such damages to the extent such waiver is enforceable under the Code, and Tenant hereby agrees that the Security Deposit may be retained by Landlord for purposes of compensation for any and all tort or contractual or other claims by Landlord against Tenant. Any obligation Landlord may have to mitigate damages upon a termination due to Tenant's default shall not include the obligation to relet the Premises if Landlord has other comparable available space within the Building or Project.

C.Right to Re-enter:

In the event of any Tenant default beyond any applicable notice and cure period expressly set forth in this Lease, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property in accordance with applicable Laws. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord, in any manner permitted by Laws.

D.Continuation of Lease:

If Landlord does not elect to terminate this Lease as provided in Section 14.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the Lease in effect

after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply, this Lease shall continue in effect, and Landlord may enforce all of its rights and remedies under this Lease, including without limitation, the right to recover payment of rent as it becomes due.

E.No Termination:

Neither efforts by Landlord to mitigate damages caused by a breach or default of Tenant, nor acts of maintenance or preservation or efforts to relet the Premises shall constitute an election by Landlord to terminate the Lease or a termination of Tenant's right to possession of the Premises.

F. Non-Waiver:

Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of breach or default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of breach or default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of breach or default without giving Tenant any further notice or demand. Furthermore, Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord or Tenant to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord or Tenant of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord or Tenant shall impair such right or remedy or be construed as a waiver thereof by Landlord or Tenant, as applicable. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute

acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subleases or subtenants, or may, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenants

G. Performance by Landlord:

If Tenant defaults in any obligation required under this Lease beyond any applicable notice and cure period expressly set forth in this Lease, Landlord in its sole and absolute discretion may, without notice, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate within ten (10) days of Landlord's written notice for such payment.

H. Habitual Default:

The provisions of Section 14 notwithstanding, the Parties agree that if Tenant shall have defaulted, beyond any applicable notice and cure period expressly set forth in this Lease, in the performance of any (but not necessarily the same) material term or condition of this Lease for three (3) or more times during any twelve (12) month period during the Lease Term, then such conduct shall, at the election of the Landlord, represent a separate event of default which cannot be cured by Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive defaults by Tenant, which work a hardship upon Landlord and deprive Landlord of Tenant's timely performance under this Lease.

15. LANDLORD'S LIABILITY:

A. Limitation on Landlord's Liability:

In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("**Mortgagee**") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effectuate a cure. Tenant agrees that each of the Mortgagees to whom this Lease has been assigned is an express third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 (except subsection (b)) or any other present or future law relating to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant further waives all rights to terminate this Lease and to vacate the Premises on Landlord's default under this Lease, the Parties having agreed that Tenant's remedies in the event of a Landlord default shall be limited to those expressly set forth in this Lease. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief; provided, however, Landlord and the Landlord Related Parties shall not be liable to Tenant for any consequential damages suffered or incurred by Tenant on account of Landlord's default including, without limitation, on account of lost profits or the interruption of Tenant's business. To the fullest extent allowed by Laws, Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for

damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other person in or about the Premises or the Project, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or any other person in or about the Premises or Project, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water, or rain, or from the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Project or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. To the fullest extent allowed by Laws, Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, occupant, or user of the Project, nor from the failure of Landlord to enforce the provisions of any other lease of the Project.

B. Limitation on Tenant's Recourse:

If Landlord is a corporation, trust, partnership, limited liability company, joint venture, unincorporated association or other form of business entity, then the obligations of Landlord shall not constitute personal obligations of the Landlord Related Parties. Tenant shall have recourse only to Landlord's unencumbered equity interest in the Premises and parcel of land upon which it is located, and any net rent, net income or net proceeds therefrom, for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord:

As a material part of the consideration rendered to Landlord, to the fullest extent allowed by Laws, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises or Project, from any cause arising at any time (including without limitation the sole, active or passive negligence or other acts or omissions of Landlord or the

Landlord Related Parties). Except to the extent due to the negligence or willful misconduct of Landlord, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred or suffered arising from the use or occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause in the Premises. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant or Tenant's Agents, Tenant shall indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred in connection with such litigation.

16. DESTRUCTION OF PREMISES:

A. Landlord's Obligation to Restore:

Subject to Article 9 above, in the event of damage or destruction of the Premises or the Common Areas during the Lease Term (other than Tenant's Specialized Tenant Improvements and other than those Alterations for which Landlord's consent was not obtained) Landlord, and Tenant (as to Alterations for which Landlord's consent was not obtained and Specialized Tenant Improvements, provided that in no event shall Tenant perform any work in violation of the other Sections of this Lease), shall repair the same to a substantially similar condition to that which existed prior to such damage or destruction, to the extent legally allowed, subject to this Section 16 below. Such damage or destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent and Tenant's share of Reimbursable Operating Costs while repairs are being made, to the extent Tenant is not able to occupy the Premises, but as to Reimbursable Operating Costs only to the extent actually covered by rental loss

insurance which may be maintained by Landlord. In no event shall Landlord be required to replace or restore Alterations for which Landlord's consent was not obtained, Specialized Tenant Improvements or Tenant's trade fixtures or personal property.

B. Limitations on Landlord's Restoration Obligation:

Notwithstanding the provisions of Section 16.A above, Landlord shall have no obligation to repair or restore the Premises if any of the following occur: (i) if Landlord reasonably estimates (which estimate Landlord agrees to exert commercially reasonable efforts to make as soon reasonably possible after the casualty) the repairs or restoration cannot be made in one hundred eighty (180) days from the date of receipt of all governmental approvals necessary under applicable Laws, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Building elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance maintained by Landlord, except for deductible amounts; provided however that Landlord may not terminate this Lease due to lack of insurance funds if the reason for such lack of funds is that Landlord has failed to maintain the property insurance that this Lease requires Landlord to maintain, or if Tenant pays to Landlord not later than thirty (30) days after written request for payment is delivered to Tenant (which request may be made prior to commencement of work based on cost estimates for such work obtained by Landlord, subject to adjustment as described below) the entire shortfall of funds for the work, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term (taking into consideration all Options then exercised by Tenant), or (v) Tenant is in default pursuant to the provisions of Section 14 above. If Tenant pays the insurance shortfall to Landlord based on Landlord's estimate pursuant to (iii) in the immediately prior sentence, then to the extent the estimate was more than the actual cost of work, Landlord shall reimburse Tenant the amount of overpayment not later than thirty (30) days after the actual cost of such work has been finally

determined, and if at any time prior to or after completion of such work Landlord determines that the amount previously paid by Tenant for such work is not sufficient, Tenant shall pay to Landlord such shortfall not later than thirty (30) days after written demand for such payment is delivered to Tenant. If Landlord elects to repair or restore, this Lease shall continue in full force and effect, unless Tenant elects to terminate the Lease as described in the next sentence. Tenant shall have the right to terminate this Lease in the event either (1) Landlord reasonably estimates the repairs cannot be made by the two hundred seventieth (270th) day after the date of receipt of all governmental approvals necessary under applicable Laws, as reasonably determined by Landlord, or (2) the damage or destruction occurs in the last twelve (12) months of the Lease Term (taking into consideration all Options then exercised by Tenant), by providing Landlord written of its election of (1) of this sentence above within thirty (30) days after Landlord's notice of the time to repair and restore and of (2) of this sentence above within thirty (30) days after the date of the casualty. In any such event Landlord may elect either to (i) complete the repair or restoration, or (ii) terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction.

If this Lease terminates as the result of any damage or destruction to Premises, all property insurance proceeds relating to Alterations maintained by Tenant shall be the sole property of Landlord, Tenant shall have no right to such proceeds, and Tenant shall fully cooperate with Landlord in collecting such proceeds, or if such proceeds have been paid to Tenant, Tenant shall pay such proceeds to Landlord not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier), which obligations shall survive the expiration or sooner termination of this Lease. Tenant shall also pay to Landlord not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier) an amount equal to the deductible under Tenant's property insurance, which obligation shall survive the expiration or sooner termination of this Lease. If Tenant fails to maintain the property insurance required by this Lease, then Tenant shall pay to Landlord, not later than seven (7) business days

after the Expiration Date or termination of this Lease (whichever is earlier) an amount equal to what the proceeds would have been had Tenant maintained the insurance required by this Lease, plus the deductible that would have applied if such insurance had been in place.

Tenant hereby waives the benefits and rights provided to Tenant by the provisions of Civil Code Sections 1932 and 1933, or any similar Law now or hereafter in effect.

17.CONDEMNATION:

If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser (“**Vesting Date**”) and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking, as reasonably determined by Landlord. Further, in the event of such partial taking, Landlord shall have the option to terminate this Lease as of the Vesting Date. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; except Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for the unamortized cost of any Alterations paid for by Tenant and not paid or reimbursed through the Work Allowance, or for Tenant’s moving costs. If there is a taking of any parking areas within the Project, and substitute parking cannot be provided within the Project by means of restriping the remaining existing parking areas within the Project, then the parking allocated to Tenant under this Lease shall be proportionately reduced. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any similar Law now or hereafter in

effect, and the provisions of this Section 17 shall govern in the case of a taking.

18.ASSIGNMENT OR SUBLEASE:

A.Consent by Landlord:

Except as specifically provided in Section 18.E below, Tenant may not voluntarily, involuntarily or by operation of law, assign, sell or otherwise transfer all or any part of Tenant’s interest in this Lease or in the Premises, cause or permit any part of the Premises to be sublet, occupied or used by anyone other than Tenant, or permit any person to succeed to any interest in this Lease or the Premises (all of the foregoing being a “**Transfer**”) without the express written consent of Landlord. In the event Tenant desires to effectuate a Transfer, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed transferee, (ii) current financial statements of the transferee covering the preceding three (3) years if available, (iii) the nature of the proposed transferee’s business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of the Transfer, and (v) a current financial statement of Tenant unless publicly available. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord’s request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed Transfer. Landlord shall have a fifteen (15) day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) terminate this Lease as to the portion of the Premises proposed to be transferred (other than with respect to a Permitted Transfer), if the portion of the Premises proposed for Transfer, together with any portion of the affected floor within the Building then subject to another Transfer, is for more than seventy five percent (75%) (cumulatively, for the proposed Transfer and all other Transfers then in effect with respect to such floor) of the rentable square footage of such floor, or the Transfer then under consideration is for more than seventy five percent (75%) of the remaining Lease Term (not taking into account

Option Terms which have not yet commenced); (ii) permit Tenant to Transfer such space to the named transferee on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the 15-day period described in the immediately prior sentence, Landlord shall be deemed to have elected option (iii) above. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises on the date upon which the proposed Transfer was to commence, and from such date forward, Base Monthly Rent shall be adjusted based on the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Premises before exercise of Landlord's election to terminate, and Tenant's Allocable Share of all other costs and charges shall be adjusted in accordance with Section 9.E based upon the remaining rentable area of the Premises. In the event Landlord does not elect option (i) above, Landlord's consent to the proposed Transfer shall not be unreasonably withheld, conditioned or delayed, provided and upon the condition that: (i) the proposed transferee is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed transferee is a company with sufficient financial worth and management ability to undertake the financial obligation of this Lease in the case of an assignment (or in the case of a Transfer of less than all of Tenant's interest in this Lease or a sublease, the financial obligations under such Transfer) and Landlord has been furnished with reasonable proof thereof; (iii) the proposed transfer agreement, if it is a sublease, conforms to the requirements of Section 18.I below or if it is an assignment, is in a form reasonably satisfactory to Landlord; (iv) the proposed Transfer will not result in there being greater than two (2) subtenants or other occupants (not including employees) within the Premises at any time during the Lease Term; and (v) Tenant reimburses Landlord on demand for all costs that may be incurred by Landlord in connection with said Transfer, including the costs of making investigations as to the acceptability of the proposed transferee and legal costs incurred in connection with the granting or denial of any requested consent, not to exceed Two Thousand Five Hundred Dollars (\$2,500) per Transfer request. Tenant shall not hypothecate, mortgage, pledge or otherwise encumber Tenant's interest in

this Lease or the Premises or otherwise use the Lease as a security device in any manner without the consent of Landlord, (all of the foregoing being an "**Hypothecation**") which consent Landlord may withhold in its sole and absolute discretion. Tenant shall reimburse Landlord on demand for all costs that may be incurred by Landlord in connection with an Hypothecation, including legal costs incurred in connection with the granting or denial of any requested consent, not to exceed Two Thousand Five Hundred Dollars (\$2,500) per Hypothecation request. Landlord's consent to one or more Transfers or Hypothecations shall not operate to waive Tenant's obligation to obtain Landlord's consent to other Transfers or Hypothecations nor constitute consent to an assignment or other Transfer following foreclosure of any permitted lien, mortgage or other encumbrance. If Tenant is a corporation, limited liability company, unincorporated association, partnership or other legal entity, the sale, assignment, cancellation, surrender, exchange, conversion or any other transfer or hypothecation of any stock, membership or other ownership interest in such entity (whether occurring at one time or over a period of time) in the aggregate of more than fifty percent (50%) (determined cumulatively) shall be deemed an assignment of this Lease; in the case of a partnership, any withdrawal or substitution (whether occurring at one time or over a period of time) of any partners owning fifty percent (50%) or more (cumulatively) of the partnership, or the dissolution of the partnership shall be deemed an assignment of this Lease; provided that, subject to Section 18.E below, the foregoing provisions of this sentence shall not apply to a transfer of stock in a corporation whose stock is publicly traded on a public stock exchange if the transfer of stock is not in connection with a transaction or series of transactions which would result in Tenant no longer being publicly traded on a public stock exchange. If Tenant is an entity, any sale of all or substantially all of its assets shall be deemed an assignment of this Lease. Subject to Section 18.E below, if Tenant is a corporation whose stock is not publicly traded on a public stock exchange, any dissolution, merger, consolidation or reorganization of Tenant shall be deemed a Transfer. Tenant acknowledges and agrees that the provision of this Section 18 are not unreasonable standards or conditions for purposes of Section

1951.4 of the California Civil Code, as amended from time to time, under bankruptcy laws, or for any other purpose.

B. Assignment or Subletting Consideration:

Landlord and Tenant hereby agree that fifty percent (50%) of any rent or other economic consideration (not including stock, warrants and options but otherwise including without limitation, payments for trade fixtures and personal property in excess of the fair market value thereof) in excess of the Base Monthly Rent and Reimbursable Operating Costs payable hereunder (after deducting therefrom Reasonable Transfer Costs (defined below)) (i) realized by Tenant in connection with any Transfer by Tenant, and/or (ii) realized by a subtenant or any other person or entity (other than Tenant) (any such subtenant, person or entity being a “**Subsequent Transferor**”) in connection with a sublease, assignment or other Transfer by such Subsequent Transferor, shall be paid by Tenant to Landlord promptly after such amounts are paid to Tenant or a Subsequent Transferor, regardless of the amount of sub-rent the Subsequent Transferor pays to Tenant or any prior Subsequent Transferor. As used in this Section 18.B, “**Reasonable Transfer Costs**” shall mean the following costs, to the extent reasonably incurred in connection with the Transfer in question: (i) advertising costs and brokerage commissions payable to unaffiliated third parties, (ii) reasonable attorneys’ fees paid to Tenant’s attorneys, and (iii) tenant improvement costs incurred by Tenant solely in connection with such Transfer. In the case of a Transfer other than an assignment of Tenant’s entire interest in the Lease and Premises, Reasonable Transfer Costs shall be amortized on a straight line basis, without interest, over the initial term of the Transfer. Tenant’s obligation to pay over Landlord’s portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord’s right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No Transfer by Tenant shall relieve it of any obligation under this Lease. Any Transfer which

conflicts with the provisions of this Lease shall be voidable by Landlord at any time following such Transfer.

C.No Release:

Any Transfer shall be made only if and shall not be effective until the transferee shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance reasonably satisfactory to Landlord, whereby the transferee shall assume all the obligations of this Lease on the part of Tenant to be performed or observed to the extent of the interest being transferred and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease to the extent applicable to the interest being transferred. Notwithstanding any Transfer and the acceptance of rent or other sums by Landlord from any transferee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any transferee or any other person claiming under or through any transferee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) resulting from any claims that may be made against Landlord by the proposed transferee or by any real estate brokers or other persons claiming compensation in connection with the proposed Transfer.

D.Reorganization of Tenant:

Notwithstanding any other provision of this Lease, the provisions of this Section 18.D shall apply if: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving company, or there is a sale of all or substantially all of the assets of Tenant, or (ii) there is a sale,

cancellation, surrender, exchange, conversion or any other transfer of stock involving or consisting of more than fifty percent (50%) of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, or a transfer of more than a fifty percent (50%) ownership interest in

Tenant (where Tenant is not a corporation), or there is any merger, consolidation or other reorganization of or affecting Tenant (other than one described in (i) immediately above), whether the foregoing occurs in a single transaction or in multiple steps. In a transaction under clause (i) of this Section 18.D, the surviving or acquiring corporation or entity ("**Surviving Entity**") shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which the Surviving Entity assumes the obligations of Tenant hereunder. In a transaction or series of transactions under clause (ii) of this Section 18.D, the entities which as a result of such transaction(s) own a greater than fifty percent (50%) interest in Tenant (including, without limitation as a result of a reverse triangular merger or a triangular merger) (collectively the "**Acquiring Entity**") shall promptly execute and deliver to Landlord a guaranty of lease in form reasonably satisfactory to Landlord under which the Acquiring Entity guarantees the full payment and performance of the obligations of Tenant under the Lease ("**Lease Guaranty**"). The foregoing notwithstanding, as to all transactions described in this Section 18.D, if the Surviving Entity or Acquiring Entity is itself not a publicly-traded company, but is instead the subsidiary of or owned (directly or indirectly) by a publicly-traded company (or a subsidiary of a subsidiary of a publicly-traded company, or a subsidiary in a chain of entities in which one or more parent companies are publicly traded), then each publicly-traded parent company in such chain shall also be required to execute and deliver to Landlord the Lease Guaranty. In addition, in the event that after such acquisition Tenant does not prepare audited financial statements, then in addition to the financial statements required to be delivered by Tenant hereunder, each entity required to execute the Lease Guaranty shall provide Landlord its audited financial statements at the times and in the manner required of Tenant hereunder. Without limiting the foregoing requirements, it is the intent

of the parties that after such any transaction or series of transactions described in this Section 18.D, Landlord shall be entitled to rely on the creditworthiness of publicly-traded companies and to receive audited financial information from publicly-traded companies to the extent Tenant is owned, directly or indirectly, by a publicly-traded company.

E. Permitted Transfers

Provided that Tenant otherwise complies with the provisions of this Section 18, except the provision requiring prior consent, and except for the provisions relating to the payment of Transfer consideration pursuant to Section 18.B, but otherwise including without limitation the provisions of Section 18.D, Tenant may enter into any of the following Transfers described in this Section 18.E (a "**Permitted Transfer**") without Landlord's prior consent, and Landlord shall not be entitled to terminate the Lease or to receive any part of any sub-rent resulting therefrom that would otherwise be due pursuant to Sections 18.A and 18.B as the result of the Permitted Transfer, provided however that Tenant shall notify Landlord of any such Permitted Transfer not later than five (5) business days after the effective date of such Permitted Transfer. Tenant may sublease all or part of the Premises or assign its interest in this Lease to (i) any corporation or other entity which controls, is controlled by, or is under common control with Tenant by means of an ownership interest of more than fifty percent (50%); (ii) a corporation or other entity which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation or entity, so long as the surviving corporation or entity has a net worth at the time of such assignment or sublease that is equal to or greater than the net worth of Tenant immediately prior to such transaction; or (iii) a corporation or other entity which purchases or otherwise acquires all or substantially all of the assets of Tenant so long as such acquiring corporation or entity has a net worth at the time of such assignment or sublease that is equal to or greater than the net worth of Tenant immediately prior to such transaction. Any transferee pursuant to this Section 18.E is referred to elsewhere in this Lease as a "**Permitted Transferee**". Any transferee pursuant to an assignment of all of Tenant's interest in this

Lease pursuant to this Section 18.E above is referred to elsewhere in this Lease as a “**Permitted Assignee**”.

F. Effect of Default:

In the event of Tenant’s default, Tenant hereby assigns all amounts due to Tenant from any Transfer as security for performance of Tenant’s obligations under this Lease, and Landlord as assignee of Tenant, or a receiver for Tenant appointed on Landlord’s application, may collect such amounts and apply it toward Tenant’s obligations under this Lease, except that Tenant may collect such amounts unless a default occurs as described in Section 14 above. Landlord’s collection of any amounts due from a Transfer shall not constitute an acceptance by Landlord of attornment by any subtenants, and upon Tenant’s default Landlord shall have all rights provided by this Lease and applicable Laws, including without limitation terminating this Lease and any or all occupants’ rights to possession of the Premises as Landlord shall determine in Landlord’s sole and absolute discretion. A termination of the Lease due to Tenant’s default shall not automatically terminate a Transfer then in existence; rather at Landlord’s election (1) such Transfer shall survive the Lease termination, (2) the transferee shall attorn to Landlord, and (3) Landlord shall undertake the obligations of Tenant under the transfer agreement; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the transferee, or for any acts or omissions of Tenant and Tenant’s Agents.

