

EXTREME NETWORKS INC

FORM 8-K (Current report filing)

Filed 10/03/17 for the Period Ending 10/03/17

Address	6480 VIA DEL ORO SAN JOSE, CA, 95119
Telephone	408-579-2800
CIK	0001078271
Symbol	EXTR
SIC Code	3576 - Computer Communications Equipment
Industry	Communications & Networking
Sector	Technology
Fiscal Year	06/30

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 8-K

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

Date of report (date of earliest event reported): October 3, 2017

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

Delaware
(State or other jurisdiction
of incorporation)

000-25711
(Commission
File No.)

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

6480 Via Del Oro
San Jose, California 95119
(Address of principal executive offices)

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On October 3, 2017, Extreme Networks, Inc., a Delaware corporation (the “Company”), entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Brocade Communication Systems, Inc., a Delaware corporation (“Brocade”), to purchase the data center switching, routing and analytics business (the “Business”) of Brocade and its subsidiaries. Upon the terms and subject to the conditions of the Purchase Agreement, the Company will acquire customers, employees, technology and other assets of the Business, as well as assume certain contracts and other liabilities of the Business, for an upfront closing cash payment equal to \$23 million (inclusive of \$13 million representing target working capital, which is subject to a post-closing true-up adjustment based on the finally determined amount of working capital), plus a deferred payment equal to \$20 million to be paid in installments of \$1 million per quarter for the next 20 full fiscal quarters of the Company following the closing date of the transaction (the “Closing,” and such date, the “Closing Date”) plus quarterly earnout payments equal to 50% of profits of the Business for the five-year period commencing at the end of the first full fiscal quarter of the Company following the Closing Date. Pursuant to certain ancillary agreements, Brocade will also provide the Company with access to certain technology related to the Business, as well as transition services for a period of time following the Closing. The acquisition will include the rights to have manufactured and sold Brocade’s current SLX based solutions product portfolio.

The Closing is subject to customary closing conditions, including, among other matters, (i) the absence of any law or governmental order prohibiting or preventing the consummation of the transactions contemplated by the Purchase Agreement, (ii) the accuracy of the representations and warranties and compliance with the covenants set forth in the Purchase Agreement, each in all material respects, and (iii) the absence of any material adverse effect on the Business.

The Purchase Agreement includes customary representations, warranties and covenants. Certain covenants require each of the parties to use reasonable best efforts to cause the Closing to be consummated. Subject to certain exceptions and limitations, each party has agreed to indemnify the other for breaches of representations, warranties, covenants and other specified matters.

The representations and warranties in the Purchase Agreement are the product of negotiations among the parties to the Purchase Agreement and are made to, and solely for the benefit of, the party to whom such representations and warranties are made. Such representations and warranties may have been made for the purpose of allocating contractual risk between the parties to the Purchase Agreement instead of establishing these matters as facts, may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors, and may not be relied upon by any other person.

Either party may terminate the Purchase Agreement if the Closing has not occurred by December 29, 2017. The Purchase Agreement is subject to certain other customary provisions permitting termination by the parties. There is no financing condition to the Closing.

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, to be attached as an exhibit to a subsequent report to be filed by the Company pursuant to the Exchange Act.

Item 1.02 Termination of a Material Definitive Agreement.

On October 3, 2017, the Company, LSI Corporation, a Delaware corporation (“LSI”), and Broadcom Corporation, a Delaware corporation (“Broadcom”), entered into a consent agreement (the “Consent Agreement”) whereby (i) the parties agreed to terminate that certain Asset Purchase Agreement, dated as of March 29, 2017, by and among LSI, the Company and, solely for the purposes set forth therein, Broadcom (the “Prior Asset Purchase Agreement”), and (ii) Broadcom consented to the execution of the Purchase Agreement, dated as of October 2, 2017, by and between Brocade and the Company. As consideration for this consent, the Company will pay Broadcom \$25 million, to be paid upon consummation of the Purchase Agreement.

