EXTREME NETWORKS INC

FORM 10-Q
(Quarterly Report)

Filed 05/04/17 for the Period Ending 03/31/17

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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 March 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	**77-0430270**
[State or other jurisdiction of incorporation or organization]	**[I.R.S Employer Identification No.]**
6480 Via Del Oro, San Jose, California	**95119**
[Address of principal executive office]	**[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	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

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 April 28, 2017, was 110,166,838

EXTREME NETWORKS, INC.

FORM 10-Q
QUARTERLY PERIOD ENDED

INDEX

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)
(Unaudited)

	March 31, 2017	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 117,280	$ 94,122
Accounts receivable, net of allowances of $2,160 at March 31, 2017 and $3,257 at June 30, 2016	101,960	81,419
Inventories	47,689	40,989
Prepaid expenses and other current assets	25,343	12,438
Total current assets	292,272	228,968
Property and equipment, net	30,409	29,580
Intangible assets, net	27,766	19,762
Goodwill	82,680	70,877
Other assets	23,454	25,236
Total assets	$ 456,581	$ 374,423
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 11,149	$ 17,628
Accounts payable	35,629	30,711
Accrued compensation and benefits	28,170	27,145
Accrued warranty	10,030	9,600
Deferred revenue, net	78,918	72,934
Deferred distributors revenue, net of cost of sales to distributors	44,258	26,817
Other accrued liabilities	37,062	26,691
Total current liabilities	245,216	211,526
Deferred revenue, less current portion	23,856	21,926
Long-term debt, less current portion	83,775	37,446
Deferred income taxes	6,140	4,693
Other long-term liabilities	9,808	8,635
Commitments and contingencies (Note 9)	—	—
Stockholders' equity:		
Convertible preferred stock, $.001 par value, issuable in series, 2,000,000 shares authorized; none issued	—	—
Common stock, $.001 par value, 750,000,000 shares authorized; 109,997,087 shares issued and outstanding at March 31, 2017 and 104,942,665 shares issued and outstanding at June 30, 2016	110	105
Additional paid-in-capital	903,209	884,706
Accumulated other comprehensive loss	(3,099)	(2,874)
Accumulated deficit	(812,434)	(791,740)
Total stockholders' equity	87,786	90,197
Total liabilities and stockholders' equity	$ 456,581	$ 374,423

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		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Net revenues:				
Product	$ 110,789	$ 92,711	$ 310,709	$ 289,447
Service	37,875	32,175	108,708	99,325
Total net revenues	148,664	124,886	419,417	388,772
Cost of revenues:				
Product	52,401	50,240	155,987	154,277
Service	14,117	11,926	40,684	36,382
Total cost of revenues	66,518	62,166	196,671	190,659
Gross profit:				
Product	58,388	42,471	154,722	135,170
Service	23,758	20,249	68,024	62,943
Total gross profit	82,146	62,720	222,746	198,113
Operating expenses:				
Research and development	24,691	18,852	67,003	59,836
Sales and marketing	38,759	38,322	116,824	111,442
General and administrative	9,612	8,957	27,296	27,896
Acquisition and integration costs	3,418	—	9,908	1,157
Restructuring and related charges, net of reversals	7,719	1,358	9,572	9,992
Amortization of intangibles	1,193	4,142	7,510	12,860
Total operating expenses	85,392	71,631	238,113	223,183
Operating loss	(3,246)	(8,911)	(15,367)	(25,070)
Interest income	236	28	374	84
Interest expense	(1,177)	(769)	(3,000)	(2,404)
Other income (loss)	(251)	(266)	551	813
Loss before income taxes	(4,438)	(9,918)	(17,442)	(26,577)
Provision for income taxes	1,166	866	3,252	2,967
Net loss	$ (5,604)	$ (10,784)	$ (20,694)	$ (29,544)
Basic and diluted net loss per share:				
Net loss per share - basic	$ (0.05)	$ (0.10)	$ (0.19)	$ (0.29)
Net loss per share - diluted	$ (0.05)	$ (0.10)	$ (0.19)	$ (0.29)
Shares used in per share calculation - basic	109,213	104,104	107,531	102,486
Shares used in per share calculation - diluted	109,213	104,104	107,531	102,486

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Net loss:	$ (5,604)	$ (10,784)	$ (20,694)	$ (29,544)
Other comprehensive gain (loss), net of tax:				
Net change in foreign currency translation adjustments	749	299	(225)	(986)
Other comprehensive gain (loss), net of tax:	749	299	(225)	(986)
Total comprehensive loss	$ (4,855)	$ (10,485)	$ (20,919)	$ (30,530)

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Nine Months Ended	
	March 31, 2017	March 31, 2016
Cash flows from operating activities:		
Net loss	$ (20,694)	$ (29,544)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	7,716	8,204
Amortization of intangible assets	13,781	24,707
Provision for doubtful accounts and allowance for product returns	21	848
Stock-based compensation	9,328	12,120
Non-cash restructuring and related charges	2,578	4,463
Other non-cash charges	1,964	529
Changes in operating assets and liabilities, net		
Accounts receivable	(5,926)	26,894
Inventories	6,344	5,259
Prepaid expenses and other assets	8,181	1,896
Accounts payable	4,907	(19,520)
Accrued compensation and benefits	(1,322)	(2,275)
Deferred revenue	(6,245)	(843)
Deferred distributor revenue, net of cost of sales to distributors	17,441	(14,618)
Other current and long term liabilities	5,887	793
Net cash provided by operating activities	43,961	18,913
Cash flows from investing activities:		
Capital expenditures	(7,832)	(2,797)
Acquisition	(51,088)	—
Deposit related to future acquisition	(10,239)	—
Net cash used in investing activities	(69,159)	(2,797)
Cash flows from financing activities:		
Borrowings under Revolving Facility	—	15,000
Borrowings under Term Loan	48,250	—
Loan fees on borrowings	(1,327)	—
Repayment of debt	(7,775)	(23,125)
Proceeds from issuance of common stock	9,180	4,460
Net cash provided by (used in) financing activities	48,328	(3,665)
Foreign currency effect on cash	28	(342)
Net increase in cash and cash equivalents	23,158	12,109
Cash and cash equivalents at beginning of period	94,122	76,225
Cash and cash equivalents at end of period	$ 117,280	$ 88,334

See accompanying notes to the 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, 2016 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, 2016.