G. Conveyance by Landlord:

In the event of any transfer by any person or entity comprising Landlord of such person’s or entity’s entire interest in this Lease, such person or entity (and in case of any subsequent transfer, the then transferor) shall be automatically freed and relieved from and after the date of such transfer of all liability for the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed; provided, however, that any funds in the hands of such person or entity or the then transferor at the time of such transfer, in which Tenant has an interest shall be turned over to the transferee and if the entire interest of Landlord is the subject of the transfer

then any amount then due and payable to Tenant by Landlord or the then transferor under any provision of this Lease shall be paid to Tenant; and provided, further, that upon any such transfer, the transferee shall be deemed to have assumed, subject to the limitations of this Section 18 above all of the agreements, covenants and conditions in this Lease to be performed from and after the transfer on the part of Landlord, it being intended hereby that the covenants and obligations contained in this Lease to be performed on the part of Landlord shall, subject as aforesaid, be binding on each Landlord, its successors and assigns, only during its period of ownership.

H. Successors and Assigns:

Subject to the provisions this Section 18, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all parties hereto comprising Tenant shall be jointly and severally liable hereunder for the obligations of Tenant, and all parties hereto comprising Landlord shall be jointly and severally liable hereunder for the obligations of Landlord.

I. Sublease Requirements:

With respect to any permitted sublet of the Premises by Tenant to an approved Subtenant (“**Subtenant**”), the sublet transaction shall be evidenced by a written sublease between Tenant and Subtenant (the “**Sublease**”). The Sublease shall comply with the following requirements: (i) The form of the Sublease and the terms and conditions thereof shall be subject to Landlord’s approval which shall not be withheld unreasonably; (ii) The Sublease shall provide that it is subject and subordinate to all of the terms and conditions of this Lease and that the Subtenant shall not do anything that would constitute a breach or default of Tenant’s obligations under this Lease; (iii) The Sublease shall provide that the Subtenant shall have no right to exercise any option or other right granted to Tenant in this Lease; (iv) The Sublease shall contain a waiver of subrogation against Landlord for any occurrence that would be covered under the property insurance policy that Tenant is required to or does carry under or with respect to this Lease and shall require Subtenant’s property insurance policies to

acknowledge such waiver of subrogation; (v) The Sublease shall provide that all requirements of the Lease applicable to subleases shall be applicable to sub-subleases; (vi) The Sublease shall require Subtenant, acting through Tenant, to obtain Landlord's prior written approval, to any alteration to the Premises to the same extent Tenant is required by this Lease to obtain such consent; (vii) The Sublease shall require Subtenant to send Landlord copies of any and all notices concerning the Premises that Subtenant is obligated to provide to Tenant and Tenant to send Landlord copies of any and all notices concerning the Premises that Tenant is obligated to provide to Subtenant; (viii) The Sublease shall provide that, at Landlord's option, the Sublease shall not terminate in the event that this Lease terminates and shall require Subtenant to execute an attornment agreement if Landlord, in its sole and absolute discretion, shall elect to have the Sublease continue beyond the date of termination of this Lease as a direct lease between Landlord and the Subtenant (provided however that in no event shall Landlord be liable for any default under the Sublease occurring prior to such attornment); and (ix) The Sublease shall require the Subtenant to agree that on receipt of notice from Landlord that Tenant has defaulted beyond any applicable notice and cure period expressly set forth in this Lease, Subtenant shall pay all sums due under the Sublease to Landlord, provided that such amounts shall be credited to amounts due from Tenant under this Lease.

19.OPTION TO EXTEND THE LEASE TERM:

A. Grant and Exercise of Option:

Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 19 two (2) options (each an "**Option**" and collectively the "**Options**") to extend the Lease Term for an additional term (each an "**Option Term**"). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no earlier than fifteen (15) months prior to the date the Lease Term would expire but for such exercise but no later than twelve (12) months prior to the date the Lease Term would expire but for such exercise, time being of the essence for the giving of such notice. If Tenant exercises an Option, all of the terms,

covenants and conditions of this Lease shall apply except for the grant of additional Options pursuant to this Section 19 , and except for improvement allowances, and provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, then Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 19.A. As used herein, the term "**Fair Market Rental**" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the (i) current use and other potential uses of the Premises allowed under this Lease, as determined by the rents then obtainable for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Building and (ii) the credit standing and financial stature of the Tenant.

B. Determination of Fair Market Rental:

If Tenant exercises an Option, Landlord shall send Tenant a notice setting forth the Fair Market Rental for the Option Term within thirty (30) days following the date of exercise. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after delivery to Tenant of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 19.C below. If Tenant does not timely send Landlord a notice as provided in the previous sentence, it shall be deemed that Tenant

disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 19.C below. If Tenant elects to resolve the disagreement as provided in Section 19.C below and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as finally determined pursuant to Section 19.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and the actual Base Monthly Rent due as so determined in this Section 19 within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 19.C is less than Landlord's determination, the difference between the amount paid by Tenant and the actual Base Monthly Rent due as so determined pursuant to this Section 19 shall be credited against the next installments of Base Monthly Rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental:

Any disagreement regarding Fair Market Rental shall be resolved as follows: Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement. If within the 30-day consultation period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two (2) appraisals so submitted differ by less than five percent (5%) of the higher appraisal, the average of the two shall be deemed as Fair Market Rental. If the two (2) appraisals differ by five percent (5%) or more of the higher appraisal, the appraisers shall

immediately select a third appraiser who shall, within thirty (30) days after this selection, make and submit to Landlord and Tenant a determination of Fair Market Rental. This third appraisal will then select one of the two (2) previous appraisals and the one selected shall be the Fair Market Rental. All appraisers specified pursuant to this Section 19.C shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant:

All Options provided to Tenant in this Lease are personal and granted solely to Extreme Networks, Inc., a Delaware corporation and any Permitted Transferee, so long as it is the tenant under this Lease, and are not exercisable by any other person or entity whether or not a Transfer has occurred unless Landlord consents to permit exercise of any Option by any assignee or subtenant in Landlord's sole and absolute discretion. In the event Tenant has multiple options to extend this Lease, a later Option to extend the Lease cannot be exercised unless the prior Option has been properly exercised and the Option Term for that exercised prior Option has commenced. All Options provided to Tenant in this Lease shall terminate upon the expiration or sooner termination of this Lease and shall not apply during any holdover period.

20. GENERAL PROVISIONS:

A. Attorney's Fees:

In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees and costs incurred in connection with such proceeding, including the expense of expert witnesses, depositions and court testimony. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing

any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties:

If Tenant is a corporation, partnership or other entity, Tenant represents and warrants that Tenant is duly formed and in good standing, that each individual signing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant and to bind Tenant to this Lease in accordance with Tenant's governing documents, and that this Lease is binding upon Tenant in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form reasonably acceptable to Landlord, of the authorizations described in this Section 20.B. If Landlord is a corporation, partnership or other entity, Landlord represents and warrants that Landlord is duly formed and in good standing, that each individual signing this Lease on behalf of Landlord is duly authorized to execute and deliver this Lease on behalf of Landlord and to bind Landlord to this Lease in accordance with Landlord's governing documents, and that this Lease is binding upon Landlord in accordance with its terms.

C. Brokers:

Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than CBRE, Inc. and Tenant agrees to indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) asserted by any other broker or finder claiming through Tenant or suffered or incurred by Landlord as the result of Tenant's breach of its representation in this paragraph above. Landlord shall pay to CBRE, Inc. a leasing commission for this Lease pursuant to a written agreement between Landlord and CBRE, Inc.

D. Choice of Law:

This Lease shall be governed by and construed in accordance with California law, without regard to choice of law principles. Venue for all court proceedings or alternative forms of dispute resolution proceedings shall be Santa Clara County, California.

E. ARBITRATION OF DISPUTES:

LANDLORD AND TENANT AND ANY OTHER PARTY THAT MAY BECOME A PARTY TO THIS LEASE OR BE DEEMED A PARTY TO THIS LEASE, AND THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS, AGREE THAT, EXCEPT FOR ANY CLAIM (I) FOR UNLAWFUL DETAINER, (II) FOR TENANT'S FAILURE TO PAY THE BASE MONTHLY RENT, OR (III) WITHIN THE JURISDICTION OF THE SMALL CLAIMS COURT (WHICH SMALL CLAIMS COURT SHALL BE THE SOLE COURT OF COMPETENT JURISDICTION FOR SUCH CLAIM WITHIN THE JURISDICTION OF THE SMALL CLAIMS COURT), ANY CONTROVERSY, DISPUTE, OR CLAIM OF WHATEVER NATURE ARISING OUT OF, IN CONNECTION WITH OR IN RELATION TO THE INTERPRETATION, PERFORMANCE OR BREACH OF THIS LEASE, INCLUDING ANY CLAIM BASED ON CONTRACT, TORT, OR STATUTE, SHALL BE RESOLVED AT THE REQUEST OF ANY PARTY TO THIS LEASE, OR THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS, THROUGH DISPUTE RESOLUTION PROCESS ADMINISTERED BY J.A.M.S., OR IF J.A.M.S. NO LONGER EXISTS THEN THROUGH SUCH OTHER DISPUTE RESOLUTION SERVICE REASONABLY SELECTED BY LANDLORD, OR IF THE PARTIES AGREE TO ANOTHER DISPUTE RESOLUTION SERVICE THEN PURSUANT TO SUCH OTHER DISPUTE RESOLUTION SERVICE MUTUALLY ACCEPTABLE TO THE PARTIES, LOCATED IN SANTA CLARA COUNTY, CALIFORNIA. THE DISPUTE RESOLUTION PROCESS SHALL CONSIST OF A FINAL AND BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR

OTHER DISPUTE RESOLUTION SERVICE SELECTED, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET. SEQ, AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUESTS FOR ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Landlord: /s/JMS Tenant: /s/DD

/s/KM

F. Entire Agreement:

This Lease and the exhibits attached hereto contain all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord:

Upon not less than twenty four (24) hours' prior notice to Tenant (except in case of emergency, where no prior notice shall be required) and subject to Tenant's reasonable security regulations, Tenant shall permit Landlord and Landlord's agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises that are allowed or that are Landlord's responsibility under this Lease; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non responsibility for any construction, alteration or repair thereof, as required or permitted by any Law, and (vi) placing "For Sale" signs, and showing the Premises to Landlord's existing or potential successors, purchasers and lenders. Tenant shall permit Landlord and Landlord's agents, at any time within twelve (12) months prior to the Expiration Date (or at any time

during the Lease Term that Tenant is in default hereunder beyond any applicable notice and cure period expressly set forth in this Lease), to place upon the Premises "For Lease" signs, and exhibit the Premises to real estate brokers and prospective tenants at reasonable hours. At any time when Tenant does not rent all rentable space in the Project, and at any time within twelve (12) months prior to the Expiration Date (or at any time during the Lease Term that Tenant is in default hereunder beyond any applicable notice and cure period expressly set forth in this Lease) if Tenant does rent all rentable space in the Project, Landlord shall have the right to place "For Lease" signs within the exterior Common Area.

H. Estoppel Certificates:

At any time during the Lease Term, Tenant shall, within ten (10) business days following written notice from Landlord, execute and deliver to Landlord a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on Landlord's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Landlord may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Landlord's interest in the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that this Lease is in full force and effect without modification, except as may be represented by Landlord, and that there are no uncured defaults in Landlord's performance. Tenant agrees to provide, within ten (10) business days after Landlord's request, Tenant's most recent annual audited financial statements for Landlord's use in financing or sale of the Premises or Landlord's interest therein, except that as to any period during which Tenant is a publicly traded company, Tenant shall not be required to provide such audited financial statements if such audited financial statements are otherwise publicly available.

I. Exhibits:

All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest:

All rent due hereunder, if not paid within five (5) days of when due, shall bear interest at the Agreed Interest Rate. This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late charges) shall be considered to the extent permitted by Laws to be an expense, fee or premium rather than interest.

K. Modifications Required by Lender:

If any lender of Landlord that has a security interest in the Premises or ground lessor of the Premises requires a modification of this Lease that will not increase Tenant's cost or expense or materially and adversely change Tenant's rights and obligations, this Lease shall be so modified and Tenant shall execute whatever reasonable documents are required and deliver them to Landlord within ten (10) business days after the request.

L. No Presumption Against Drafter:

Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that

party having drafted this Lease or any portion thereof.

M. Notices:

All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, by nationally recognized overnight courier, or by personal delivery addressed to the party to be notified at the address for such party specified in Section 1 above of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party; provided that such other address shall not be a P.O. Box or other address to which personal service or overnight courier delivery cannot be effectuated. When this Lease requires service of a notice, that notice shall be deemed to constitute and satisfy the requirements of any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure Section 1161 or any similar or successor statute.

N. Property Management:

In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of three percent (3%) of the Base Monthly Rent.

O. Rent:

All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as “**additional rent**”, shall be deemed as rent.

P. Representations:

Except for the provisions of this Lease, Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or Project or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no

statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies:

Subject to Section 14 above, all rights and remedies hereunder are cumulative and not alternative to the extent permitted by Laws, and are in addition to all other rights and remedies in law and in equity.

R. Severability:

If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease:

Submission of this document for examination or signature by the Parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. Subordination:

This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively “**Encumbrances**”) which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance (“**Holder**”) require that this Lease be prior and superior thereto, within ten (10) business days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in commercially reasonable form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any

renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that with respect to Encumbrances created after the Effective Date, in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not then in default and continues to pay Base Monthly Rent and additional rent and observes and performs all required provisions of this Lease. Within ten (10) business days after Landlord's written request, Tenant shall execute any commercially reasonable documents required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section 20.T, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such Encumbrance. Landlord shall use commercially reasonable efforts to obtain, not later than sixty (60) days after the Effective Date, from the Holder of the deed of trust encumbering the Premises as of the Effective Date (if any), an executed commercially reasonable recognition and non-disturbance agreement (which may also provide for subordination as provided in this Section 20.T above) which (i) provides that this Lease shall not be terminated so long as Tenant is not in default under this Lease beyond applicable notice and cure periods expressly set forth in this Lease, and (ii) so long as the Lease remains in full force and effect, recognizes all of Tenant's rights under the Lease and requires such Holder to be bound by Landlord's obligations under this Lease to the extent such obligations accrue during the period of the deed of trust Holder's fee ownership of the Premises, subject however to commercially reasonable exclusions (such as, without limitation, Landlord's obligation relating to the Work Allowance), and containing other commercially reasonable provisions requested by such Holder.

U.Survival of Indemnities:

All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time:

Time is of the essence hereunder.

W.Transportation Demand Management Programs:

If a government agency or municipality requires Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required specifically on the Premises (as opposed to for the Project generally) including but not limited to employee showers, lockers, cafeteria, or lunchroom facilities, shall be paid by Tenant to Landlord within thirty (30) days after demand. Further, any ongoing costs or expenses associated with a TDM program imposed on Landlord by a governmental agency or municipality which are required specifically for the Premises (as opposed to for the Project generally) shall be paid by Tenant to Landlord by Tenant within thirty (30) days after demand. If TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay Tenant's Allocable Share of such costs in accordance with Section 9 above. In addition, Tenant shall fully comply with, and cooperate with Landlord in the implementation and management of, all present and future TDM and other programs required by a governmental authority applicable to the Project intended to manage parking, transportation or traffic.

X.Waiver of Right to Jury Trial:

To the extent then authorized by Laws as of the time of any actual litigation between them and to the extent not already encompassed within the various agreements to arbitrate otherwise contained herein, and as an alternative to arbitration should arbitration for any reason not be enforced, to the fullest extent allowed by Laws, Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim,

counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

Y. General:

The captions and section headings of this Lease are for convenience of reference only, and shall not be used to limit, extend or interpret the meaning of any part of this Lease. This Lease may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signatures and initials to this Lease created by the signer by electronic means and/or transmitted by telecopy or other electronic transmission shall be valid and effective to bind such signing party. Each party agrees to promptly deliver an execution original to this Lease with its actual signature and initials to the other party, but a failure to do so shall not affect the enforceability of this Lease, it being expressly agreed that each party to this Lease shall be bound by its own electronically created and/or telecopied or electronically transmitted signature and initials and shall accept the electronically created and/or telecopied or electronically transmitted signature and initials of the other party to this Lease. All agreements by Tenant contained in this Lease, whether expressed as covenants or conditions, shall be construed to be both covenants and conditions, conferring upon Landlord, in the event of a breach thereof, the right to terminate this Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year set forth below.

Landlord:

SI 64, LLC,
a California limited liability company

By:SI 25, LLC,
a California limited liability company
Its:Sole Member

By:Sobrato Interests 3,
a California limited partnership
Its:Sole Member

By:Sobrato Development Companies, LLC, a
California limited liability company
Its:General Partner

By: /s/John Michael Sobrato
John Michael Sobrato
Its:Manager

Dated:November 8, 2017

Tenant:

EXTREME NETWORKS, INC.,
a Delaware corporation

By:/s/Drew Davies
Its:Chief Financial Officer
Dated:November 8, 2017

By:/s/Katy Motiey
Its:Chief Administrative Officer
Dated:November 8, 2017

**EXHIBIT "A" – Project Site Plan
(Attached)**

LEASE

By and Between

**SI 33, LLC,
a California limited liability company**

("Landlord")

and

**Extreme Networks, Inc.,
a Delaware corporation
("Tenant")**

(6377 San Ignacio Avenue)

Dated For Reference Purposes Only: November 6, 2017

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EXHIBIT "A" – Project Site Plan (Attached)

Basic Lease Information Sheet

1. Date of Lease (for reference purposes only): November 6, 2017
2. Tenant: Extreme Networks, Inc.,
a Delaware corporation
3. Tenant's Address For Notices: 6480 Via Del Oro
San Jose, CA 95119
Attn: Ted Lawson, Director of Real Estate
Email address: TeLawson@ExtremeNetworks.com

With a Copy to:
6480 Via Del Oro
San Jose, CA 95119
Attn: Gina Christopher, Deputy General Counsel
Email Address: GChristopher@extremenetworks.com
4. Tenant Billing Contact as of the Date of Lease: Banita de Ornelas, Lease Manager
6480 Via Del Oro, San Jose, CA 95119
Phone: (408) 579-3494
Email Address: bormelas@extremenetworks.com
5. Tenant Facility Contact as of the Date of Lease: Paul Fick, Facility Manager
6480 Via Del Oro, San Jose, CA 95119
Phone: (408) 579-3494
pfick@extremenetworks.com
6. Landlord: SI 33, LLC
a California limited liability company
7. Landlord's Address: c/o The Sobrato Organization, LLC
10600 North De Anza Boulevard, Suite 200
Cupertino, CA 95014
Attn: Property Manager
Email address: As set forth in Paragraph 8 of this Basic Lease Information Sheet
8. Landlord's Property Manager Contact as of the Date of Lease: Lisa Kellogg
(408) 446-0700
lkellogg@sobrato.com
9. Premises: 6377 San Ignacio Avenue,
San Jose, CA 95119
(Section 2)

10. Rentable Square Footage/Tenant’s Allocable Share: Rentable Square Footage: Approximately Eighty Two Thousand Five Hundred Seventy Four (82,574) square feet
(Section 2)
- Tenant’s Allocable Share of Reimbursable Operating Costs:
- Allocable Share of Reimbursable Operating Costs allocable to the Building – one hundred percent (100%)
- Allocable Share of Reimbursable Operating Costs allocable to the Project – nineteen and six one-hundredths percent (19.06%)
(Section 9.E)
11. Commencement Date: May 1, 2018
(Section 4.A)
12. Reimbursable Operating Costs and Management Fees: Payable commencing on the Commencement Date, and shall not be abated during the Base Monthly Rent abatement periods described in Paragraph 15 of this Basic Lease Information Sheet
(Section 4.A)
13. Expiration Date: April 30, 2027
(Section 4.A)
14. Term: Initial Term: one hundred eight (108) months
(Section 4.A)
- Option Terms: two (2) consecutive terms of sixty (60) months each
- Option Term Notice Period: No earlier than fifteen (15) months nor later than twelve (12) months prior to the date the Lease Term would otherwise expire
(Section 19)
15. Base Monthly Rent: MonthBase Monthly Rent Approximate Rate Per Designated Square FootMay 1, 2018-April 30, 2019, subject to partial abatement as described belowOne Hundred Eleven Thousand Four Hundred Seventy Four Dollars and Ninety Cents (\$111,474.90) One Dollar and Thirty Five Cents (\$1.35)May 1, 2019-April 30, 2020, subject to partial abatement as described belowOne Hundred Fourteen Thousand Eight Hundred Nineteen Dollars and Fifteen Cents (\$114,819.15)One Dollar and Thirty Nine Cents (\$1.39)May 1, 2020-April 30, 2021One Hundred Eighteen Thousand Two Hundred Sixty Three Dollars and Seventy Two Cents (\$118,263.72)One Dollar and Forty Three Cents (\$1.43) May 1, 2021-April 30, 2022One Hundred Twenty One Thousand Eight Hundred Eleven Dollars and Sixty Three Cents (\$121,811.63)One Dollar and Forty Eight Cents (\$1.48)May 1, 2022-April 30, 2023One Hundred Twenty Five Thousand Four Hundred Sixty Five Dollars and Ninety Eight Cents (\$125,465.98)One Dollar and Fifty Two Cents (\$1.52)May 1, 2023-April 30, 2024One Hundred Twenty Nine Thousand Two Hundred Twenty Nine Dollars and Ninety Six Cents (\$129,229.96)One Dollar and Fifty Seven Cents (\$1.57) May 1, 2024-April 30, 2025One Hundred Thirty Three Thousand One Hundred Six Dollars and Eighty Six Cents (\$133,106.86)One Dollar and Sixty One Cents (\$1.61) May 1, 2025-April 30, 2026One Hundred Thirty Seven Thousand One Hundred Dollars and Seven Cents (\$137,100.07)One Dollar and Sixty Six Cents (\$1.66) May 1, 2026-April 30, 2027One Hundred Forty One Thousand Two Hundred Thirteen Dollars and Seven Cents (\$141,213.07)One Dollar and Seventy One Cents (\$1.71)

Notwithstanding the Base Monthly Rent schedule set forth in this Basic Lease Information Sheet Paragraph 15 above to the contrary: (i) all Base Monthly Rent for the first six (6) full calendar months of the Lease Term shall be abated, (ii) Fifty

Five Thousand Seven Hundred Thirty Seven Dollars and Forth Five Cents (\$55,737.45) of the Base Monthly Rent due for each of the seventh (7th) through twelfth (12th) full calendar month of the Lease Term shall be abated, and (iii) Fifty Seven Thousand Four Hundred Nine Dollars and Fifty Eight Cents (\$57,409.58) of the Base Monthly Rent due for each of the thirteenth (13th) through twenty fourth (24th) full calendar month of the Lease Term shall be abated (such twenty four (24) month period being the “**Rent Abatement Period**”).