The Purchase Agreement contemplates the purchase of the Business directly from Brocade and does not impact the Company’s strategic partnership with Broadcom, which will continue uninterrupted.

The foregoing description of the Consent Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Consent Agreement, a copy of which is attached hereto as Exhibit 10.1 and is incorporated by reference herein.

Forward-Looking Statements

Certain statements in this communication that are not historical are “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon management’s current beliefs and expectations and are subject to uncertainty and changes in circumstances and contain words such as: “believe,” “intended,” “expect,” and “anticipate” and include statements about expectations for future results. Examples of forward-looking statements include, among others,

statements regarding closing conditions necessary for closing the transaction being satisfied. Such forward-looking statements are subject to risks, uncertainties, and other factors, including a downturn in the economy, the risk that the acquisition may not be completed, the risk that the Company may not realize the anticipated benefits of the acquisition, the risk that the Company may not retain customer relationships and other risks associated with the transaction, such as the ability to successfully integrate the acquired technologies or operations, the potential for unexpected liabilities, the Company's ability to retain key employees, failure to meet closing terms and conditions for the transaction, the reaction to the transaction of customers, employees and counterparties, or difficulties related to the transition of services, as well as additional risks and uncertainties contained in the "Risk Factors" and forward-looking statements disclosure contained in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, any or all of which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, the Company can give no assurance that the results contemplated in the forward-looking statements will be realized. The inclusion of this forward-looking information should not be construed as a representation by the Company or any person that future events, plans, or expectations contemplated by the Company will be achieved. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information or future developments.

Item 7.01 Regulation FD Disclosure.

On October 3, 2017, the Company issued a press release announcing that they had entered into the Purchase Agreement. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	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.
99.1	Press Release, dated October 3, 2017.

SIGNATURES

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

Date: October 3, 2017

EXTREME NETWORKS, INC.

/s/ Katy Motiey

Name: Katy Motiey

Title: Executive Vice President, Chief Administrative Officer –
HR, General Counsel and Corporate Secretary

CONSENT AGREEMENT

This CONSENT AGREEMENT (this “Consent”) refers to that certain Asset Purchase Agreement (the “Purchase Agreement”), dated as of March 29, 2017, by and among LSI Corporation, a Delaware corporation (“LSI”), Extreme Networks, Inc., a Delaware corporation (“Extreme”), and solely for purposes of Section 9.2 thereof, Broadcom Corporation, a California corporation (“Broadcom”). This Consent is made and entered into as of October 3, 2017, by and among LSI, Extreme and Broadcom (collectively, the “Parties”). Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Purchase Agreement.

The Parties, intending to be legally bound, hereby agree that, pursuant to the terms and subject to the conditions set forth in this Consent:

1. The Purchase Agreement is hereby terminated, effective upon the execution of the separate asset purchase agreement (the “Separate Sale Agreement”), between Extreme and Brocade Communications Systems, Inc., a Delaware corporation (“Brocade”), for the sale of the Business to Extreme.
2. Each of the Parties hereby irrevocably releases, waives and forever discharges any and all obligations under the Purchase Agreement (the “Release”), which Release shall be effective upon the execution of the Separate Sale Agreement.
3. Broadcom hereby irrevocably consents to the execution by Brocade of the Separate Sale Agreement.
4. In consideration of the forgoing, Extreme shall pay or cause to be paid to Broadcom an amount in cash equal to \$25,000,000 (the “Consent Payment”), which Consent Payment shall be contingent upon, and paid upon, the closing of the transaction(s) contemplated by the Separate Sale Agreement

[*Signature Page Follows*]

The Parties are signing this Consent on the date stated in the introductory clause.

LSI CORPORATION

By: /s/ Thomas H. Krause, Jr.

Name: Thomas H. Krause, Jr.

Title: President

EXTREME NETWORKS, INC.

By: /s/ Katy Motiey

Name: Katy Motiey

Title: Executive Vice President, Chief Administrative Officer
– HR, General Counsel and Corporate Secretary

BROADCOM CORPORATION

By: /s/ Thomas H. Krause, Jr.