Notwithstanding the foregoing or anything to the contrary set forth in this Lease, at any time during the Rent Abatement Period, Landlord shall have the right (but not the obligation), in its sole and absolute discretion, to pay Tenant the total amount of Base Monthly Rent abatement remaining for the portion of the Rent Abatement Period not yet expired (the “**Lump Sum Payment**”), in which event: (i) Tenant's obligation to pay Base Monthly Rent shall automatically be reinstated for the remainder of the Rent Abatement Period, in the full amount set forth in the Base Monthly Rent schedule above, without any abatement described in this Paragraph 15, and (ii) Tenant shall not be entitled to any further abatement of Base Monthly Rent pursuant to this Paragraph 15.

(Section 4.A)

Option Term Rent: Fair Market Rental
(Section 19)

Holdover After Lease Expiration:

Without Landlord's Consent - tenancy at sufferance, at reasonable rental value of the Premises but not less than one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding expiration or earlier termination (without regard to temporary abatements or reductions).

With Landlord's Consent - month to month tenancy, at one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding expiration or sooner termination of this Lease (without regard to temporary abatements or reductions).
(Section 7.D)

16. Reimbursable Operating Costs

See Section 9.D for list of Reimbursable Operating Costs (payable with Base Monthly Rent starting on the Commencement Date)
(Section 9.D)

17. Property Management Fee: Monthly fee for management services - three percent (3%) of the Base Monthly Rent, without regard to temporary abatements or reductions then in effect (payable at same time Base Monthly Rent would be due, but for temporary abatements or reductions then in effect, starting on the Commencement Date) (Section 20.N)
18. Late Charge: Five (5%) percent of the overdue amount not received within ten (10) days after the due date (Section 4.C)
19. Security Deposit: One Hundred Forty One Thousand Two Hundred Thirteen Dollars and Seven Cents (\$141,213.07) (Section 5)
20. Parking: Non-exclusive right to use not more than two hundred eighty nine (289) parking spaces in the Common Area (Section 2)
21. Building Shell and/or Tenant Improvement Plans Delivery Dates: Not applicable.
22. Work Allowance: Four Million One Hundred Twenty Eight Thousand Seven Hundred Dollars (\$4,128,700), subject to adjustment as provided in Section 6.F below (Section 6.F)
23. Broker(s): Landlord's Broker: None
Tenant's Broker: CBRE, Inc. (Section 20.C)

This Basic Lease Information Sheet and the parenthetical references to sections of this Lease are for convenience of reference only, and designate some of the Lease sections where applicable provisions are set forth. In the event of any conflict between any information in this Basic Lease Information Sheet and the other provisions of the Lease, the other provisions of the Lease shall control.

LEASE

**Lease between
SI 33, LLC and Extreme Networks, Inc.
(6377 San Ignacio Avenue)**

1. PARTIES:

THIS LEASE, dated for reference purposes only as of November 6, 2017, is between SI 33, LLC, a California limited liability company (“**Landlord**”), whose address is set forth in Paragraph 7 of the Basic Lease Information Sheet, and Extreme Networks, Inc., a Delaware corporation (“**Tenant**”), whose address is set forth in Paragraph 3 of the Basic Lease Information Sheet. Landlord and Tenant are sometimes collectively referred to in this Lease as the “**Parties**” and sometimes individually as a “**Party**”.

2. PREMISES:

This Lease shall become effective when it has been signed by Landlord and Tenant (the date this Lease becomes effective being the “**Effective Date**”). Subject to this Lease becoming effective, Landlord hereby leases to Tenant, and Tenant hires from Landlord those certain premises situated in the City of San Jose, County of Santa Clara, State of California, being all of the rentable square footage contained in that certain building commonly known and designated as 6377 San Ignacio Avenue (the “**Premises**”), the general location of such building being shown on Exhibit “A” attached hereto. For purposes of this Lease, the square footage of the building in which the Premises is located (“**Building**”) is deemed to be eighty two thousand five hundred seventy four (82,574) rentable square feet. Tenant shall have the nonexclusive right during the Lease Term (defined in Section 4.A below) to use two hundred eighty nine (289) of the parking spaces within the Common Area (defined below), provided however that (i) Tenant may not use any parking spaces upon an Additional Building Parcel (defined below) which are designated by the owner of such Additional Building Parcel from time to time for the exclusive use of its tenants and other designated users, and (ii) the number of parking spaces which Tenant is allowed to use under this

Lease shall be proportionally reduced in the event the size of the Premises decreases or there is a taking of the Common Area which decreases the number of parking spaces in the Project. In addition, during the Lease Term, Tenant shall have the non-exclusive right to use other areas in the Project designated by Landlord as common area from time to time (the parking areas and such other areas designated by Landlord as common area being the “**Common Area**”) including but not limited to sidewalks, service areas, and other common exterior facilities. Unless expressly provided otherwise, the term Premises as used herein shall include the Tenant Improvements (defined in Section 6.B below).

The Building and Common Area are situated within a project site shared with four (4) additional buildings shown generally on Exhibit “A” attached hereto (“**Project**”). The four (4) additional buildings in the Project consist of the following buildings owned by various entities (each, an “**Additional Building**”): (i) 6373 San Ignacio Avenue, deemed to contain eighty two thousand one hundred forty four (82,144) rentable square feet;; (ii) 6375 San Ignacio Avenue, deemed to contain one hundred two thousand one hundred thirty nine (102,139) rentable square feet; (iii) 6480 Via Del Oro (the “**6480 Via Del Oro Building**”), deemed to contain one hundred two thousand one hundred thirty nine (102,139) rentable square feet; and (iv) 6379 San Ignacio Avenue, deemed to contain sixty four thousand three hundred eighty five (64,385) rentable square feet. The parcel of land upon which an Additional Building is located is referred to in this Lease as an “**Additional Building Parcel**”.

Landlord shall have the right, in its sole and absolute discretion, from time to time, to do the following, provided that reasonable access to the Premises remains available, such changes or actions do not materially interfere with Tenant’s use of the Premises or its business operations, and the number of parking spaces allocated to Tenant

is not permanently reduced: (a) make changes to the Common Area and/or the Project, including, without limitation, driveways, entrances, circulation drives, parking spaces, parking areas, direction of driveways, landscaped areas and walkways; (b) close temporarily any of the Common Area for maintenance and repair purposes or to prevent a public dedication thereof; (c) add additional buildings to the Project and improvements to the Common Area or remove (except for the Building) or alter existing buildings or improvements in the Project; (d) use the Common Area while engaged in making additional improvements, repairs or alterations to the Project; (e) erect, use, and maintain pipes, wires and conduits in and through the Premises; and (f) do and perform any other acts, alter or expand or make any other changes in, to or with respect to the Common Area and/or the Project as Landlord may, in its sole and absolute discretion, deem to be appropriate, all of which are hereby consented to by Tenant. Landlord reserves the absolute right to effectuate such other tenancies in the other Project buildings that Landlord may own from time to time (if any), as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of Landlord. Tenant has not relied on the fact, nor has Landlord represented, that any specific tenant or type or number of tenants shall occupy any space in the other Project buildings, or that any specific tenant or type of tenant shall be excluded from occupying any space in the other Project buildings.

Landlord and Tenant have agreed to use the square footage numbers set forth in this Lease as the basis of calculating the rent due under this Lease and Tenant's Allocable Share (defined in Section 9.E below). The rent per square foot numbers set forth in the third column of the Base Monthly Rent schedule in Paragraph 15 of the Basic Lease Information Sheet is intended solely as an approximate number calculated based on the agreed upon rentable square footage number for the Premises set forth in this Lease. Notwithstanding such rent per square foot numbers, the Base Monthly Rent amount set forth in the second column of such Base Monthly Rent schedule in Paragraph 15 of the Basic Lease Information Sheet shall control and shall not be subject to revision if the actual square footage of the Premises is more or less than the square footage

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B. Uses Prohibited:

Tenant shall not commit or suffer to be committed on the Premises, and Tenant and Tenant's Agents (defined in Section 13.A) shall not commit or permit on any portion of the Project, any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant or user of the Project, nor allow any use of the Premises for an unlawful purpose or for any sale by auction. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the Building in excess of the load limits for which such ceiling, walls or columns are designed, or set any load on the floor in excess of the load limits for which such floors are designed, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises or any portion of the Project, including without limitation the soils or ground water in or around the Project. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Project outside of the Building by Tenant or Tenant's Agents without Landlord's prior approval, which approval

stated in this Lease. The rent due under this Lease and Tenant's Allocable Share shall not be subject to revision if the actual square footages are more or less than as stated in this Lease, except in the event of a physical expansion or contraction of the rentable square footage in the Premises or Project, in the event of a partial taking of the Project which reduces the parking spaces within the Project as described in Section 17 below, or as otherwise expressly provided in this Lease. No representation or warranty of any kind, express or implied, is given to Tenant with respect to the square footage or acreage of the Premises, Building or any other portion of the Project. Landlord shall have no liability to Tenant if the square footages or acreage described in this Lease differ from the actual square footages or acreage.

3. USE:

A. Permitted Uses:

Tenant shall use the Premises to the extent permitted under applicable Laws (defined in Section 8.C below) only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord, which Landlord may withhold in its sole and absolute discretion: general office, research and development, lab, and all other legally permitted uses associated with Tenant's business, such however to the other terms and conditions of this Lease. Tenant shall use only the number of parking spaces allocated to Tenant under this Lease. All commercial trucks and delivery vehicles shall be (i) parked at the rear of the Building, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain within the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord reserves the right to impose such additional rules and regulations as Landlord deems reasonably necessary to operate the Project in a manner which protects the quiet enjoyment of all tenants in the Project. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws (as defined in Section 8.C below).

design, lettering, coloring and location, which consent will not be unreasonably withheld. Subject to this Section 3.C above, Tenant may install, at its sole cost and expense, its building top sign at the front of the Building, as well as its sign in the slots designated for the Building on the sign monuments located within the Project as of the Effective Date. In addition, if Landlord or another owner of any building within the Project installs in the Project one (1) or more additional exterior monuments for signage intended by such owner for use by the Building, then Tenant shall have the right to use that portion of such monuments intended for use by the Building for Tenant's signage. All signs placed in, upon or about the Premises, and all signs of Tenant placed upon any sign monument within the Project, shall be removed by Tenant, at its sole cost, prior to the expiration or sooner termination of the Lease, and Tenant shall repair, at its sole cost, all damage or injury to the Premises, sign monuments or Project caused thereby, and if not so removed and repaired, then Landlord may have same so removed and repaired at Tenant's expense.

D. Covenants, Conditions and Restrictions:

may be withheld in its sole and absolute discretion. Neither Tenant nor Tenant's Agents shall dispose of any waste materials, refuse, scrap, debris or garbage anywhere outside of the Premises except in enclosed trash containers designated for that purpose by Landlord. In no event shall Tenant use or permit the use of the Premises or the Common Areas in any manner that creates or maintains any noise or sound that exceeds lawful limits. Neither Tenant nor Tenant's Agents shall conduct any auction in, on or about the Project.

C. Advertisements and Signs:

Tenant shall not place or permit to be placed, in, upon or about the Premises any signs not approved by the City of San Jose ("City") and other governing authorities having jurisdiction. Tenant shall not place or permit to be placed upon the Premises any signs, advertisements or notices visible from outside the Premises without the written consent of Landlord as to type, size,

This Lease is subject to the effect of (i) all covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record, and (ii) all zoning laws and other governmental requirements of the city, county and state where the Building is situated (the matters described in this sentence being collectively referred to herein as "**Restrictions**"), and Tenant shall conform to and shall not violate the terms of any such Restrictions. Provided that reasonable access to the Premises remains available, such actions do not materially interfere with Tenant's use of the Premises or its business operations, and the number of parking spaces allocated to Tenant is not permanently reduced, Landlord shall have the right from time to time to encumber or consent to the encumbering of the Project with any and all public utility easements, private easements and covenants, conditions and restrictions required by the City or any other governmental, or needed or desired by Landlord for the ownership, use and operation of the Project, all of which shall constitute part of the

Restrictions; and Tenant agrees that its rights under this Lease shall be subject and subordinate to all such Restrictions. Landlord shall have the right to change the size of any parcel comprising the land upon which the Project is located (“**Land**”), **parcelize, subdivide and/or merge any parcels comprising the Land and/or condominiumize any portion of the Project (other than the Premises), without Tenant’s approval. Not later than ten (10) business days after request by Landlord, Tenant shall execute all documents reasonably required to evidence or effectuate Tenant’s subordination and/or consent to the matters described in this Section above.**

E. Sustainability Requirements:

As used in this Lease, “**Sustainability Requirements**” means any and all Laws relating to “green building” or other environmental sustainability practices and requirements now or hereafter in effect or imposed by any governmental authority or applicable Laws from time to time, or requirements necessary to qualify for, or to obtain and maintain LEED (Leadership In Energy & Environmental Design) or other so called “green” initiatives and certifications for all or any portion of the Project (which Landlord shall have the right, but not the obligation, to obtain and maintain). Without limiting the scope of any Sustainability Requirements that may be in effect from time to time, Tenant acknowledges that Sustainability Requirements may address whole-building or premises operations, construction issues, maintenance issues and other issues, including without limitation requirements relating to: chemical use; indoor air quality; energy and water efficiency; recycling programs; interior and exterior maintenance programs; systems upgrades to meet green or sustainable building energy, water, air quality, and lighting performance standards; construction methods and procedures; material purchases; disposal of garbage, trash, rubbish and other refuse and waste; and the use of proven energy and carbon reduction measures. Neither Tenant nor Tenant’s Agents shall use or operate the Premises in a manner that will cause any part of the Project to be in non-compliance with any Sustainability Requirements in effect from time to time, of which Tenant has been given notice.

4. TERM AND RENTAL:

A. Term; Base Monthly Rent:

The Lease term (“**Lease Term**”) shall be for a period of one hundred eight (108) months commencing on May 1, 2018, and ending on April 30, 2027 (“**Expiration Date**”), subject to extension or sooner termination as described in this Lease.

In addition to all other sums payable by Tenant under this Lease, Tenant shall pay as base monthly rent (“**Base Monthly Rent**”) for the Premises the amounts set forth in Paragraph 15 of the Basic Lease Information Sheet for each month, subject to proration as described below. Base Monthly Rent shall be due in advance on or before the first day of each calendar month during the Lease Term. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and except as otherwise expressly provided in this Lease without prior notice or demand, at the address specified in Paragraph 7 of the Basic Lease Information Sheet or at such place or places as may be designated in writing by Landlord during the Lease Term. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment based on the number of days in the partial calendar month; provided that if this Lease terminates due to Tenant’s default, Tenant shall not be relieved of the obligation to pay future accruing rent, and the provisions of Section 14 shall control.

Concurrently with Tenant’s execution of this Lease, Tenant shall pay to Landlord the sum of One Hundred Eleven Thousand Four Hundred Seventy Four Dollars and Ninety Cents (\$111,474.90) as a deposit to be applied against Base Monthly Rent, as it becomes due, until credited in full.

B. [Intentionally Deleted]

C. Late Charge:

Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the

exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant is not received by Landlord or Landlord's designee within ten (10) days after it is due, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The Parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and attorneys' fees and costs. If any Base Monthly Rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate (defined in Section 14.B) from the date such amount became due until paid. Acceptance by Landlord of such late charge or interest shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Monthly Rent, then the Base Monthly Rent, property management fees and Tenant's Allocable Share of Reimbursable Operating Costs (defined in Section 9.D) shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any amount due under this Lease. Notwithstanding the foregoing, Tenant shall be entitled to one (1) written notice and five (5) day cure period each calendar year before the first late charge for such calendar year shall accrue. No notice or additional cure period shall be required or apply for the second or any subsequent late charge during the calendar year.

5. SECURITY DEPOSIT:

A. Amount and Purpose:

Concurrently with Tenant's execution of this Lease, Tenant shall provide Landlord an irrevocable standby letter of credit (as replaced or amended pursuant to this Section 5, the "Letter of Credit") in the amount of One Hundred Forty One Thousand Two Hundred Thirteen Dollars and Seven Cents (\$141,213.07) in a form, containing terms, issued by a lending institution, and drawable in a location all reasonably acceptable to Landlord (the Letter of Credit and all proceeds thereof, and all other sums paid to Landlord in substitution of the foregoing, being referred to as the "Security Deposit"). If Tenant defaults with respect to any provision of this Lease beyond any applicable notice and cure period expressly set forth in this Lease, including but not limited to (i) the provisions relating to payment of Base Monthly Rent or other charges due under this Lease, or any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default beyond any applicable notice and cure period expressly set forth in this Lease, or (ii) breach of any of Tenant's obligations under this Section 5, Landlord shall be entitled to draw the full amount of the Letter of Credit or any portion thereof at any time by certifying the occurrence of such default to the issuer; thereafter, as to any cash remaining from the drawdown of the Letter of Credit and application of the amounts drawn to amounts owed to Landlord, such portion of the Security Deposit shall be in the form of cash held by Landlord. Tenant's failure to timely comply with its obligations under this Section 5 shall constitute a material default of Tenant, for which no notice or opportunity to cure shall apply or be required before Landlord is entitled to draw the full amount or any other portion of the Letter of Credit, time being of the essence with respect to Tenant's obligations under this Section 5. The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of every term, covenant and condition of this Lease applicable to Tenant, and not as prepayment of rent. Landlord may, but shall not be obligated to, and without waiving or releasing Tenant from any obligation under this Lease, use, apply or retain the whole or any part of the Security Deposit reasonably necessary for the payment of any amount which

Landlord may spend by reason of Tenant's default beyond any applicable notice and cure period expressly set forth in this Lease or as necessary to compensate Landlord for any loss or damage which

Landlord may suffer by reason of such default, including without limitation loss of future rents due under this Lease upon termination of this Lease due to such default and other damages recoverable under California Civil Code Section 1951.2. Landlord shall not be deemed a trustee of the Security Deposit or any other funds held by Landlord, and Landlord shall not be required to keep the Security Deposit or any such other funds separate from its general funds. The Security Deposit and such other funds shall not bear interest for the benefit of Tenant.

B. Requirements of Letter of Credit:

Tenant shall keep the Letter of Credit in effect during the entire Lease Term, as the same may be extended, plus a period of four (4) weeks following the Expiration Date. At least thirty (30) days prior to expiration of any Letter of Credit, the term thereof shall be renewed or extended for a period of at least one (1) year. If the issuer of the Letter of Credit becomes insolvent, is closed or is placed in receivership, or if Landlord is notified that the Letter of Credit will not be honored, or if there is a material negative change in the issuer's credit rating or ability to meet its obligations, then within seven (7) days after demand from Landlord, Tenant shall deliver to Landlord a new Letter of Credit issued by a lending institution acceptable to Landlord in Landlord's reasonable discretion, and otherwise meeting the requirements of this Section 5. In the event Landlord draws against the Letter of Credit and applies any portion of the proceeds thereof to the amounts owed to Landlord, Tenant shall replenish the remaining Security Deposit such that the aggregate amount of Security Deposit available to Landlord at all times during the Lease Term is the amount of the Security Deposit originally required, as the same may be required to be increased as provided in this Section 5. To the fullest extent allowed under applicable Laws, if at any time while a Letter of Credit is held as a Security Deposit, Tenant is a Debtor (as defined in Section 101(13) of the Bankruptcy Code) under any case or filing, then, anything in this Section 5 to the contrary notwithstanding, Landlord shall not be required to give Tenant written notice of and/or

opportunity to cure or grace period to cure any breach or default by Tenant under this Lease prior to Landlord drawing upon the Letter of Credit following Tenant's failure to perform any of its obligations under this Lease. The Security Deposit shall be returned to Tenant within thirty (30) days after the Expiration Date and surrender of the Premises to Landlord in the condition required by this Lease, less any amount deducted in accordance with this Section 5, together with Landlord's written notice itemizing the amounts and purposes for such deduction; provided however that if at the end of such thirty (30) day period there are any uncured breaches or defaults by Tenant of its obligations under this Lease and the cost of cure or extent of damage as a result has not yet been ascertained by Landlord, then such thirty (30) day period shall be extended as reasonably necessary for Landlord to ascertain the cost of cure and extent to which Landlord has been damaged as a result thereof. Tenant hereby waives California Civil Code Section 1950.7 (except subsection (b)), or any similar law now or hereafter in effect (including, without limitation, any federal law) which may have the effect of limiting the circumstances under which Landlord would be allowed to use or apply the Security Deposit or amount that could be so used or applied, or imposing a deadline for the return of the Security Deposit. In the event of termination of Landlord's interest in this Lease, Landlord shall promptly thereafter deliver the Letter of Credit or cash Security Deposit to Landlord's successor in interest in the Premises and thereupon be relieved of further responsibility with respect to the Letter of Credit or cash Security Deposit; provided, however, that if Tenant fails to timely perform its obligations under the next sentence, Landlord shall have the right, upon request of Landlord's successor, to draw on the Letter of Credit on behalf of Landlord's successor if the transfer of the Letter of Credit into the name of Landlord's successor has not yet been effectuated. Upon termination or transfer of Landlord's interest in the Lease, within five (5) days after request by Landlord or Landlord's successor, Tenant shall either cause the Letter of Credit to be amended to name Landlord's successor as the party entitled to draw down on the Letter of Credit and deliver such amendment to the requesting party, or shall obtain and deliver to the requesting party a new Letter of Credit naming Landlord's successor as the party entitled to draw

on the Letter of Credit and otherwise meeting the requirement of this **Section 5**. Landlord shall have the right to pledge the Letter of Credit or cash Security Deposit or otherwise grant a security interest therein to Landlord's lenders, and shall have the right to deliver the Letter of Credit or all or any portion of any cash Security Deposit to Landlord's lenders in connection therewith, provided the Letter of Credit or cash Security Deposit shall only be used in accordance with, and shall continue to be governed by, the terms and provisions of this **Section 5**. At Landlord's election, within ten (10) days after request by Landlord, Tenant shall either cause the Letter of Credit to be amended to name Landlord's lenders as the beneficiary or as a co-beneficiary with Landlord, and/or as a co-signer of any certification presented for a draw down of the Letter of Credit, and to incorporate other changes to the Letter of Credit reasonably requested by Landlord or Landlord's lenders, or shall obtain a new Letter of Credit to effectuate such changes and otherwise meeting the requirements of this **Section 5**. If a new Letter of Credit is delivered to Landlord as required by this **Section 5.B**, the old Letter of Credit shall be promptly returned to Tenant. If Landlord or a designated lender rightfully attempts to draw on the Letter of Credit but does not receive the full amount requested in cash, Tenant shall within five (5) days after demand from Landlord, deposit with Landlord cash in the amount of the deficiency.

6. CONSTRUCTION:

A. Landlord's Work:

Subject to this **Section 6.A** below, if as of the Effective Date, the Building's electrical, plumbing, fire life safety, elevators, or heating, ventilating and air conditioning systems are not in good working order, or work is legally required to bring the exterior Common Area into compliance with Americans with Disabilities Act requirements then applicable to the Common Area, then promptly after Landlord is notified of such deficiency, Landlord shall perform the work necessary to correct such deficiency at Landlord's sole cost and expense, provided that (i) Tenant notifies Landlord in writing of any such deficiency not later than six (6) months after the Effective Date, and (ii) such deficiency or the need for such

work is not caused by Tenant or Tenant's Agents or any Tenant Improvements or Alterations. If Tenant fails to notify Landlord in writing of any work required to bring the Premises into the condition described in the immediately prior sentence before the end of the six (6) month period required by the immediately prior sentence, or such deficiency or the need for any such work is caused by Tenant or Tenant's Agents or any Tenant Improvements or Alterations, Landlord shall have no obligation to remedy such deficiency or perform such work. The existence of any such deficiency or required work shall not cause an extension of or delay in the Commencement Date.

Except for Landlord's obligations described in this **Section 6.A** above, the Premises is being delivered to Tenant under this Lease, and Tenant shall accept such delivery, in its then "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, express or implied, other than any which may be expressly contained in this Lease, and with no obligation on the part of Landlord to perform any other work (other than such other work as this Lease expressly states must be performed by Landlord during the Lease Term).

B. Work Allowance:

Landlord agrees to provide Tenant a work allowance to be utilized by Tenant in accordance with this Lease to construct a new office environment and rack/server lab(s) needed for the conduct of Tenant's business at the Premises (the "**Tenant Improvements**"), in the amount of Four Million One Hundred Twenty Eight Thousand Seven Hundred Dollars (\$4,128,700) (the "**Work Allowance**"), subject to this **Section 6.B** below. Tenant shall pay all costs associated with the Tenant Improvements, subject to Landlord's obligation to provide the Work Allowance pursuant to this **Section 6.B**. The cost of the Tenant Improvements for which the Work Allowance may be utilized by Tenant ("**Work Allowance Costs**") shall consist of only the following to the extent actually incurred or paid by Tenant in connection with the design and construction of the Tenant Improvements to its unaffiliated third party general contractor ("**Tenant's General Contractor**"), architects, engineers, consultants, project managers,

designers and suppliers for the Tenant Improvements, subject to this **Section 6.B** below: the fees of Tenant's General Contractor, architects, engineers, consultants, project managers, designers and suppliers; materials, labor and other construction costs; governmental permit fees, construction taxes or other costs imposed by governmental authorities related to the Tenant Improvements. Notwithstanding the foregoing, in no event shall the Work Allowance be used for Tenant's furniture, the Pad Improvements described in **Section 8.A** below, trade fixtures other than the rack/server lab(s) described above, telephone and other office equipment, personal property, cabling/wiring/telecommunication costs (other than cabling and wiring for the rack/server labs), the Communications Equipment (defined in **Section 8.E** below), or any oversized kitchen area or oversized cafeteria (i.e. kitchen area and cafeteria not proportional to the number of Building occupants determined without regard to the use of the kitchen area or cafeteria), fitness center, or other Specialized Tenant Improvements (defined in **Section 10.B** below). In no event shall any portion of the Work Allowance be used or payable for any improvements designed or constructed for any subtenant of any portion of the Premises. The Work Allowance shall be paid by Landlord to Tenant as payments for the Work Allowance Costs become due to Tenant's General Contractor, architects, engineers, consultants, project managers, designers and suppliers in accordance with this **Section 6.B** below. During the course of design and construction of the Tenant Improvements, but not more than once in any calendar month, Tenant shall deliver to Landlord the following (the "Disbursement Documentation"): (i) a written request for disbursement, setting forth the amount requested for disbursement ("Disbursement Request"); (ii) a schedule of values allocating costs to the various portions of the Tenant Improvements for which disbursement is sought, in form and content reasonably satisfactory to Landlord, and which shall substantiate that the full amount requested for disbursement has been incurred or expended by Tenant for those Tenant Improvements for which the Work Allowance may be utilized; (iii) proof of payment or evidence of costs incurred of all amounts owed to the applicable third party, in form reasonably acceptable to Landlord, (iv) conditional lien releases, in form and content reasonably

satisfactory to Landlord, from Tenant's General Contractor and all subcontractors, material suppliers and other persons or entities providing work or materials for which the current Disbursement Request relates, (v) unconditional lien releases, in form and content reasonably satisfactory to Landlord, from Tenant's General Contractor and all subcontractors, material suppliers and other persons or entities providing work or materials for which prior disbursements were made from the Work Allowance, to the extent not already delivered to Landlord; and (vi) invoices, vouchers, statements, affidavits and/or other documents in a form reasonably acceptable to Landlord which substantiate and justify the disbursement requested. Within thirty (30) days after Landlord's receipt of the above items Landlord shall pay directly to Tenant or to the third (3rd) party entitled to payment, as elected by Landlord, an amount equal to the lesser of the undisbursed portion of the Work Allowance or the following: an amount equal to the product of (i) the amount requested for disbursement, multiplied by (ii) the lesser of (x) one (1) or (y) a fraction, the numerator of which is the total amount of the Work Allowance and the denominator of which is the total cost of the Tenant Improvements as evidenced by the contracts entered into between Tenant and Tenant's General Contractor, architect, designers and suppliers (all of which contracts or copies thereof shall be delivered to Landlord as a condition precedent to Landlord's obligation to make the first disbursement of the Work Allowance) for the Tenant Improvement work, until such time as Landlord has expended the full amount of the Work Allowance.

Tenant currently leases the 6480 Via Del Oro Building from SI 64, LLC, a California limited partnership ("SI 64"), pursuant to a lease dated August 24, 1998 between SI 64's predecessor in interest (by assignment), Sobrato Land Holdings, a California limited partnership, and Tenant's predecessor in interest (by assignment), Symbol Technologies, Inc., a Delaware corporation (such lease, as the same has been amended as of the Effective Date, being the "Existing 6480 Via Del Oro Lease"). Notwithstanding this **Section 6.B** above, if on the Effective Date Tenant has entered into a new lease with SI 64 for the lease by Tenant of the 6480 Via Del Oro Building (such lease being the "New 6480 Via Del Oro Lease"), resulting in

the termination of the Existing 6480 Via Del Oro Lease, and if, pursuant to the express terms and conditions of the New Via Del Oro Lease, any portion of the un-disbursed work allowance granted to Tenant under the New 6480 Via Del Oro Lease is allowed to be added to the Work Allowance provided to Tenant in this **Section 6.B, then such funds shall be added to and become part of the the Work Allowance, subject to all of the terms and conditions set forth in this Lease, including without limitation the provisions below relating to the Outside Disbursement Date. Notwithstanding the foregoing, to the extent the amount requested for reimbursement has already been paid by Tenant to the third party entitled to payment, and evidence reasonably satisfactory to Landlord of such payment has been delivered to Landlord, Landlord agrees to reimburse Tenant directly for the amount paid by Tenant to the third party.**

If following completion of the Tenant Improvements and payment of Landlord's share of Work Allowance Costs in accordance with this Section 6.B above there are any un-disbursed Work Allowance funds, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds. If any portion of the Work Allowance remains un-disbursed as of the date that is twenty four (24) months after the Commencement Date (the "**Outside Disbursement Date**"), then as to those remaining funds for which the required Disbursement Documentation has not been submitted to Landlord, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds. All Work Allowance Costs shall be fully documented to and subject to reasonable verification by Landlord. Notwithstanding the foregoing Landlord shall not be required make any disbursements of the Work Allowance, and Tenant shall not be entitled to transfer any un-disbursed work allowance funds from the New 6480 Via Del Oro Lease, during any period when Tenant is in default under this Lease beyond any applicable cure period expressly granted in this Lease.

C. Construction Related Accessibility Standards Notice:

In accordance with California Civil Code Section 1938, Landlord hereby notifies Tenant that, except to the extent known by or previously disclosed to Tenant, as of the Effective Date Landlord has no actual knowledge of the Premises having been inspected by a Certified Access Specialist (CASp). The following notice is also hereby inserted pursuant to California Civil Code Section 1938(e): "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." The notice set forth in the prior sentence is not intended to modify Landlord's or Tenant's respective obligations expressly set forth in this Lease. As used in this Lease, a "**Certified access specialist**" or "**CASp**" means any person who has been certified by the State of California as such pursuant to applicable California law (including without limitation Section 4459.5 of the California Government Code).

Notwithstanding this Section 6.C above and/or anything to the contrary contained in this Lease, Landlord and Tenant hereby agree and acknowledge that, if Tenant desires to obtain a CASp inspection, it shall be limited to an inspection of the Premises, and in addition:

Tenant shall provide Landlord with not less than ten (10) days prior written notice of its desire to conduct such CASp inspection ("**Tenant's CASp Inspection**"), identifying the date that such inspection will occur, and identifying the CASp that will conduct the inspection and providing evidence reasonably satisfactory to Landlord that the CASp is licensed and certified as a Certified Access Specialist in accordance with applicable laws. Landlord shall

have the right to, among other things, have one (1) or more Landlord workmanlike manner, and, promptly following completion, obtain and deliver to Landlord an updated CASp Report (“**Tenant’s Updated CASp Report**”) showing that the Premises then comply with all applicable construction-related accessibility standards. Any and all costs and expenses associated with Tenant’s CASp Work and/or Tenant’s Updated CASp Report shall be at Tenant’s sole cost and expense. The preceding to the contrary notwithstanding, if Tenant’s CASp Report identifies any CASp Violation(s), Landlord may, at Landlord’s option, perform, or cause to be performed by any of Landlord’s agents, employees, contractors or consultants, the Tenant’s CASp Work necessary to correct such CASp Violation(s) at Tenant’s expense, the entire cost of which shall be paid by Tenant to Landlord not later than thirty (30) days following Tenant’s receipt of a written invoice from Landlord.

Tenant shall (x) provide Landlord with a copy of any and all findings, reports and/or other materials provided by the CASp performing Tenant’s CASp Inspection (collectively, “**Tenant’s CASp Report**”) not later than two (2) business days following Tenant’s receipt thereof, (y) at all times maintain (and cause to be maintained) Tenant’s CASp Report and its findings (and any and all other materials related thereto) confidential and (z) pay for Tenant’s CASp Inspection and Tenant’s CASp Report prior to delinquency at Tenant’s sole cost and expense. If Tenant receives a disability access inspection certificate, as described in subdivision (e) of California Civil Code Section 55.53, in connection with or following Tenant’s CASp Inspection, then Tenant shall cause such certificate to be provided to Landlord not later than two (2) business days after received by Tenant.

If Tenant’s CASp Report identifies any violation(s) of applicable construction-related accessibility standards (“**CASp Violation(s)**”), then not later than two (2) business days after Tenant’s receipt of Tenant’s CASp Report, Tenant shall provide written notice to Landlord of any and all such CASp Violation(s). In such event, Tenant shall, at Tenant’s sole cost and expense, perform, or cause to be performed, all repairs, modifications and/or other work necessary to correct such CASp Violation(s) (such repairs, modifications and/or other work being collectively referred to herein as “**Tenant’s CASp Work**”, and Tenant’s CASp Work also constituting Alterations (defined in Section 8.A) under this Lease). Tenant shall work diligently to prepare all plans and specifications required for Tenant’s CASp Work, to obtain Landlord’s approval of Tenant’s CASp Work and to obtain all permits required for Tenant’s CASp Work, and to thereafter commence (or cause the commencement of) Tenant’s CASp Work in accordance with the terms and conditions set forth in this Lease relating to Tenant’s Alterations. Tenant shall diligently prosecute (or cause to be diligently prosecuted) to completion all of Tenant’s CASp Work in a lien free, good and

Without limiting the generality of the foregoing, Tenant hereby agrees and acknowledges that Tenant assumes all risk of, and agrees that Landlord shall not be liable for, any and all loss, cost, damage, expense and liability (including, without limitation, court costs and reasonable attorneys’ fees) sustained as a result of the Premises not having been inspected by a CASp. To the fullest extent permitted by law, Tenant hereby (A) waives and disclaims any objection to, cause of action based upon, or claim that its obligations hereunder should be reduced or limited as a result of, the lack of any CASp inspection of the Premises, and (B) agrees and acknowledges that the lack of such inspection shall in no event diminish or reduce Tenant’s obligations under this Lease.

7. ACCEPTANCE OF POSSESSION AND COVENANTS TO SURRENDER:

A. Delivery of Possession:

Notwithstanding that the Lease Term commences on the Commencement Date, Landlord agrees to deliver the Premises to Tenant on the later of the Effective Date or the date that Tenant has delivered the Letter of Credit and proof of all insurance required of Tenant under this Lease to Landlord (the “**Delivery Date**”), for the purpose of Tenant’s planning, designing and installation of the Tenant Improvements, Tenant’s

trade fixtures and personal property and preparing the Premises for occupancy. The period commencing on the date that Tenant is allowed to or does enter the Premises for the activities described in the immediately prior sentence, and ending on the Commencement Date is referred to in this Lease as the “**Early Access Period**”.

Tenant shall pay for all utilities and services consumed at the Premises, but shall not be required to pay Base Monthly Rent, Tenant’s Allocable Share of Operating Costs or the Management Fee during the Early Access Period unless and until Tenant commences its business operations in any portion of the Premises, at which time continuing through the end of the Early Access Period Tenant shall pay to Landlord Base Monthly Rent in the amount of One Hundred Eleven Thousand Four Hundred Seventy Four Dollars and Ninety Cents (\$111,474.90) per month, Tenant’s Allocable Share of Reimbursable Operating Expenses as estimated by Landlord, and the Management Fee, prorated for partial months. Notwithstanding the foregoing, in no event shall Tenant occupy any portion of the Premises for the conduct of its business unless and until Tenant has obtained a certificate of occupancy allowing such occupancy.

B. Condition Upon Surrender:

Tenant further agrees on the expiration or sooner termination of this Lease, to surrender the Premises to Landlord in broom clean and good condition and repair, normal wear and tear and casualty excepted (subject to Section 16 below). As used in this Lease, “**normal wear and tear**” shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of the commercially reasonable standards for maintenance, repair, replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. Notwithstanding this Section 7.B above, Tenant shall cause the following to be done prior to the expiration or sooner termination of this Lease to the extent Tenant is not required to remove any of the following pursuant to other provisions of this Lease: (i) all cabling placed above the ceiling by Tenant or Tenant’s contractors shall be removed, (ii) the HVAC system shall be serviced by a reputable and licensed service firm and left in good operating condition and repair, which condition

shall be so certified by such firm, and (iii) the plumbing and electrical systems and lighting shall be placed in good order and repair. On or before the expiration or sooner termination of this Lease, Tenant shall remove all its personal property and trade fixtures from the Premises. All property and trade fixtures not so removed before the expiration or sooner termination of the Lease shall be deemed to have been abandoned by Tenant. On or before the expiration or sooner termination of this Lease, Tenant shall also have removed all the Pad Improvements and restored the areas affected by the installation and removal of the Pad Improvements the condition existing before installation (including without limitation removal of any pad upon which any Pad Improvements are installed), at Tenant’s sole cost and expense (subject to this Section below relating to compliance with building codes and Laws then in effect). As to Alterations for which Landlord’s consent was not obtained, Tenant shall ascertain from Landlord not more than one (1) year and not less than ninety (90) days before the expiration or sooner termination of this Lease whether Landlord desires to have any such Alterations removed and the Premises or any parts thereof restored to the condition existing immediately prior to the date such Alterations were made (in which case Tenant shall be required to perform such work and restore the Premises as described below), or to cause Tenant to surrender all such Alterations in place to Landlord; provided however that in no event shall Tenant be required to remove any Tenant Improvements performed before the Outside Disbursement Date with Landlord’s approval (other than Pad Improvements, and other trade fixtures and Specialized Tenant Improvements (other than rack/server lab(s) and the cabling and wiring for the rack/server labs), all of which shall be removed by Tenant prior to expiration or sooner termination of this Lease). In addition, if at the time Tenant obtains Landlord’s consent to any Alterations, other than the Tenant Improvements, Landlord advises Tenant that any such Alterations must be removed and the Premises restored to the condition existing before such Alterations were made, then Tenant shall be required to surrender the Premises in that condition at expiration or sooner termination of the Lease (subject to this Section below relating to compliance with building codes and Laws then in effect); provided however that in no event shall Tenant be required to remove

any Tenant Improvements performed before the Outside Disbursement Date with Landlord's consent (other than Generator Improvements, and other trade fixtures and Specialized Tenant Improvements (other than rack/server lab(s) and the cabling and wiring for the rack/server labs)), all of which shall be removed by

Tenant prior to expiration or sooner termination of this Lease). Tenant's repair and restoration obligation under this **Section 7.B shall include causing the Premises to be brought into compliance with all applicable building codes and other Laws in effect at the time of the removal, repair and restoration to the extent such compliance is necessitated by the removal, repair and restoration work. The foregoing provisions relating to Alterations for which Landlord's consent was not obtained shall in no event be construed as giving Tenant the right to do any Alterations without Landlord's consent.**

C.Failure to Surrender:

Subject to this Section 7.C below, if Tenant remains in possession of the Premises after the expiration or sooner termination of this Lease without Landlord's consent, or fails to surrender the Premises at expiration or sooner termination of this Lease in the condition required by this Lease, such hold over or failure shall not constitute a renewal or extension of the Lease Term, Tenant's continued possession shall be on the basis of a tenancy at sufferance, and Tenant shall be liable to Landlord for Base Monthly Rent at one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the expiration or earlier termination, as applicable (without regard to temporary abatements or reductions then in effect)) plus all other amounts payable by Tenant under this Lease. In addition, subject to this Section 7.C below, if Tenant holds over without Landlord's consent or fails to surrender the Premises at expiration or sooner termination of this Lease in the condition required by this Lease, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord, and hold Landlord and Landlord's trustees, beneficiaries, shareholders, directors, officers, members, employees, partners, affiliates, agents, successors and assigns (collectively "**Landlord Related Parties**") harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including

without limitation reasonable attorneys fees) resulting from delay by Tenant in timely surrendering the Premises in the required condition, including without limitation all lost rents, lost profits and lost or delayed business opportunities (including without limitation those relating to any delay or prevention in Landlord's ability to redevelop all or any portion of the Project) provided that Landlord gives Tenant at least thirty (30) days' prior notice of any such losses or damages, and Landlord shall be entitled to all other rights and remedies available to a landlord against a tenant wrongfully holding over after the expiration or termination of the term of a lease without the landlord's consent. If Tenant holds over after the expiration or sooner termination of this Lease with Landlord's consent, such holding over shall be construed as a month to month tenancy (with the Lease Term having been extended only on such month to month basis), at one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding expiration or sooner termination of this Lease (without regard to temporary abatements or reductions then in effect) in addition to all other rent due under this Lease, and shall otherwise be on the terms and conditions of this Lease, except for the following: those provisions relating to the Lease Term to the extent inconsistent with a month to month tenancy, those provisions requiring Landlord to pay any work allowances, and any options or rights to extend or renew this Lease, which provisions shall be of no further force and effect. This Section 7.C shall survive the termination or expiration of the Lease.