Name: Thomas H. Krause, Jr.

Title: Chief Financial Officer



Extreme Networks to Acquire Data Center Business Directly from Brocade Communications Systems

Transaction Expected To Close Within 30 Days

SAN JOSE, Calif., October 3, 2017 – Extreme Networks, Inc. (NASDAQ: EXTR) today announced that it has signed an asset purchase agreement with Brocade Communications Systems, Inc. (NASDAQ: BRCD) to purchase the company’s Switching, Routing and Analytics (SRA) data center business for substantially the same terms as the previously announced agreement between Extreme and Broadcom. The transaction is expected to close within 30 days and is subject to the satisfaction or waiver of customary closing conditions.

“We expect this agreement directly with Brocade to accelerate our ability to close our acquisition of the data center business,” said Ed Meyercord, President and CEO of Extreme Networks. “This is a very positive development for all stakeholders, but especially for customers, partners and employees of Brocade’s data center networking business. Given all of the work that has gone into our business integration planning and our proposed product roadmap, Extreme is now poised to bring this deal over the finish line.”

The acquisition of Brocade’s data center networking business will strengthen Extreme’s position in the networking market and expands the company’s state-of-the-art portfolio of data center, core, campus and edge networking solutions. As part of the transaction, Extreme will acquire customers, personnel and technology assets from Brocade, further solidifying Extreme as a top solution provider for enterprises in its target verticals of education, hospitality, healthcare, retail, transportation and logistics, manufacturing and government.

“We are pleased to move forward with an agreement to directly divest our data center networking business to Extreme,” said Lloyd Carney, CEO of Brocade. “We believe this decision will position the business for continued success, and is in the best interests of our shareholders, customers, partners and employees aligned with the business. Extreme’s complementary portfolio of products, coupled with its planned continued investment into our roadmap and its commitment to continued support of our products, make it a great fit for our business and a positive outcome for our stakeholders.”

Purchasing the data center networking asset directly from Brocade does not impact Extreme’s strategic partnership with Broadcom, which will continue uninterrupted. Extreme continues to anticipate the transaction will be accretive to cash flow and earnings for its fiscal year 2018, which began on July 1, and expects to generate over \$230 million in annualized revenue from the acquired assets.

Additional Resources

- Extreme [Acquisitions & Integrations Page](#)
- Extreme [Brocade SRA Acquisition Announcement](#)

Forward Looking Statements

Except for the historical information contained herein, the statements in this release, including those concerning Extreme's acquisition of the Brocade assets, its business outlook, future financial and operating results, and overall future prospects are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements speak only as of the date of this release. Actual results or events could differ materially from those anticipated in those forward-looking statements as a result of certain factors, including: our ability to successfully close on and integrate the Brocade networking business into the current Extreme business; failure to achieve targeted revenues and forecasted demand from end customers; a highly competitive business environment for network switching equipment; 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; and a dependency on third parties for certain components and for the manufacturing of our products.

More information about potential factors that could affect Extreme's business and financial results is included in Extreme's filings with the U.S. Securities and Exchange Commission, including, without limitation, under the captions: "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors." Except as required under the U.S. federal securities laws and the rules and regulations of the U.S. Securities and Exchange Commission, Extreme Networks disclaims any obligation to update any forward-looking statements after the date of this release, whether as a result of new information, future events, developments, changes in assumptions or otherwise.

About Extreme Networks

Extreme Networks, Inc. ([EXTR](#)) delivers software-driven networking solutions that help IT departments everywhere deliver the ultimate business outcome: stronger connections with customers, partners and employees. Wired to wireless, desktop to data center, on premise or through the cloud, we go to extreme measures for our customers in more than 80 countries, delivering 100% insourced call-in technical support to organizations large and small, including some of the world's leading names in business, hospitality, retail, transportation and logistics, education, government, healthcare and manufacturing. Founded in 1996, Extreme is headquartered in San Jose, California. For more information, visit Extreme's [website](#) or call 1-888-257-3000.

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