Notwithstanding this Section 7.C above, if Tenant surrenders the Premises at expiration or sooner termination of this Lease, but the Premises is not in the condition required by this Lease, Tenant shall not be required to pay Base Monthly Rent and other rentals as described in the first sentence of this Section 7.C for the period following such surrender, if and only if (i) the cost to perform the work to render the Premises in the required condition is less than Seventy Thousand Six Hundred Dollars (\$70,600), (ii) such work is unrelated to any Hazardous Materials condition, (iii) there are no other uncured defaults of Tenant under this Lease at the time of surrender, and (iv) the Letter of Credit or other Security Deposit held by Landlord under this Lease is in the full amount

required by this Lease. Notwithstanding that Tenant may be relieved of the obligation to pay rentals for the period following the surrender of the Premises to Landlord pursuant to the immediately prior sentence, Tenant shall not be relieved of any other liability to Landlord resulting from such default, and no notice or cure period shall apply with respect to such default.

8. ALTERATIONS & ADDITIONS:

A. General Provisions:

Tenant shall not make, or suffer to be made, any alteration or addition to the Premises (“**Alterations**”), or any part thereof, without obtaining Landlord’s prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed) and delivering to Landlord the proposed architectural and structural plans (to the extent applicable to the type of work to be performed) for all such Alterations at least fifteen (15) days prior to the start of construction. If Landlord’s consent is required for such Alterations, Landlord shall have a period of ten (10) business days thereafter to grant or deny its consent. Landlord shall indicate to Tenant at the time of Landlord’s consent to Alterations, whether or Landlord will require Tenant to remove such Alterations at the Expiration Date. Tenant shall have the right to install either a back-up generator or a chilled water cooling tower on a pad site to be installed by Tenant, at Tenant’s sole cost and expense (and not as a Work Allowance Cost), in a location reasonably acceptable to Landlord. The back-up generator or chilled water cooling tower and related improvements (collectively, the “**Pad Improvements**”), and all Tenant Improvements, shall also constitute “**Alterations**” under this Lease. If Alterations affect the structure of the Building, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant’s plans, except that Landlord shall not be entitled to any review fees or review costs in connection with the Tenant Improvements or Pad Improvements. The Pad Improvements shall at all times be Tenant’s property. After obtaining Landlord’s consent, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits, and provides Landlord proof reasonably acceptable to Landlord

of funds immediately available to Tenant for such Alterations, to protect Landlord against mechanics’ lien claims. Tenant agrees to provide Landlord (i) not less than fifteen (15) days prior written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15” X 21”) vellum as-built drawings promptly after completion of the Alterations, and (iii) to the extent applicable, a certificate of occupancy, or other final government approval if the City or other governmental authority having jurisdiction does not issue certificates of occupancy, for the work upon completion of the Alterations. All Alterations shall be constructed by a licensed general contractor reasonably acceptable to Landlord in compliance with all applicable Laws including, without limitation, all building codes, Sustainability Requirements and the Americans with Disabilities Act of 1990 as amended from time to time. All Alterations shall be designed and constructed in such a manner as to not negatively affect any LEED or other green building certifications which may be then in place as to any portion of the Project. Upon the expiration or sooner termination of this Lease, all Alterations, except movable furniture and trade fixtures, shall become a part of the realty and belong to Landlord but shall nevertheless be subject to removal by Tenant as provided in Section 7.B. Alterations which are not to be deemed trade fixtures include without limitation heating, lighting, electrical systems, air conditioning, walls, carpeting, or any installation which has become an integral part of the Premises. All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense. In no event shall Landlord’s approval of, or consent to, any architect, contractor, engineer or other consultant or professional, any Alterations, or any plans, specifications and drawings for any Alterations constitute a representation or warranty by Landlord of (i) the accuracy or completeness of the plans, specifications, drawings and Alterations or the absence of design defects or construction flaws therein, or the qualification of any person or entity, or (ii) compliance with applicable Laws, and Tenant agrees that Landlord shall incur no liability by reason of such approval or consent. Once any Alterations begin, Tenant shall diligently and continuously pursue their completion. Notwithstanding the foregoing, Tenant may, without Landlord’s prior written consent, make non-structural Alterations to the Premises which

do not affect the structure, roof or Building systems and are not visible from outside of the Building, provided that (i) such Alterations do not exceed Two Hundred Thousand Dollars (\$200,000) per contract, or Five Hundred Thousand Dollars (\$500,000) in the aggregate in a calendar year, and (ii) Tenant otherwise complies with the provisions of this Lease relating to Alterations.

B. Free From Liens:

Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for or furnished to Tenant (but excluding work performed by Landlord). In the event Tenant fails to discharge any such lien within ten (10) days after receiving notice of the filing, Landlord shall immediately be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including attorney's fees shall be due immediately from Tenant as additional rent.

C. Compliance With Governmental Regulations:

The term Laws or Governmental Regulations shall mean all federal, state, county, city or governmental agency laws, statutes, ordinances, codes, standards, rules, requirements, regulations, Sustainability Requirements or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Tenant, at Tenant's sole expense shall comply with all such Governmental Regulations applicable to the Premises or the Tenant's use of the Premises and shall make all repairs, replacements, alterations, or improvements necessary to comply with said Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant. Tenant's obligations pursuant to this

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D. Insurance Requirements:

Tenant or its general contractors shall maintain during the course of construction of Alterations, at Tenant's sole cost and expense, builders' risk insurance for the amount of the completed value of the Alterations on an all-risk non-reporting form covering all improvements under construction, including building materials, and other insurance in amounts and against such risks as Landlord shall reasonably require in connection with the Alterations. In addition to and without limitation on the generality of the foregoing, Tenant shall ensure that its contractors procure and maintain in full force and effect during the course of construction a "broad form" commercial general liability and property damage policy of insurance naming Landlord, any property manager reasonably designated by Landlord and Landlord's lenders and any affiliates of Landlord that are designated by Landlord from time to time as additional insureds. The minimum limit of coverage of the aforesaid policy shall be in the amount of not less than Five Million Dollars (\$5,000,000) per occurrence and Five Million Dollars (\$5,000,000) annual aggregate, and shall contain a severability of interest clause or a cross liability endorsement. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the

Section 8.C shall include, without limitation, maintaining and restoring the Premises and making structural and nonstructural alterations and additions to the Premises, Building and Common Area in compliance and conformity with all Laws and recorded documents to the extent required because of Tenant's particular use of the Premises or in connection with any work or Alteration made by or on behalf of Tenant during the Lease Term or any breach of Tenant's obligations under this Lease. The foregoing shall include, without limitation, compliance with and improvements required by the Americans With Disabilities Act or any similar Laws, as they may be amended from time to time whether or not required because of Tenant's particular use of the Premises or any work or Alteration made by or on behalf of Tenant during the Lease Term or any breach of Tenant's obligations under this Lease. Landlord's approval of any Alteration or other act by Tenant shall not be deemed to be a representation by Landlord that said Alteration or act complies with applicable Laws, and Tenant shall remain solely responsible for said compliance.

Notwithstanding anything contained herein to the contrary, if any improvement or alteration to the Premises is required as a result of any future Laws or changes in Laws affecting the Premises (other than ADA) and is not triggered by Tenant's particular use of the Premises and is not required because of Alterations made by Tenant, and the cost of such work is reasonably estimated by Tenant and Landlord to be Eighty Thousand Dollars (\$80,000) or more, then Landlord shall perform such work and the cost of such improvements shall be allocated between Landlord and Tenant, and Tenant shall only be obligated to pay, each month during the remainder of the Lease Term after such improvements are made or such costs are incurred, on the date on which Monthly Base Rent is due, an amount equal to the product obtained by multiplying the cost of such work by a fraction, the numerator of which is one, and the denominator of which is the anticipated useful life (in months) of the improvement, together with interest thereon at the greater of Landlord's cost of funds or seven percent (7%) per annum (the "**Amortization Interest Rate**").

other communications transmissions, and to install cables from such equipment into the Building (collectively, the "**Communications Equipment**") provided that (i) Tenant has obtained all governmental approvals required with respect to the installation and use of such equipment, and such Communications Equipment complies with all applicable Laws, (ii) such installation shall be performed by a licensed contractor in a good and workmanlike manner, and in a manner that does not invalidate any roof or other warranties, (iii) such equipment shall be installed in a location reasonably acceptable to Landlord, (iv) such equipment shall be screened in a manner reasonably acceptable to Landlord, (v) such work will not adversely affect the structural components of the Building or the roof structure or membrane, (vi) Tenant shall not access the roof for any reason without at least twenty four (24) hours prior notice to Landlord in each instance, except for routine maintenance of such Communications Equipment, (vii) Landlord or its representatives shall have the right to be present during any such access, except for routine maintenance of such Communications Equipment, and (viii) Tenant otherwise complies with all of the requirements in this Lease as it relates to Alterations. The Communications Equipment shall constitute an Alteration, subject to the terms and conditions of this Lease relating to Alterations. Tenant, at its sole cost and expense (except to the extent such costs are covered by insurance, guaranties or warranties) shall promptly repair any and all damage to the roof

required occurrence limit. In no event shall the amount or type of insurance maintained or required to be maintained by Tenant or any of its contractors under this Lease in any way limit Tenant's liability under this Lease, including without limitation any indemnification, defense or hold harmless provision in favor of Landlord under this Lease.

E. Rooftop Equipment Rights:

At no additional rent to Tenant, Tenant shall have the right, in common with Landlord, upon prior written approval by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and at Tenant's sole cost and expense (and not as a Work Allowance Cost), to install and operate a satellite dish or antennae on a portion of the roof of the Building (such portion being the "Roof Space") for receipt of satellite and

or equipment located thereon or any other portion of the Building, including any needed replacements resulting from the activities of Tenant or Tenant's Agents, including without limitation, all roof leaks and damage to flashing, roof membrane, parapet walls, roof top equipment and materials. Upon the expiration or earlier termination of this Lease, Tenant shall promptly remove all Communications Equipment, and repair any damage to the roof of the Building and other areas thereof caused by such removal. Such repair work shall be undertaken in accordance with all applicable Laws in effect as of the date of such repair. If Landlord requires access to the portion of the roof within the Roof Space for maintenance and repair thereof, Landlord shall give Tenant reasonable prior written notice of such requirement and the reasonable dates on which Landlord proposes to perform such maintenance and repair.

Prior to the date specified in Landlord's notice, if deemed necessary by Landlord, Tenant shall, at Tenant's sole cost and expense, take all actions necessary to remove the Communications Equipment from the Roof Space and make the Roof Space available to Landlord for roof maintenance and repair. Upon completion of the roof maintenance and repair, Tenant may reinstall the Communications Equipment, at its sole cost and expense, in accordance with the requirements of this **Section 8.E** above. **If emergency roof repairs are necessary, Landlord may itself remove the Communications Equipment from the affected area, after first using reasonable efforts to notify Tenant, and Landlord shall not be liable to Tenant for any loss, cost, damage or expense arising from such removal during an emergency. Tenant agrees that Landlord has no obligation to protect, secure, install, construct, maintain, repair or remove any Communications Equipment, and Tenant hereby assumes all risk of loss or damage to or from the Communications Equipment from any cause. Tenant hereby waives all claims against Landlord and the Landlord Related Parties with respect to any such loss or damage.**

9. MAINTENANCE OF PREMISES:

A. Landlord's Obligations:

Landlord, at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the structural components of the Building, which for the purpose of this Lease means and is limited to the foundation, exterior load bearing walls and roof structure (but not roof membrane), except that the cost to repair any damage to such items caused by Tenant or Tenant's Agents shall be paid for by Tenant to the extent the cost of repair is not fully paid to Landlord from available insurance proceeds, guaranties or warranties.

B. Tenant's Obligations:

Except for those items described in **Section 9.A** above which are required to be maintained and repaired by Landlord, Tenant shall clean, maintain, repair and replace when necessary the Building and every part thereof through regular inspections and servicing, including but not limited to the following, to the extent Landlord does not elect to

maintain the same as Reimbursable Operating Costs: (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls, floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking, and skylights, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher equipment, (vii) [intentionally deleted], (viii) all elevator equipment, and (ix) the roof membrane system. All wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements. With respect to items (ii), (viii) and (ix) above, Tenant shall provide Landlord a copy of a service contract between Tenant and a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord. To the extent that any part of the items in (i) through (ix) above is determined by Landlord to be for the benefit of more than one (1) tenant or occupant of the Building or Project, Landlord shall assume the obligation to clean, maintain, repair and replace the same as Reimbursable Operating Costs and Tenant shall during the period of such assumption have no obligation to clean, maintain, repair or replace such item. If any damage or destruction to the Premises or the Project is caused by the act or negligence of Tenant or Tenant's Agents, Tenant shall promptly repair or restore such damage or destruction, except to the extent the cost of such repair or restoration is covered by insurance maintained or required to be maintained by Landlord, warranties or guaranties, and is required to be repaired by Landlord pursuant to **Article 16** below.

Notwithstanding this **Section 9.B** above, if Tenant determines that any mechanical, sprinkler, life safety, heating, ventilating and air conditioning, electrical or plumbing systems or elevators located in or servicing the Building (but not including any such equipment or systems added to service any rack/server labs or any other trade fixtures or Specialized Tenant Improvements) which Tenant is required to repair and replace (other than Tenant Improvements or

Alterations or work required of Tenant to comply with applicable Laws pursuant to Section 8.C) or the Building's roof membrane are in need of material repair or replacement, and (i) the cost of such repair replacement is in excess of Eighty Thousand Dollars (\$80,000), and (ii) the material repair or replacement constitutes a capital cost under generally accepted accounting principles, then Tenant shall notify Landlord of same in writing. If Tenant notifies

Landlord of the foregoing pursuant to the prior sentence, then Landlord shall cause such repair or replacement (whether an item is repaired or replaced shall be determined by Landlord in its reasonable discretion) to be made, subject to reimbursement by Tenant as follows: The entire cost incurred by Landlord with respect to such work, together with interest thereon at the Amortization Interest Rate, shall be amortized over the useful life of the capital repair or replacement, as reasonably determined by Landlord in accordance with GAAP (defined in **Section 9.D**), **and the monthly amortized cost (and interest thereon at the Amortization Interest Rate) shall be paid by Tenant under this Lease each month at the same time that Base Monthly Rent is due hereunder until the earlier of the Expiration Date (as the same may be extended pursuant to this Lease, whether by exercise of an Option, extension on a month to month basis or otherwise) or the date that the entire cost of such work and interest thereon has been reimbursed to Landlord.**

C. Obligations Regarding Reimbursable Operating Costs:

In addition to the direct payment by Tenant of expenses as provided in **Section 9.B, 10, 11 and 12** of this Lease, Tenant agrees to reimburse Landlord for Tenant's Allocable Share of Reimbursable Operating Costs (as defined in **Section 9.D** below) resulting from Landlord payment of expenses related to the Building or Project which are not otherwise paid by Tenant or other Project tenants directly other than as Reimbursable Operating Costs and which are not Landlord's sole responsibility hereunder. Payment of Tenant's Allocable Share of Reimbursable Operating Costs shall commence on the Commencement Date and shall be due and payable throughout the Lease Term. Landlord shall have the right to periodically provide Tenant with a written estimate of Reimbursable Operating Costs for the next twelve

(12) months and Tenant shall thereafter, until Landlord revises such estimate, pay to Landlord as additional rent, along with its Base Monthly Rent, one twelfth of Tenant's Allocable Share of the Reimbursable Operating Costs as estimated by Landlord. Within ninety (90) days after the end of each calendar year during the Lease Term (including without limitation the calendar year in which the Lease Term ends) Landlord shall deliver to Tenant a statement ("**Annual Statement**") in which Landlord shall set forth the actual expenditures for Reimbursable Operating Costs for such calendar year and Tenant's Allocable Share thereof. The Annual Statement shall be certified by an authorized officer of Landlord to be correct. If the Annual Statement shows that Tenant's payments of estimated Reimbursable Operating Costs exceeded Tenant's actual obligation in respect of such calendar year, the amount of such excess shall be credited against installments of Reimbursable Operating Costs next coming due after the delivery of Annual Statement until credited in full. To the extent any amount owed to Tenant pursuant to the immediately prior sentence has not been fully credited as of the expiration or sooner termination of the Lease, then the portion of the overpayment not fully credited shall be paid to Tenant not later than ten (10) days after the date that the Lease has expired or terminated, the amount owed to Tenant has been determined, there are no outstanding amounts owed under this Lease and a final reconciliation of Reimbursable Operating Costs has been completed by Landlord, which obligation shall survive the expiration or sooner termination of the Lease Term. If the Annual Statement shows that Tenant's payments of estimated Reimbursable Operating Costs were less than its actual obligation in respect of such calendar year, Tenant shall pay said difference to Landlord within thirty (30) days after Tenant's receipt of the Annual Statement, which obligation shall survive the expiration or sooner termination of the Lease Term.

If Tenant disputes the amount or characterization of any item contained in the Annual Statement then Tenant shall give written notice thereof to Landlord not later than ninety (90) days after the Annual Statement is delivered to Tenant. Tenant shall then have the right to cause Landlord's records upon which the Annual Statement is based to be audited by an independent

nationally recognized certified public accounting firm. Except as provided below, the fee for any audit conducted on Tenant's behalf shall be borne solely by Tenant. In no event shall the fee for any audit be computed on a contingency fee basis or be otherwise dependent upon the findings of such audit, and Tenant shall demonstrate to Landlord's reasonable satisfaction the non-contingent nature of the contract between Tenant and such auditor. Tenant shall not have any right to withhold any payment pending resolution of such dispute or audit, and payment by Tenant of any sum or sums in dispute shall not be deemed to be a waiver of Tenant's right to audit or contest the Annual Statement in accordance with the terms and conditions of this Lease. Landlord shall cooperate with such audit and shall provide Landlord's books and records reasonably requested and relative to the audit which shall be conducted during regular business hours at the office where Landlord maintains its books and records, at no cost to Landlord except as expressly provided below. If after such audit the parties do not agree on the audit findings then the dispute shall be settled by arbitration pursuant to Section 20.E below. If, as a result of Tenant's inspection of Landlord's books or the findings of the third party independent audit of Landlord's records and review, an error is discovered in the Annual Statement, Landlord shall revise the Annual Statement accordingly and any overpayment by Tenant shall be credited against payments of Reimbursable Operating Costs thereafter coming due until credited in full, and any underpayment shall be paid by Tenant not later than thirty (30) days after receipt by Tenant of written demand for payment, which obligation shall survive the expiration or sooner termination of this Lease. To the extent any amount owed to Tenant pursuant to the immediately prior sentence has not been fully credited as of the expiration or sooner termination of this Lease, then the portion of the overpayment not fully credited shall be paid to Tenant not later than thirty (30) days after the date that this Lease has expired or terminated, the amount owed to Tenant has been determined, there are no outstanding amounts owed under this Lease and a final reconciliation of Reimbursable Operating Costs has been completed by Landlord, which obligation shall survive the expiration or sooner termination of this Lease. If Tenant does not notify Landlord of a dispute within ninety (90) days after receipt of any Annual Statement, Tenant

shall be deemed to have accepted such Annual Statement and waived its right to dispute the Annual Statement or conduct an audit with respect to the Annual Statement. Landlord's records and any information provided by Landlord to auditors pursuant to this Section, and the results of any such audit, shall be kept confidential by Tenant and its auditors, and shall not be made available by the auditors or Tenant to any other person or entity except to Tenant's parent or affiliates and outside legal and financial representatives and except in any dispute resolution proceeding between the parties relating to such audit. If requested by Landlord, Tenant and its auditor shall, prior to any such audit, execute and deliver to Landlord a confidentiality agreement prepared by Landlord, reasonably acceptable to Tenant. If the final audit discloses an error in Landlord's determination of the Reimbursable Operating Costs in excess of five percent (5%) in Landlord's favor (i.e. the Annual Statement overstated Reimbursable Operating Costs by more than five percent (5%)), then all reasonable out-of-pocket costs of the audit shall be borne by Landlord; otherwise the cost of the audit shall be borne by Tenant.

D.Reimbursable Operating Costs:

For purposes of calculating Tenant's Allocable Share of Building and Project costs, the term "**Reimbursable Operating Costs**" is defined as all costs and expenses which are incurred by Landlord in connection with ownership and operation of the Building or the Project, together with such additional facilities as may be determined by Landlord to be reasonably desirable or necessary to the ownership or operation of the Building and/or Project, except for costs that are Landlord's sole responsibility hereunder or excluded elsewhere herein. All costs and expenses shall be determined in accordance with generally accepted accounting principles which shall be consistently applied with accruals appropriate to Landlord's business ("**GAAP**"). Reimbursable Operating Costs shall include, but not be limited to, the following to the extent the obligation therefor is not that of Tenant under the provisions of Section 9.B above: (i) common area utilities, including water, power, telephone, heating, lighting, air conditioning, ventilating, and Building utilities to the extent not separately metered to the Building; (ii) common area

maintenance and service agreements for the Building and/or Project and the equipment therein, including without limitation, common area janitorial services, alarm and security services (if Landlord elects to provide such services), third party property manager (if any) cleaning of exterior surfaces of exterior building windows, and maintenance of the sidewalks, landscaping, waterscape, roof membrane, parking areas, driveways, service areas, mechanical rooms, elevators, and the building exteriors; (iii) insurance premiums and costs, including without limitation, the premiums and cost of All Risk or Special Cause of Loss property coverage (or its equivalent or industry replacement) (including Business Interruption), liability coverage, rental abatement, Environmental Liability coverage and if elected by Landlord, earthquake insurance applicable to the Building or Project; (iv) repairs, replacements and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Tenant or other third parties other than as Reimbursable Operating Costs, and repairs or alterations attributable solely to tenants of the Building or Project other than Tenant); (v) all real estate taxes and assessment installments and other impositions and charges which may be levied on the Building or Project, upon the occupancy of the Building or Project and including any substitute or additional charges which may be imposed during the Lease Term, or which are applicable to the Lease Term regardless of when imposed, including real estate tax increases due to a sale, transfer or other change of ownership of the Building or Project, as such taxes are levied or appear on the City and County tax bills and assessment rolls; (vi) costs of complying with Sustainability Requirements; (vii) deductibles under insurance policies except for deductibles under earthquake insurance policies in excess of Two Hundred Thousand Dollars (\$200,000) per event of casualty; (viii) capital expenditures (1) required by Laws, (2) reasonably necessary to repair or replace existing capital items, or (3) reasonably incurred to increase efficiencies and save costs in the Building(s) but not in excess of such cost savings, provided that all such costs shall be amortized over their useful lives as reasonably determined by Landlord in accordance with GAAP, together with interest on the unpaid portion of such expenditure at the Amortization Interest Rate, subject to this paragraph below and to the next paragraph of this

Section 9.D; (ix) the wages and benefits of all employees devoting time on operating or managing the Project, provided that as to any employee who does not devote substantially all of his or her employed time to the Project, that employee's wages and benefits shall be prorated to reflect the time spent on operating or managing the Project as opposed to time spent on matters unrelated to operating and managing the Project; (x) maintenance, repairs and replacement of all bicycles provided by Landlord for the use of tenants and other occupants of the Project, if Landlord elects to provide such bicycles; and (xi) any of items (i) through (vi) in Section 9.B above to the extent Landlord has assumed with respect thereto the obligation for cleaning, maintenance, repair and/or replacement of any of them as Reimbursable Operating Costs. A capital expenditure of Eighty Thousand Dollars (\$80,000) or more (per item of expense) shall be amortized over its useful life as reasonably determined by Landlord in accordance with GAAP, together with interest on the unpaid portion of such expenditure at the Amortization Interest Rate. Notwithstanding this paragraph above or the next paragraph of this Section 9.D below, a capital expenditure of less than Eighty Thousand Dollars (\$80,000) (per item of expense) may be expensed by Landlord in the year incurred, rather than amortized; but if not expensed shall be amortized over its useful life as described in the immediately preceding sentence. Landlord shall have no obligation to provide guard services or other security measures for the benefit of the Project; provided, however, that nothing contained herein shall prevent Landlord, at its sole option, from providing security measures for the Project. Notwithstanding Landlord's election to provide security measures for the Project, Tenant assumes all responsibility for the protection of Tenant and Tenant's Agents from acts of third parties. This is a "Net" Lease, meaning that Base Monthly Rent is paid to Landlord absolutely net of all costs and expenses, except only those costs which this Lease expressly states shall be paid by Landlord at Landlord's sole cost or excluded elsewhere herein. The provision for payment of Reimbursable Operating Costs by means of monthly payment of Tenant's Allocable Share of Building and/or Project costs is intended to pass on to Tenant and reimburse Landlord for Tenant's Allocable Share of all costs of operating and managing the Building

and/or Project, other than those costs which this Lease expressly states shall be paid by Landlord at Landlord's sole cost. If less than one hundred percent (100%) of the Building and other Project buildings is leased at any time during the Lease Term, Landlord shall adjust Reimbursable Operating Costs to equal Landlord's reasonable estimate of what Reimbursable Operating Costs would be had one hundred percent (100%) of the Building and the other Project buildings been leased. If a bill for real property taxes and assessments is received by Landlord after the expiration or termination of the Lease Term (including without limitation a supplemental tax bill), but is applicable to any tax year within the Lease Term, Tenant shall pay Tenant's Allocable Share of such taxes and assessments not later than thirty (30) days after Tenant's receipt of notice of the amount due from Landlord, which obligation shall survive expiration or sooner termination of the Lease Term.

Notwithstanding anything contained herein to the contrary, Reimbursable Operating Costs shall not include any of the following: (a) debt service under mortgages or other liens, (b) ground lease rent, (c) costs of restoration to the extent of net insurance proceeds received by Landlord, or which were required by this Lease to be covered by insurance, or which were paid for directly by Tenant or any third party other than as part of Reimbursable Operating Costs, or which are covered by warranties or guaranties, (d) leasing commissions and costs incurred in connection with entering into new leases or disputes under existing leases, (e) costs associated with bad debt losses, (f) reserves, (g) costs of capital improvements, repairs, replacements or expenditures, except as provided in the provision in the prior paragraph of this Section 9.D relating to expensing of capital expenditures of less than Eighty Thousand Dollars (\$80,000) and in Section 9.D(viii) above, (h) expenses for tenant improvement work or allowances, inducements, and other concessions for any tenant, (i) the cost of any repairs, improvements, or replacements made to remedy any structural defect in the original structural design or construction of the base Building or Project (as opposed to Tenant Improvements and other Alterations made under this Lease or any tenant improvement or other alterations made by any prior tenant of the Building), (j) costs to

remove or remediate any Hazardous Materials that were not caused by Tenant or its agents, (k) management and administrative fees or costs, which in the aggregate, exceed the management fee in Section 20.N below, or (l) deductibles under earthquake insurance policies in excess of Two Hundred Thousand Dollars (\$200,000) per event of casualty. Exclusion of costs from Reimbursable Operating Costs shall not be construed to release Tenant from the obligation to pay for such costs other than as Reimbursable Operating Costs as expressly provided elsewhere in this Lease (including but not limited to Tenant's obligations relating to Hazardous Materials pursuant to Article 13 below).

E. Tenant's Allocable Share:

For purposes of prorating Reimbursable Operating Costs which Tenant shall pay, Tenant's Allocable Share of Reimbursable Operating Costs shall be computed by multiplying the Reimbursable Operating Costs by a fraction, the numerator of which is the rentable square footage of the Premises and the denominator of which is either (i) the total rentable square footage of the Building if the service or cost is allocable only to the Building, or (ii) the total rentable square footage of the buildings in the Project if the service or cost is allocable to the entire Project and there are other buildings in the Project, or (iii) the total rentable square footage of the premises of those tenants or occupants that Landlord determines to be benefiting from such service or facility. Tenant's obligation to share in Reimbursable Operating Costs shall be adjusted to reflect the Lease Commencement Date and Expiration Date and is subject to recalculation in the event of expansion or contraction of the rentable square footage of the Premises, Building or Project.

F. Waiver of Liability:

Failure by Landlord to perform any defined services required of Landlord under this Lease, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, nor be construed as an eviction

of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein as being Landlord's obligation break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same as soon as reasonably possible, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent, and any similar Law now or hereafter in effect. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

10.INSURANCE:

A. Tenant's Use:

Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of property and liability policies covering the Premises and appurtenances.

B. Landlord's Insurance:

Landlord agrees to purchase and keep in force All Risk or Special Cause of Loss insurance (or its equivalent or industry replacement) in an amount equal to the replacement cost of the Building (excluding deductibles and any Tenant Improvements and Alterations that are Specialized

Tenant Improvements (defined below) and other than Alterations for which Landlord's consent is not obtained). As used in this Lease, "Specialized Tenant Improvements" means offices and conference rooms which are hard walled constructed. In addition, Landlord may elect to purchase insurance coverage for perils including earthquake, flood and/or terrorist acts, in amounts and with deductibles reasonably determined by Landlord. Landlord may also maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, (ii) rental loss insurance covering a minimum of twelve (12) months and (iii) Environmental Impairment/Pollution Liability coverage. Tenant agrees to pay Landlord as additional rent, within thirty (30) days after written invoice to Tenant, Tenant's Allocable Share of the amount of any deductible under such policies (except deductibles under earthquake insurance policies in excess of Two Hundred Thousand Dollars (\$200,000) per event of casualty), provided that if damage is confined to the Premises, Tenant shall pay the entire deductible to Landlord (except deductibles under earthquake insurance policies in excess of Two Hundred Thousand Dollars (\$200,000) per event of casualty). It is understood and agreed that Tenant's obligation to pay insurance premiums under this Section 10.B will be prorated to reflect the Commencement Date and Expiration Date.

C. Tenant's Insurance:

Tenant agrees, at its sole cost, to insure its personal property, trade fixtures, Specialized Tenant Improvements and other Alterations not required to be insured by Landlord against damage for their full replacement value (without depreciation). Said insurance shall provide All Risk or Special Cause of Loss coverage (or its equivalent or industry replacement) equal to the replacement cost of said property. The property insurance provided by Tenant as required by this paragraph shall be carried in favor of Landlord and Tenant as their respective interests may appear and shall provide that any loss to Alterations shall be

adjusted with and be payable to both Landlord and Tenant. Tenant agrees, at its sole cost, to obtain and maintain throughout the Lease Term Commercial General Liability insurance for occurrences within the Project with a combined single limit of not less than Five Million Dollars (\$5,000,000), worker's compensation insurance in compliance with statutory requirements, and Employer's Liability with a limit of not less than Five Million Dollars (\$5,000,000). Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. All such insurance shall provide for severability of interests; shall provide that an act or omission of one of the named or additional insureds shall not reduce or avoid coverage to the other named or additional insureds. Tenant shall name Landlord, Landlord's affiliates and property manager and Landlord's lenders as additional insureds on Tenant's liability policies and shall name Landlord and Landlord's lenders as loss payees on its property insurance. Tenant shall provide a waiver of subrogation in favor of Landlord, Landlord's affiliates and property manager for worker's compensation and employer's liability. Tenant shall deliver to Landlord a copy of all required policies and renewal certificates, or other evidence of coverage reasonably acceptable to Landlord, evidencing the coverage required of Tenant, prior to the earlier of the Commencement Date or first entry to ready any portion of the Premises for Tenant's occupancy, and before expiration of any such policies, but in no event later than five (5) days before the scheduled expiration of such policies. All insurance policies required under this Section 10.C shall provide that the insurer will endeavor to provide give ten (10) days' prior written notice to Landlord of any cancellation, termination, or reduction in coverage, but in any case Tenant shall be obligated to notify Landlord of the occurrence of any such event not later than five (5) days after Tenant becomes aware of any such event. Notwithstanding the above, Tenant shall obtain and maintain throughout the Lease Term, at Tenant's sole cost and expense, such increased amounts of coverage and other forms and amounts of insurance as may be reasonably requested by Landlord from time to time, but no more than once in any five (5) year period, provided that such increased or new amounts or types of insurance are

reasonably available and are required of comparable tenants by landlords of comparable buildings in Santa Clara County, California.

In no event shall the types or limits of any insurance policies maintained or required to be maintained under this Lease by Tenant or its contractors limit Tenant's liability under this Lease, including without limitation Tenant's indemnification, defense and hold harmless obligations.

D. Waiver:

Notwithstanding anything contained herein to the contrary, Landlord and Tenant hereby waive all tort, contract or other rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, to the Premises or its contents, or the other Project improvements, which may arise from any risk to the extent covered by their respective property insurance policies (or to the extent they would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above; provided that such waiver shall be effective only to the extent permitted by the insurance covering such loss or, if insurance is required by this Lease but not obtained, permitted by the insurance that would cover such loss if such insurance were obtained as required by this Lease. The Parties shall each obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be, with respect to the property insurance maintained with respect to this Lease.

11. TAXES:

Tenant shall be liable for and shall pay as additional rent, prior to delinquency, all taxes and assessments levied against Tenant's personal property and trade or business fixtures. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or buildings, Tenant shall pay and discharge its Allocable Share of such tax or excise on rents or other tax before it becomes delinquent as part of Reimbursable Operating Costs; except that this provision is not

intended to cover net income taxes, documentary transfer, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its Allocable Share of such tax on behalf of Landlord, then at Landlord's sole election, Landlord may increase the Base Monthly Rent by the exact amount of Tenant's Allocable Share of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party appeal firm for such services, as part of Reimbursable Operating Costs.

12. UTILITIES:

Tenant shall arrange for and pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish services or utilities to the Premises or any other portion of the Project, and no failure or shortage of services or utilities shall entitle Tenant to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease or affect the continued effectiveness of this Lease. Tenant acknowledges that the Premises, the Building and/or the Project may become subject to the rationing of utility services or restrictions on utility use as required by a public utility company, governmental agency or other similar entity having jurisdiction thereof. Tenant acknowledges and agrees that its tenancy and occupancy hereunder shall be subject to such rationing or restrictions as may be imposed upon Landlord, Tenant, the Premises, the Building and/or the Project, and Tenant shall in no event be excused or relieved from any covenant or obligation to be kept or performed by Tenant by reason of any such rationing or restrictions.

Landlord makes no representation with respect to the adequacy or fitness of the air-conditioning or ventilation equipment serving the Building to maintain temperatures which may be required for,

or because of, any equipment of Tenant, and Landlord shall have no liability for loss or damage in connection therewith.

13. TOXIC WASTE AND ENVIRONMENTAL DAMAGE:

A. Use of Hazardous Materials:

Without the prior written consent of Landlord, neither Tenant, nor any subtenant of the Premises (of any tier in the chain of title) or any of Tenant's or such subtenant's agents, employees, representatives, affiliates, architects, contractors (including without limitation subcontractors of all tiers), suppliers, vendors, subtenants, licensees or invitees (collectively "**Tenant's Agents**"), shall cause or permit any Hazardous Materials, as defined below, to be generated, brought onto, used, stored, created, released or disposed of in or about the Premises or Project, except that Tenant may use and store small quantities of common household cleaners and office supplies on the Premises and fuel for the generator (if the Pad Improvements include a generator) provided such use and storage is in strict compliance with all Environmental Laws, as defined below. As used herein, the term "**Hazardous Materials**" shall mean any and all substances, materials or wastes (whether liquid, solid or gaseous), which are a pollutant or contaminant, or which are hazardous, toxic, ignitable, reactive, corrosive, dangerous, harmful or injurious, or which present a risk to public health or the environment, or which are or may become regulated by or under the authority of any Environmental Laws, including, without limitation, asbestos or asbestos containing materials, petroleum products, pesticides, polychlorinated biphenyls, flammable explosives, radioactive materials and urea formaldehyde. As used herein, the term "**Environmental Laws**" shall mean any present or future federal, state or local Laws, whether common law, statute, rule, regulation or ordinance, judgment, order, or other governmental restriction, guideline, listing or requirement, relating to the environment or any Hazardous Materials, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §6901 et seq., and applicable provisions of the California

Health and Safety Code and the California Water Code, all as heretofore or hereafter may be amended from time to time. In order to obtain Landlord's consent, Tenant shall deliver to Landlord its written proposal describing the types and quantities of Hazardous Materials to be brought onto the Premises, measures to be taken for storage and disposal thereof, and safety measures to be employed to prevent pollution or contamination of the air, soil, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. Without diminishing Tenant's obligation to obtain Landlord's consent to Tenant's use of Hazardous Materials on the Premises where this Lease requires such consent, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials generated, brought onto, used, stored, created, released or disposed by Tenant or Tenant's Agents, or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises, including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal Laws and provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits and management plans required for the use, storage and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises and Project free from any and all Hazardous Materials generated, brought, used, stored, created, released, or disposed of by Tenant or Tenant's Agents or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises; and (v) to the extent required by Laws with respect to the activities of Tenant or Tenant's Agents, properly close the facility with regard to such Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with such Hazardous Materials and obtaining a closure certificate from the local administering agency prior to the expiration or sooner termination of this Lease.

B. Tenant's Indemnity Regarding Hazardous Materials:

Tenant shall, at its sole cost and expense and with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and the Landlord Related Parties from and against any and all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred or suffered arising from generating, bringing, using, storing, creating, releasing or disposing of Hazardous Materials in or about the Premises or Project by Tenant or Tenant's Agents, or by anyone else coming onto the Premises (other than Landlord or Landlord's agents, employees and contractors), or the violation of any Governmental Regulation or Environmental Laws by Tenant or Tenant's Agents or by anyone else coming onto the Premises (other than Landlord or Landlord's agents, employees or contractors). This indemnification, defense and hold harmless obligation applies whether or not the concentrations of any such Hazardous Materials exceed applicable maximum contaminant or action levels or any governmental agency has issued a cleanup order. Tenant's indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liabilities, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under present or future Laws, including Environmental Laws; (ii) claims, liabilities, costs or expenses pertaining to the assessment and identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) losses attributable to diminution in the value of the Premises, Building or Project (iv) loss or restriction of use of rentable space in the Building or Project; (v) adverse effect on the marketing of any space in the Building or Project; and (vi) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 13.B

shall survive the expiration or termination of this Lease.

C. Notice of Release or Violation:

If, during the Lease Term (including any extensions), Tenant becomes aware of (i) any actual or threatened release of any Hazardous Materials on, under or about the Premises or Project or (ii) any inquiry, investigation, proceeding, claim, notice or order by any private or public person or entity regarding the presence of Hazardous Materials on, under or about the Premises or Project, including without limitation alleged violations of Environmental Laws by Tenant or Tenant's Agents, Tenant shall give Landlord written notice of the release or investigation within five (5) days after learning of it and shall simultaneously and thereafter furnish Landlord with copies of any claims, notices of violation, reports, or other writings received by Tenant concerning the release or investigation. In the event of an actual release of Hazardous Materials, Tenant shall also give Landlord immediate verbal notice of such release. In the event of any release on or into the Premises or any portion of the Project or into the soil or ground water under the Premises, the Building or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and any lender designated by Landlord to attempt to eliminate and mitigate any financial exposure to such lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Project has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with

acceptable customary practices for the type and severity of such contamination and all applicable Laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under Section 13.B of this Lease to indemnify, defend and hold Landlord and the Landlord Related Parties harmless. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps. In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable Laws, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 13.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by arbitration pursuant to this Lease.

D. Remediation Obligations:

In the event of any release on, under or about the Premises or the Project of any Hazardous Materials generated, brought onto, used, stored, created or disposed of by Tenant or Tenant's Agents or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises, Tenant shall, at its sole cost, promptly take all necessary and appropriate actions, in compliance with applicable Environmental Laws, to remove or remediate such Hazardous Materials, whether or not any governmental agency has issued a cleanup order, so as to return the Premises and Project to the condition that existed before the introduction of such Hazardous Materials. Tenant shall obtain Landlord's written consent prior to implementing any proposed removal or remedial action, provided, however, that Tenant shall be entitled to respond immediately to an emergency without first obtaining Landlord's written consent. Nothing in the preceding sentence shall in any way eliminate, modify or reduce the obligation of Tenant under Section 13.B of this Lease to indemnify, defend and hold Landlord and the Landlord Related Parties harmless. Landlord agrees that Tenant and Tenant's Agents shall not be liable to Landlord for, and Landlord shall not require Tenant to remove or remediate (or pay for the cost thereof), any Hazardous Materials that were present at the

Project as of the Delivery Date or that have migrated to or under a Building or the Project from off-site (i.e. off the Project) sources, except to the extent caused by Tenant or Tenant's Agents.

E. Environmental Monitoring:

Landlord and its agents and consultants shall have the right to inspect, investigate, sample and monitor the Premises, including any air, soil, water, ground water, or to conduct any other sampling or testing, digging, drilling or analysis, to determine whether Tenant is complying with the terms of this Section 13. If Landlord discovers that Tenant is not in compliance with the terms of this Section 13, all costs incurred by Landlord in determining Tenant's non-compliance, including attorneys', consultants' and experts' fees, shall be due and payable by Tenant to Landlord within five (5) days following Landlord's written demand therefor.

14. TENANT'S DEFAULT

A. Events of Default

The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent or any other payment due under this Lease (including additional rent) by the date such amount is due, where such failure continues for three (3) business days after written notice from Landlord to Tenant; (ii) the abandonment of the Premises by Tenant; (iii) Tenant's failure to deliver to Landlord any document or agreement required to be delivered by Tenant pursuant to Sections 3.D, 20.H, 20.K, 20.T within the time required by those Sections, or failure to discharge any liens within the time required by Section 8.B, or failure to deliver any evidence of insurance within the time required by this Lease, where such failure continues for two (2) business days after notice of the failure has been delivered to Tenant; (iv) Tenant's failure to observe and perform any other required provision of this Lease, or the occurrence of any other event described as a breach or default in other Sections of this Lease or any amendment to this Lease, where such failure or default continues for thirty (30) days after written notice from Landlord, provided, however, that if the nature of the default

is such that it cannot reasonably be cured within such thirty (30) day period, Tenant shall not be deemed in default if it commences within such thirty (30) day period to cure, thereafter diligently prosecutes the same to completion, and completes such cure not later than sixty (60) days after such written notice from Landlord, except that if this Lease expressly provides that no notice or cure is required for a breach or default of Tenant to exist then such notice requirement and thirty (30) day or longer cure period shall not apply; (v) Tenant's making of any general assignment for the benefit of creditors; (vi) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within thirty (30) days after the filing); (vii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (viii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days; or (ix) a default by the tenant under the 6377 San Ignacio Lease, beyond any applicable cure period expressly granted to such tenant in the 6377 San Ignacio Lease, without the necessity for additional notice or cure under this Lease.

B. Remedies:

In the event of any default by Tenant beyond any applicable notice and cure period expressly set forth in this Lease, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably

avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "rent", as used in this Lease, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "worth at the time of award" shall be computed by allowing interest at a rate equal to the greater of the following (the "Agreed Interest Rate") (i) the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum, as of the twenty-fifth (25th) day of the month immediately preceding Tenant's breach or default, on advances to member banks under Section 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended, or (ii) ten percent (10%) per annum. As used in (iii) above, "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent. Furthermore, in the event of a default as described in clause (v), (vi), (vii) or (viii) in Section 14.A above, Landlord reserves the right to compensation for all damages and costs incurred by Landlord as a result of Tenant's default, including without limitation those based upon a tort claim or contractual claim, and without any cap other than that imposed by the United States Bankruptcy Code (as amended, and as interpreted by case law, the "Code") with respect to rent, as defined in the Code. Tenant hereby waives the protection of any limitation in the Code imposed upon such damages to the extent such waiver is

enforceable under the Code, and Tenant hereby agrees that the Security Deposit may be retained by Landlord for purposes of compensation for any and all tort or contractual or other claims by Landlord against Tenant. Any obligation Landlord may have to mitigate damages upon a termination due to Tenant's default shall not include the obligation to relet the Premises if Landlord has other comparable available space within the Building or Project.

C. Right to Re-enter:

In the event of any Tenant default beyond any applicable notice and cure period expressly set forth in this Lease, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property in accordance with applicable Laws. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord, in any manner permitted by Laws.

D. Continuation of Lease:

If Landlord does not elect to terminate this Lease as provided in Section 14.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply, this Lease shall continue in effect, and Landlord may enforce all of its rights and remedies under this Lease, including without limitation, the right to recover payment of rent as it becomes due.

E. No Termination:

Neither efforts by Landlord to mitigate damages caused by a breach or default of Tenant, nor acts of maintenance or preservation or efforts to relet the Premises shall constitute an election by Landlord to terminate the Lease or a termination of Tenant's right to possession of the Premises.

F. Non-Waiver:

Landlord may accept Tenant's payments without waiving any rights under this Lease,

including rights under a previously served notice of breach or default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of breach or default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of breach or default without giving Tenant any further notice or demand. Furthermore, Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord or Tenant to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord or Tenant of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord or Tenant shall impair such right or remedy or be construed as a waiver thereof by Landlord or Tenant, as applicable. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subleases or subtenants, or may, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenants

G. Performance by Landlord:

If Tenant defaults in any obligation required under this Lease beyond any applicable notice and cure period expressly set forth in this Lease,

Landlord in its sole and absolute discretion may, without notice, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate within ten (10) days of Landlord's written notice for such payment.

H. Habitual Default:

The provisions of Section 14 notwithstanding, the Parties agree that if Tenant shall have defaulted, beyond any applicable notice and cure period expressly set forth in this Lease, in the performance of any (but not necessarily the same) material term or condition of this Lease for three (3) or more times during any twelve (12) month period during the Lease Term, then such conduct shall, at the election of the Landlord, represent a separate event of default which cannot be cured by Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive defaults by Tenant, which work a hardship upon Landlord and deprive Landlord of Tenant's timely performance under this Lease.

15. LANDLORD'S LIABILITY:

A. Limitation on Landlord's Liability:

In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("**Mortgagee**") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the

Premises by power of sale or judicial foreclosure, if such should prove necessary to effectuate a cure. Tenant agrees that each of the

Mortgagees to whom this Lease has been assigned is an express third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 (except subsection (b)) or any other present or future law relating to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant further waives all rights to terminate this Lease and to vacate the Premises on Landlord's default under this Lease, the

Parties having agreed that Tenant's remedies in the event of a Landlord default shall be limited to those expressly set forth in this Lease. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief; provided, however, Landlord and the Landlord Related Parties shall not be liable to

Tenant for any consequential damages suffered or incurred by Tenant on account of Landlord's default including, without

limitation, on account of lost profits or the interruption of Tenant's business. To the fullest extent allowed by Laws, Tenant hereby

agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other person in or about the Premises or the Project, nor shall Landlord be liable for injury to the

person of Tenant, Tenant's employees, agents, contractors, or any other person in or about the Premises or Project, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water, or rain, or from the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures, or from any other cause, whether

said damage or injury results from conditions arising upon the Premises or upon other portions of the Project or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to

Tenant. To the fullest extent allowed by Laws, Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, occupant, or user of the Project, nor from the failure of Landlord to enforce the provisions of any other lease of the Project.

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B. Limitation on Tenant's Recourse:

If Landlord is a corporation, trust, partnership, limited liability company, joint venture, unincorporated association or other form of business entity, then the obligations of Landlord shall not constitute personal obligations of the Landlord Related Parties. Tenant shall have recourse only to Landlord's unencumbered equity interest in the Premises and parcel of land upon which it is located, and any rent, net income or net proceeds therefrom, for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord:

As a material part of the consideration rendered to Landlord, to the fullest extent allowed by Laws, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises or Project, from any cause arising at any time (including without limitation the sole, active or passive negligence or other acts or omissions of Landlord or the Landlord Related Parties). Except to the extent due to the negligence or willful misconduct of Landlord, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred or suffered arising from the use or occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause in the Premises. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant or Tenant's Agents, Tenant shall indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without

limitation reasonable attorneys fees) incurred in connection with such litigation.

16. DESTRUCTION OF PREMISES:

A. Landlord's Obligation to Restore:

Subject to Article 9 above, in the event of damage or destruction of the Premises or the Common Areas during the Lease Term (other than Tenant's Specialized Tenant Improvements and other than those Alterations for which Landlord's consent was not obtained) Landlord, and Tenant (as to Alterations for which Landlord's consent was not obtained and Specialized Tenant Improvements, provided that in no event shall Tenant perform any work in violation of the other Sections of this Lease), shall repair the same to a substantially similar condition to that which existed prior to such damage or destruction, to the extent legally allowed, subject to this Section 16 below. Such damage or destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent and Tenant's share of Reimbursable Operating Costs while repairs are being made, to the extent Tenant is not able to occupy the Premises, but as to Reimbursable Operating Costs only to the extent actually covered by rental loss insurance which may be maintained by Landlord. In no event shall Landlord be required to replace or restore Alterations for which Landlord's consent was not obtained, Specialized Tenant Improvements or Tenant's trade fixtures or personal property.

B. Limitations on Landlord's Restoration Obligation:

Notwithstanding the provisions of Section 16.A above, Landlord shall have no obligation to repair or restore the Premises if any of the following occur: (i) if Landlord reasonably estimates (which estimate Landlord agrees to exert commercially reasonable efforts to make as soon reasonably possible after the casualty) the repairs or restoration cannot be made in one hundred eighty (180) days from the date of receipt of all governmental approvals necessary under applicable Laws, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Building elects not

to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance maintained by Landlord, except for deductible amounts; provided however that Landlord may not terminate this Lease due to lack of insurance funds if the reason for such lack of funds is that Landlord has failed to maintain the property insurance that this Lease requires Landlord to maintain, or if Tenant pays to Landlord not later than thirty (30) days after written request for payment is delivered to Tenant (which request may be made prior to commencement of work based on cost estimates for such work obtained by Landlord, subject to adjustment as described below) the entire shortfall of funds for the work, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term (taking into consideration all Options then exercised by Tenant), or (v) Tenant is in default pursuant to the provisions of Section 14 above. If Tenant pays the insurance shortfall to Landlord based on Landlord's estimate pursuant to (iii) in the immediately prior sentence, then to the extent the estimate was more than the actual cost of work, Landlord shall reimburse Tenant the amount of overpayment not later than thirty (30) days after the actual cost of such work has been finally determined, and if at any time prior to or after completion of such work Landlord determines that the amount previously paid by Tenant for such work is not sufficient, Tenant shall pay to Landlord such shortfall not later than thirty (30) days after written demand for such payment is delivered to Tenant. If Landlord elects to repair or restore, this Lease shall continue in full force and effect, unless Tenant elects to terminate the Lease as described in the next sentence. Tenant shall have the right to terminate this Lease in the event either (1) Landlord reasonably estimates the repairs cannot be made by the two hundred seventieth (270th) day after the date of receipt of all governmental approvals necessary under applicable Laws, as reasonably determined by Landlord, or (2) the damage or destruction occurs in the last twelve (12) months of the Lease Term (taking into consideration all Options then exercised by Tenant), by providing Landlord written of its election of (1) of this sentence above within thirty (30) days after Landlord's notice of the time to repair and restore and of (2) of this sentence above

within thirty (30) days after the date of the casualty. **In any such event Landlord may elect either to (i) complete the repair or restoration, or (ii) terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction.**

If this Lease terminates as the result of any damage or destruction to Premises, all property insurance proceeds relating to Alterations maintained by Tenant shall be the sole property of Landlord, Tenant shall have no right to such proceeds, and Tenant shall fully cooperate with Landlord in collecting such proceeds, or if such proceeds have been paid to Tenant, Tenant shall pay such proceeds to Landlord not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier), which obligations shall survive the expiration or sooner termination of this Lease. Tenant shall also pay to Landlord not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier) an amount equal to the deductible under Tenant's property insurance, which obligation shall survive the expiration or sooner termination of this Lease. If Tenant fails to maintain the property insurance required by this Lease, then Tenant shall pay to Landlord, not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier) an amount equal to what the proceeds would have been had Tenant maintained the insurance required by this Lease, plus the deductible that would have applied if such insurance had been in place.

Tenant hereby waives the benefits and rights provided to Tenant by the provisions of Civil Code Sections 1932 and 1933, or any similar Law now or hereafter in effect.

17.CONDEMNATION:

If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("**Vesting Date**") and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is

required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking, as reasonably determined by Landlord. Further, in the event of such partial taking, Landlord shall have the option to terminate this Lease as of the Vesting Date. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; except Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for the unamortized cost of any Alterations paid for by Tenant and not paid or reimbursed through the Work Allowance, or for Tenant's moving costs. If there is a taking of any parking areas within the Project, and substitute parking cannot be provided within the Project by means of restriping the remaining existing parking areas within the Project, then the parking allocated to Tenant under this Lease shall be proportionately reduced. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any similar Law now or hereafter in effect, and the provisions of this Section 17 shall govern in the case of a taking.

18.ASSIGNMENT OR SUBLEASE:

A.Consent by Landlord:

Except as specifically provided in Section 18.E below, Tenant may not voluntarily, involuntarily or by operation of law, assign, sell or otherwise transfer all or any part of Tenant's interest in this Lease or in the Premises, cause or permit any part of the Premises to be sublet, occupied or used by anyone other than Tenant, or permit any person to succeed to any interest in this Lease or the Premises (all of the foregoing being a "**Transfer**") without the express written consent of Landlord. In the event Tenant desires to effectuate a Transfer, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed transferee, (ii) current financial statements of the transferee covering the preceding three (3) years if available, (iii) the nature of the proposed transferee's

business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of the Transfer, and (v) a current financial statement of Tenant unless publicly available. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed Transfer. Landlord shall have a fifteen (15) day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) terminate this Lease as to the portion of the Premises proposed to be transferred (other than with respect to a Permitted Transfer), if the portion of the Premises proposed for Transfer, together with any portion of the affected floor within the Building then subject to another Transfer, is for more than seventy five percent (75%) (cumulatively, for the proposed Transfer and all other Transfers then in effect with respect to such floor) of the rentable square footage of such floor, or the Transfer then under consideration is for more than seventy five percent (75%) of the remaining Lease Term (not taking into account Option Terms which have not yet commenced); (ii) permit Tenant to Transfer such space to the named transferee on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the 15-day period described in the immediately prior sentence, Landlord shall be deemed to have elected option (iii) above. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises on the date upon which the proposed Transfer was to commence, and from such date forward, Base Monthly Rent shall be adjusted based on the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Premises before exercise of Landlord's election to terminate, and Tenant's Allocable Share of all other costs and charges shall be adjusted in accordance with **Section 9.E based upon the remaining rentable area of the Premises. In the event Landlord does not elect option (i) above, Landlord's consent to the proposed Transfer shall not be unreasonably withheld, conditioned or delayed, provided and upon the**

condition that: (i) the proposed transferee is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed transferee is a company with sufficient financial worth and management ability to undertake the financial obligation of this Lease in the case of an assignment (or in the case of a Transfer of less than all of Tenant's interest in this Lease or a sublease, the financial obligations under such Transfer) and Landlord has been furnished with reasonable proof thereof; (iii) the proposed transfer agreement, if it is a sublease, conforms to the requirements of **Section 18.I below or if it is an assignment, is in a form reasonably satisfactory to Landlord; (iv) the proposed Transfer will not result in there being greater than two (2) subtenants or other occupants (not including employees) within the Premises at any time during the Lease Term; and (v) Tenant reimburses Landlord on demand for all costs that may be incurred by Landlord in connection with said Transfer, including the costs of making investigations as to the acceptability of the proposed transferee and legal costs incurred in connection with the granting or denial of any requested consent, not to exceed Two Thousand Five Hundred Dollars (\$2,500) per Transfer request. Tenant shall not hypothecate, mortgage, pledge or otherwise encumber Tenant's interest in this Lease or the Premises or otherwise use the Lease as a security device in any manner without the consent of Landlord, (all of the foregoing being an "Hypothecation") which consent Landlord may withhold in its sole and absolute discretion. Tenant shall reimburse Landlord on demand for all costs that may be incurred by Landlord in connection with an Hypothecation, including legal costs incurred in connection with the granting or denial of any requested consent, not to exceed Two Thousand Five Hundred Dollars (\$2,500) per Hypothecation request. Landlord's consent to one or more Transfers or Hypothecations shall not operate to waive Tenant's obligation to obtain Landlord's consent to other Transfers or Hypothecations nor constitute consent to an assignment or other Transfer following foreclosure of any permitted lien, mortgage or other encumbrance. If Tenant is a corporation, limited liability company, unincorporated association, partnership or other legal entity, the sale, assignment, cancellation, surrender, exchange, conversion or any other transfer or hypothecation of any stock, membership or other ownership**

interest in such entity (whether occurring at one time or over a period of time) in the aggregate of more than fifty percent (50%) (determined cumulatively) shall be deemed an assignment of this Lease; in the case of a partnership, any withdrawal or substitution (whether occurring at one time or over a period of time) of any partners owning fifty percent (50%) or more (cumulatively) of the partnership, or the dissolution of the partnership shall be deemed an assignment of this Lease; provided that, subject to **Section 18.E**

below, the foregoing provisions of this sentence shall not apply to a transfer of stock in a corporation whose stock is publicly traded on a public stock exchange if the transfer of stock is not in connection with a transaction or series of transactions which would result in Tenant no longer being publicly traded on a public stock exchange. If Tenant is an entity, any sale of all or substantially all of its assets shall be deemed an assignment of this Lease. Subject to Section 18.E below, if Tenant is a corporation whose stock is not publicly traded on a public stock exchange, any dissolution, merger, consolidation or reorganization of Tenant shall be deemed a Transfer. Tenant acknowledges and agrees that the provision of this Section 18 are not unreasonable standards or conditions for purposes of Section 1951.4 of the California Civil Code, as amended from time to time, under bankruptcy laws, or for any other purpose.

B. Assignment or Subletting Consideration:

Landlord and Tenant hereby agree that fifty percent (50%) of any rent or other economic consideration (not including stock, warrants and options but otherwise including without limitation, payments for trade fixtures and personal property in excess of the fair market value thereof) in excess of the Base Monthly Rent and Reimbursable Operating Costs payable hereunder (after deducting therefrom Reasonable Transfer Costs (defined below)) (i) realized by Tenant in connection with any Transfer by Tenant, and/or (ii) realized by a subtenant or any other person or entity (other than Tenant) (any such subtenant, person or entity being a “**Subsequent Transferor**”) in connection with a sublease, assignment or other Transfer by such Subsequent Transferor, shall be paid by Tenant to Landlord

promptly after such amounts are paid to Tenant or a Subsequent Transferor, regardless of the amount of sub-rent the Subsequent Transferor pays to Tenant or any prior Subsequent Transferor. As used in this **Section 18.B**, “**Reasonable Transfer Costs**” shall mean the following costs, to the extent reasonably incurred in connection with the Transfer in question: (i) advertising costs and brokerage commissions payable to unaffiliated third parties, (ii) reasonable attorneys’ fees paid to Tenant’s attorneys, and (iii) tenant improvement costs incurred by Tenant solely in connection with such Transfer. In the case of a Transfer other than an assignment of Tenant’s entire interest in the Lease and Premises, Reasonable Transfer Costs shall be amortized on a straight line basis, without interest, over the initial term of the Transfer. Tenant’s obligation to pay over Landlord’s portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord’s right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No Transfer by Tenant shall relieve it of any obligation under this Lease. Any Transfer which conflicts with the provisions of this Lease shall be voidable by Landlord at any time following such Transfer.

C.No Release:

Any Transfer shall be made only if and shall not be effective until the transferee shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance reasonably satisfactory to Landlord, whereby the transferee shall assume all the obligations of this Lease on the part of Tenant to be performed or observed to the extent of the interest being transferred and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease to the extent applicable to the interest being transferred. Notwithstanding any Transfer and the acceptance of rent or other sums by Landlord from any transferee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and

conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any transferee or any other person claiming under or through any transferee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) resulting from any claims that may be made against Landlord by the proposed transferee or by any real estate brokers or other persons claiming compensation in connection with the proposed Transfer.

D.Reorganization of Tenant:

Notwithstanding any other provision of this Lease, the provisions of this Section 18.D shall apply if: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving company, or there is a sale of all or substantially all of the assets of Tenant, or (ii) there is a sale, cancellation, surrender, exchange, conversion or any other transfer of stock involving or consisting of more than fifty percent (50%) of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, or a transfer of more than a fifty percent (50%) ownership interest in

Tenant (where Tenant is not a corporation), or there is any merger, consolidation or other reorganization of or affecting Tenant (other than one described in (i) immediately above), whether the foregoing occurs in a single transaction or in multiple steps. In a transaction under clause (i) of this Section 18.D, the surviving or acquiring corporation or entity ("**Surviving Entity**") shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which the Surviving Entity assumes the obligations of Tenant hereunder. In a transaction or series of transactions under clause (ii) of this Section 18.D, the entities which as a result of such transaction(s) own a greater than fifty percent (50%) interest in Tenant (including,

without limitation as a result of a reverse triangular merger or a triangular merger) (collectively the "**Acquiring Entity**") shall promptly execute and deliver to Landlord a guaranty of lease in form reasonably satisfactory to Landlord under which the Acquiring Entity guarantees the full payment and performance of the obligations of Tenant under the Lease ("**Lease Guaranty**"). The foregoing notwithstanding, as to all transactions described in this Section 18.D, if the Surviving Entity or Acquiring Entity is itself not a publicly-traded company, but is instead the subsidiary of or owned (directly or indirectly) by a publicly-traded company (or a subsidiary of a subsidiary of a publicly-traded company, or a subsidiary in a chain of entities in which one or more parent companies are publicly traded), then each publicly-traded parent company in such chain shall also be required to execute and deliver to Landlord the Lease Guaranty. In addition, in the event that after such acquisition Tenant does not prepare audited financial statements, then in addition to the financial statements required to be delivered by Tenant hereunder, each entity required to execute the Lease Guaranty shall provide Landlord its audited financial statements at the times and in the manner required of Tenant hereunder. Without limiting the foregoing requirements, it is the intent of the parties that after such any transaction or series of transactions described in this Section 18.D, Landlord shall be entitled to rely on the creditworthiness of publicly-traded companies and to receive audited financial information from publicly-traded companies to the extent Tenant is owned, directly or indirectly, by a publicly-traded company.

E. Permitted Transfers

Provided that Tenant otherwise complies with the provisions of this Section 18, except the provision requiring prior consent, and except for the provisions relating to the payment of Transfer consideration pursuant to Section 18.B, but otherwise including without limitation the provisions of Section 18.D, Tenant may enter into any of the following Transfers described in this Section 18.E (a "**Permitted Transfer**") without Landlord's prior consent, and Landlord shall not be entitled to terminate the Lease or to receive any part of any sub-rent resulting therefrom that would otherwise be due pursuant to Sections 18.A and

18.B as the result of the Permitted Transfer, provided however that Tenant shall notify Landlord of any such Permitted Transfer not later than five (5) business days after the effective date of such Permitted Transfer. Tenant may sublease all or part of the Premises or assign its interest in this Lease to (i) any corporation or other entity which controls, is controlled by, or is under common control with Tenant by means of an ownership interest of more than fifty percent (50%); (ii) a corporation or other entity which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation or entity, so long as the surviving corporation or entity has a net worth at the time of such assignment or sublease that is equal to or greater than the net worth of Tenant immediately prior to such transaction; or (iii) a corporation or other entity which purchases or otherwise acquires all or substantially all of the assets of Tenant so long as such acquiring corporation or entity has a net worth at the time of such assignment or sublease that is equal to or greater than the net worth of Tenant immediately prior to such transaction. Any transferee pursuant to this Section 18.E is referred to elsewhere in this Lease as a "Permitted Transferee". Any transferee pursuant to an assignment of all of Tenant's interest in this Lease pursuant to this Section 18.E above is referred to elsewhere in this Lease as a "Permitted Assignee".

F. Effect of Default:

In the event of Tenant's default, Tenant hereby assigns all amounts due to Tenant from any Transfer as security for performance of Tenant's obligations under this Lease, and Landlord as assignee of Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such amounts and apply it toward Tenant's obligations under this Lease, except that Tenant may collect such amounts unless a default occurs as described in Section 14 above. Landlord's collection of any amounts due from a Transfer shall not constitute an acceptance by Landlord of attornment by any subtenants, and upon Tenant's default Landlord shall have all rights provided by this Lease and applicable Laws, including without limitation terminating this Lease and any or all occupants' rights to possession of the Premises as Landlord shall determine in Landlord's sole and

absolute discretion. A termination of the Lease due to Tenant's default shall not automatically terminate a Transfer then in existence; rather at Landlord's election (1) such Transfer shall survive the Lease termination, (2) the transferee shall attorn to Landlord, and (3) Landlord shall undertake the obligations of Tenant under the transfer agreement; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the transferee, or for any acts or omissions of Tenant and Tenant's Agents.

G. Conveyance by Landlord:

In the event of any transfer by any person or entity comprising Landlord of such person's or entity's entire interest in this Lease, such person or entity (and in case of any subsequent transfer, the then transferor) shall be automatically freed and relieved from and after the date of such transfer of all liability for the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed; provided, however, that any funds in the hands of such person or entity or the then transferor at the time of such transfer, in which Tenant has an interest shall be turned over to the transferee and if the entire interest of Landlord is the subject of the transfer then any amount then due and payable to Tenant by Landlord or the then transferor under any provision of this Lease shall be paid to Tenant; and provided, further, that upon any such transfer, the transferee shall be deemed to have assumed, subject to the limitations of this Section 18 above all of the agreements, covenants and conditions in this Lease to be performed from and after the transfer on the part of Landlord, it being intended hereby that the covenants and obligations contained in this Lease to be performed on the part of Landlord shall, subject as aforesaid, be binding on each Landlord, its successors and assigns, only during its period of ownership.

H. Successors and Assigns:

Subject to the provisions this Section 18, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all parties hereto comprising Tenant shall be jointly and severally liable hereunder for the obligations of Tenant, and all parties hereto

comprising Landlord shall be jointly and severally liable hereunder for the obligations of Landlord.

I. Sublease Requirements:

With respect to any permitted sublet of the Premises by Tenant to an approved Subtenant (“**Subtenant**”), the sublet transaction shall be evidenced by a written sublease between Tenant and Subtenant (the “**Sublease**”). The Sublease shall comply with the following requirements: (i) The form of the Sublease and the terms and conditions thereof shall be subject to Landlord’s approval which shall not be withheld unreasonably; (ii) The Sublease shall provide that it is subject and subordinate to all of the terms and conditions of this Lease and that the Subtenant shall not do anything that would constitute a breach or default of Tenant’s obligations under this Lease; (iii) The Sublease shall provide that the Subtenant shall have no right to exercise any option or other right granted to Tenant in this Lease; (iv) The Sublease shall contain a waiver of subrogation against Landlord for any occurrence that would be covered under the property insurance policy that Tenant is required to or does carry under or with respect to this Lease and shall require Subtenant’s property insurance policies to acknowledge such waiver of subrogation; (v) The Sublease shall provide that all requirements of the Lease applicable to subleases shall be applicable to sub-subleases; (vi) The Sublease shall require Subtenant, acting through Tenant, to obtain Landlord’s prior written approval, to any alteration to the Premises to the same extent Tenant is required by this Lease to obtain such consent; (vii) The Sublease shall require Subtenant to send Landlord copies of any and all notices concerning the Premises that Subtenant is obligated to provide to Tenant and Tenant to send Landlord copies of any and all notices concerning the Premises that Tenant is obligated to provide to Subtenant; (viii) The Sublease shall provide that, at Landlord’s option, the Sublease shall not terminate in the event that this Lease terminates and shall require Subtenant to execute an attornment agreement if Landlord, in its sole and absolute discretion, shall elect to have the Sublease continue beyond the date of termination of this Lease as a direct lease between Landlord and the Subtenant (provided however that in no event shall Landlord be liable for any default under the Sublease occurring prior

to such attornment); and (ix) The Sublease shall require the Subtenant to agree that on receipt of notice from Landlord that Tenant has defaulted beyond any applicable notice and cure period expressly set forth in this Lease, Subtenant shall pay all sums due under the Sublease to Landlord, provided that such amounts shall be credited to amounts due from Tenant under this Lease.

19. OPTION TO EXTEND THE LEASE TERM:

A. Grant and Exercise of Option:

Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 19 two (2) options (each an “**Option**” and collectively the “**Options**”) to extend the Lease Term for an additional term (each an “**Option Term**”). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no earlier than fifteen (15) months prior to the date the Lease Term would expire but for such exercise but no later than twelve (12) months prior to the date the Lease Term would expire but for such exercise, time being of the essence for the giving of such notice. If Tenant exercises an Option, all of the terms, covenants and conditions of this Lease shall apply except for the grant of additional Options pursuant to this Section 19 , and except for improvement allowances, and provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, then Landlord shall have, in addition to all of Landlord’s other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 19.A. As used herein, the term “**Fair Market Rental**” is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises,

based upon the (i) current use and other potential uses of the Premises allowed under this Lease, as determined by the rents then obtainable for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Building and (ii) the credit standing and financial stature of the Tenant.

B. Determination of Fair Market Rental:

If Tenant exercises an Option, Landlord shall send Tenant a notice setting forth the Fair Market Rental for the Option Term within thirty (30) days following the date of exercise. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after delivery to Tenant of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 19.C below. If Tenant does not timely send Landlord a notice as provided in the previous sentence, it shall be deemed that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 19.C below. If Tenant elects to resolve the disagreement as provided in Section 19.C below and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as finally determined pursuant to Section 19.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and the actual Base Monthly Rent due as so determined in this Section 19 within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 19.C is less than Landlord's determination, the difference between the amount paid by Tenant and the actual Base Monthly Rent due as so determined pursuant to this Section 19 shall be credited against the next installments of Base Monthly Rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental:

Any disagreement regarding Fair Market Rental shall be resolved as follows: Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement. If within the 30-day consultation period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two (2) appraisals so submitted differ by less than five percent (5%) of the higher appraisal, the average of the two shall be deemed as Fair Market Rental. If the two (2) appraisals differ by five percent (5%) or more of the higher appraisal, the appraisers shall immediately select a third appraiser who shall, within thirty (30) days after this selection, make and submit to Landlord and Tenant a determination of Fair Market Rental. This third appraisal will then select one of the two (2) previous appraisals and the one selected shall be the Fair Market Rental. All appraisers specified pursuant to this Section 19.C shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant:

All Options provided to Tenant in this Lease are personal and granted solely to Extreme Networks, Inc., a Delaware corporation and any Permitted Transferee, so long as it is the tenant under this Lease, and are not exercisable by any other person or entity whether or not a Transfer has occurred unless Landlord consents to permit exercise of any Option by any assignee or

subtenant in Landlord's sole and absolute discretion. In the event Tenant has multiple options to extend this Lease, a later Option to extend the Lease cannot be exercised unless the prior Option has been properly exercised and the Option Term for that exercised prior Option has commenced. All Options provided to Tenant in this Lease shall terminate upon the expiration or sooner termination of this Lease and shall not apply during any holdover period.

20. GENERAL PROVISIONS:

A. Attorney's Fees:

In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees and costs incurred in connection with such proceeding, including the expense of expert witnesses, depositions and court testimony. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties:

If Tenant is a corporation, partnership or other entity, Tenant represents and warrants that Tenant is duly formed and in good standing, that each individual signing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant and to bind Tenant to this Lease in accordance with Tenant's governing documents, and that this Lease is binding upon Tenant in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form reasonably acceptable to Landlord, of the authorizations described in this Section 20.B. If Landlord is a corporation, partnership or other entity, Landlord represents and warrants that Landlord is duly formed and in good standing, that each individual signing this Lease on behalf of Landlord is duly authorized to execute and deliver

this Lease on behalf of Landlord and to bind Landlord to this Lease in accordance with Landlord's governing documents, and that this Lease is binding upon Landlord in accordance with its terms.

C. Brokers:

Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than CBRE, Inc. and Tenant agrees to indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) asserted by any other broker or finder claiming through Tenant or suffered or incurred by Landlord as the result of Tenant's breach of its representation in this paragraph above. Landlord shall pay to CBRE, Inc. a leasing commission for this Lease pursuant to a written agreement between Landlord and CBRE, Inc.

D. Choice of Law:

This Lease shall be governed by and construed in accordance with California law, without regard to choice of law principles. Venue for all court proceedings or alternative forms of dispute resolution proceedings shall be Santa Clara County, California.

E. ARBITRATION OF DISPUTES:

LANDLORD AND TENANT AND ANY OTHER PARTY THAT MAY BECOME A PARTY TO THIS LEASE OR BE DEEMED A PARTY TO THIS LEASE, AND THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS, AGREE THAT, EXCEPT FOR ANY CLAIM (I) FOR UNLAWFUL DETAINER, (II) FOR TENANT'S FAILURE TO PAY THE BASE MONTHLY RENT, OR (III) WITHIN THE JURISDICTION OF THE SMALL CLAIMS COURT (WHICH SMALL CLAIMS COURT SHALL BE THE SOLE COURT OF COMPETENT JURISDICTION FOR SUCH CLAIM WITHIN THE JURISDICTION OF THE SMALL CLAIMS COURT), ANY

CONTROVERSY, DISPUTE, OR CLAIM OF WHATEVER NATURE ARISING OUT OF, IN CONNECTION WITH OR IN RELATION TO THE INTERPRETATION, PERFORMANCE OR BREACH OF THIS LEASE, INCLUDING ANY CLAIM BASED ON CONTRACT, TORT, OR STATUTE, SHALL BE RESOLVED AT THE REQUEST OF ANY PARTY TO THIS LEASE, OR THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS, THROUGH DISPUTE RESOLUTION PROCESS ADMINISTERED BY J.A.M.S., OR IF J.A.M.S. NO LONGER EXISTS THEN THROUGH SUCH OTHER DISPUTE RESOLUTION SERVICE REASONABLY SELECTED BY LANDLORD, OR IF THE PARTIES AGREE TO ANOTHER DISPUTE RESOLUTION SERVICE THEN PURSUANT TO SUCH OTHER DISPUTE RESOLUTION SERVICE MUTUALLY ACCEPTABLE TO THE PARTIES, LOCATED IN SANTA CLARA COUNTY, CALIFORNIA. THE DISPUTE RESOLUTION PROCESS SHALL CONSIST OF A FINAL AND BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR OTHER DISPUTE RESOLUTION SERVICE SELECTED, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET. SEQ, AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUESTS FOR ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE

“ARBITRATION OF DISPUTES” PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE “ARBITRATION OF DISPUTES” PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE “ARBITRATION OF DISPUTES” PROVISION TO NEUTRAL ARBITRATION.

Landlord: /s/JMS Tenant: /s/DD

F. Entire Agreement: /s/KM

This Lease and the exhibits attached hereto contain all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord:

Upon not less than twenty four (24) hours’ prior notice to Tenant (except in case of emergency, where no prior notice shall be required) and subject to Tenant’s reasonable security regulations, Tenant shall permit Landlord

and Landlord's agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises that are allowed or that are Landlord's responsibility under this Lease; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non responsibility for any construction, alteration or repair thereof, as required or permitted by any Law, and (vi) placing "For Sale" signs, and showing the Premises to Landlord's existing or potential successors, purchasers and lenders. Tenant shall permit Landlord and Landlord's agents, at any time within twelve (12) months prior to the Expiration Date (or at any time during the Lease Term that Tenant is in default hereunder beyond any applicable notice and cure period expressly set forth in this Lease), to place upon the Premises "For Lease" signs, and exhibit the Premises to real estate brokers and prospective tenants at reasonable hours. At any time when Tenant does not rent all rentable space in the Project, and at any time within twelve (12) months prior to the Expiration Date (or at any time during the Lease Term that Tenant is in default hereunder beyond any applicable notice and cure period expressly set forth in this Lease) if Tenant does rent all rentable space in the Project, Landlord shall have the right to place "For Lease" signs within the exterior Common Area.

H. Estoppel Certificates:

At any time during the Lease Term, Tenant shall, within ten (10) business days following written notice from Landlord, execute and deliver to Landlord a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on Landlord's

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K. Modifications Required by Lender:

If any lender of Landlord that has a security interest in the Premises or ground lessor of the Premises requires a modification of this Lease that will not increase Tenant's cost or expense or materially and adversely change Tenant's rights and obligations, this Lease shall be so modified and Tenant shall execute whatever reasonable documents are required and deliver them to Landlord within ten (10) business days after the request.

L. No Presumption Against Drafter:

Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. Notices:

part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Landlord may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Landlord's interest in the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that this Lease is in full force and effect without modification, except as may be represented by Landlord, and that there are no uncured defaults in Landlord's performance. Tenant agrees to provide, within ten (10) business days after Landlord's request, Tenant's most recent annual audited financial statements for Landlord's use in financing or sale of the Premises or Landlord's interest therein, except that as to any period during which Tenant is a publicly traded company, Tenant shall not be required to provide such audited financial statements if such audited financial statements are otherwise publicly available.

I. Exhibits:

All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest:

All rent due hereunder, if not paid within five (5) days of when due, shall bear interest at the Agreed Interest Rate. This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late charges) shall be considered to the extent permitted by Laws to be an expense, fee or premium rather than interest.

Exhibit 10.6

Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of three percent (3%) of the Base Monthly Rent.

O. Rent:

All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as "additional rent", shall be deemed as rent.

P. Representations:

Except for the provisions of this Lease, Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or Project or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies:

All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, by nationally recognized overnight courier, or by personal delivery addressed to the party to be notified at the address for such party specified in Section 1 above of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party; provided that such other address shall not be a P.O. Box or other address to which personal service or overnight courier delivery cannot be effectuated. When this Lease requires service of a notice, that notice shall be deemed to constitute and satisfy the requirements of any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure Section 1161 or any similar or successor statute.

N. Property Management:

In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by

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T. Subordination:

This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively “**Encumbrances**”) which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance (“**Holder**”) require that this Lease be prior and superior thereto, within ten (10) business days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in commercially reasonable form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that with respect to Encumbrances created after the Effective Date, in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant’s rights under this Lease as long as Tenant is not then in default and continues to pay Base Monthly Rent and additional rent and observes and performs all required provisions of this Lease. Within ten (10) business days after Landlord’s written request, Tenant shall execute any commercially reasonable documents required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section 20.T, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such Encumbrance. Landlord shall use commercially

Subject to Section 14 above, all rights and remedies hereunder are cumulative and not alternative to the extent permitted by Laws, and are in addition to all other rights and remedies in law and in equity.

R. Severability:

If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease:

Submission of this document for examination or signature by the Parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

Exhibit 10.6

reasonable efforts to obtain, not later than sixty (60) days after the Effective Date, from the Holder of the deed of trust encumbering the Premises as of the Effective Date (if any), an executed commercially reasonable recognition and non-disturbance agreement (which may also provide for subordination as provided in this Section 20.T above) which (i) provides that this Lease shall not be terminated so long as Tenant is not in default under this Lease beyond applicable notice and cure periods expressly set forth in this Lease, and (ii) so long as the Lease remains in full force and effect, recognizes all of Tenant’s rights under the Lease and requires such Holder to be bound by Landlord’s obligations under this Lease to the extent such obligations accrue during the period of the deed of trust Holder’s fee ownership of the Premises, subject however to commercially reasonable exclusions (such as, without limitation, Landlord’s obligation relating to the Work Allowance), and containing other commercially reasonable provisions requested by such Holder.

U. Survival of Indemnities:

All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time:

Time is of the essence hereunder.

W. Transportation Demand Management Programs:

If a government agency or municipality requires Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required specifically on the Premises (as opposed to for the Project generally) including but not limited to employee showers, lockers, cafeteria, or lunchroom facilities, shall be paid by Tenant to Landlord within thirty (30) days after demand. Further, any ongoing costs or expenses associated with a TDM program imposed on Landlord by a governmental agency or municipality which are required specifically for the Premises (as opposed to for the Project generally) shall be paid by

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Tenant to Landlord by Tenant within thirty (30) days after demand. If TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay Tenant's Allocable Share of such costs in accordance with Section 9 above. In addition, Tenant shall fully comply with, and cooperate with Landlord in the implementation and management of, all present and future TDM and other programs required by a governmental authority applicable to the Project intended to manage parking, transportation or traffic.

electronically created and/or telecopied or electronically transmitted signature and initials and shall accept the electronically created and/or telecopied or electronically transmitted signature and initials of the other party to this Lease. All agreements by Tenant contained in this Lease, whether expressed as covenants or conditions, shall be construed to be both covenants and conditions, conferring upon Landlord, in the event of a breach thereof, the right to terminate this Lease.

X. Waiver of Right to Jury Trial:

To the extent then authorized by Laws as of the time of any actual litigation between them and to the extent not already encompassed within the various agreements to arbitrate otherwise contained herein, and as an alternative to arbitration should arbitration for any reason not be enforced, to the fullest extent allowed by Laws, Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

Y. General:

The captions and section headings of this Lease are for convenience of reference only, and shall not be used to limit, extend or interpret the meaning of any part of this Lease. This Lease may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signatures and initials to this Lease created by the signer by electronic means and/or transmitted by telecopy or other electronic transmission shall be valid and effective to bind such signing party. Each party agrees to promptly deliver an execution original to this Lease with its actual signature and initials to the other party, but a failure to do so shall not affect the enforceability of this Lease, it being expressly agreed that each party to this Lease shall be bound by its own

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year set forth below.

Landlord:

SI 33, LLC,
a California limited liability company

By:SI 25, LLC,
a California limited liability company
Its:Sole Member

By:Sobrato Interests 2,
a California limited partnership
Its:Sole Member

By:Sobrato Development Companies, LLC, a
California limited liability company
Its:General Partner

By:/s/John Michael Sobrato
John Michael Sobrato
Its:Manager

Dated:November 8, 2017

Tenant:

EXTREME NETWORKS, INC.,
a Delaware corporation

By:/s/Drew Davies
Its:Chief Financial Officer
Dated:November 8, 2017

By:/s/Katy Motiey
Its:Chief Financial Officer
Dated:November 8, 2017

**EXHIBIT "A" – Project Site Plan
(Attached)**

SECTION 302 CERTIFICATION OF EDWARD B. MEYERCORD III
AS CHIEF EXECUTIVE OFFICER

I, Edward B. Meyercord III, certify that:

1. I have reviewed this Form 10-Q of Extreme Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2018

/s/ EDWARD B. MEYERCORD III
Edward B. Meyercord III
President and Chief Executive Officer

SECTION 302 CERTIFICATION OF B. DREW DAVIES
AS CHIEF FINANCIAL OFFICER

I, B. Drew Davies, certify that:

1. I have reviewed this Form 10-Q of Extreme Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2018

/s/ B. DREW DAVIES

B. Drew Davies

Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATION OF EDWARD B. MEYERCORD III AS CHIEF EXECUTIVE OFFICER, PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Extreme Networks, Inc. on Form 10-Q for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date specified below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2018

/s/ EDWARD B. MEYERCORD III

Edward B. Meyercord III
President and Chief Executive Officer

CERTIFICATION OF B. DREW DAVIES AS CHIEF FINANCIAL OFFICER, PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Extreme Networks, Inc. on Form 10-Q for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date specified below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2018

/s/ B. DREW DAVIES

B. Drew Davies

Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)