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 March 31, 2017 The results of operations for the three and nine months ended March 31, 2017 are not necessarily indicative of the results that may be expected for fiscal 2017 or any future periods.

Fiscal Year

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

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.

2. Business Combinations

On October 28, 2016 (the “Acquisition Date”), the Company completed the acquisition of Zebra Technologies Corporation’s (“Zebra”) wireless LAN assets (the “WLAN Business”). Under the terms of the purchase agreement, the Company acquired customers, employees, technology and other assets as well as assumed certain contracts and other liabilities of the WLAN Business, for cash consideration of $51.1 million. The purchase price consideration is provisional as it is still pending finalization of post close adjustments as defined in the purchase agreement. All accounts noted above are “preliminary” to the table below as all accounts are open.

The acquisition has been accounted for using the acquisition method of accounting. The provisional purchase price has been allocated on a preliminary basis to tangible and intangible assets acquired and liabilities assumed. The final purchase price allocation is pending the fin alization of valuations, which may result in an adjustment to the preliminary purchase price allocation. Also, additional information which existed as of the acquisition date, but was unknown to the Company at that time, may become known to the Company dur ing the remainder of the measurement period (up to one year from the acquisition date), and may result in a change in the purchase price allocation. While management believes that its preliminary estimates and assumptions underlying the valuations are rea sonable, different estimates and assumptions could result in different valuations assigned to the individual assets acquired and liabilities assumed, and the resulting amount of goodwill.

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

	Preliminary Allocation as of December 31, 2016	Change during three months ended March 31, 2017		Preliminary Allocation as of March 31, 2017
Receivables/net	$ 17,818	$ (3,182)	(a)	$ 14,636
Inventory	12,408	635	(b)	13,043
Other current assets	808	—		808
Property and equipment	1,780	1,379	(c)	3,159
Identifiable intangible assets	20,500	100	(d)	20,600
In-process research and development	1,600	—		1,600
Other assets	7,634	—		7,634
Goodwill	9,836	1,967		11,803
Current liabilities	(7,763)	(273)	(f)	(8,036)
Deferred revenue	(13,533)	(626)	(g)	(14,159)
Total purchase price allocation	$ 51,088	$ -		$ 51,088

The estimated purchase price has been allocated based on the preliminary estimates of the fair value of assets acquired and liabilities assumed as of the acquisition date. The fair value of working capital related items, such as other current assets and accrued liabilities, approximated their book values at the date of acquisition. Inventories were valued at fair value using the net realizable value approach. The fair value of property and equipment was determined using a cost approach. Valuations of the intangible assets were valued using income approaches based on projections provided by management, which we consider to be Level 3 inputs. The 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 changes during the period in the table above is as follows: a) information on accounts receivable and related reserves of matters that existed as of the acquisition date; b) additional receipts of products; c) additional fixed assets acquired in India; d) revised net realizable value based on usefulness of asset; e) additional employee benefits assumed; f) additional maintenance contracts.

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

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

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” on the condensed consolidated statement of operations. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of the WLAN Business. The Company anticipates both the goodwill and intangible assets to be fully deductible for tax purposes.

The Company also has an indefinite lived asset of $1.6 million which represents the fair value of in-process research and development activities. Once the related research and development efforts are completed, the Company will determine whether the asset will continue to be an indefinite lived asset or become a finite lived asset and apply the appropriate accounting accordingly.

The results of operations of the WLAN Business are included in the consolidated results of operations beginning October 28, 2016. The Company incurred $7.6 million acquisition-related expenses of which $1.1 million was incurred in the three months ended March 31, 2017. Such acquisition-related costs are included in "Acquisition and integration costs" on the condensed consolidated statement 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.

Pro forma f inancial information

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

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

The unaudited pro forma financial information for the three months ended March 31, 2017, are the results for Extreme for the three months ended March 31, 2017.

The unaudited pro forma financial information for the three months ended March 31, 2016, combines the historical results for Extreme for that period, with the historical results of the WLAN Business for the same period.

The unaudited pro forma financial information for the nine months ended March 31, 2017 combines the results for Extreme for the nine months ended March 31, 2017, which include the results of the WLAN Business subsequent to the acquisition date, and the historical results of the WLAN Business for the three months ended September 30, 2016 and the month ended October 28, 2016.

The unaudited pro forma financial information for the nine months ended March 31, 2016, combines the historical results for Extreme for those periods, with the historical results of the WLAN Business for the nine months ended March 31, 2016.

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

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Net revenues	$ 148,664	$ 157,798	$ 462,689	$ 488,462
Net income (loss)	$ (2,774)	$ (17,833)	$ (7,560)	$ (59,341)
Net earnings (loss) per share - basic	$ (0.03)	$ (0.17)	$ (0.07)	$ (0.58)
Net earnings (loss) per share - diluted	$ (0.03)	$ (0.17)	$ (0.07)	$ (0.58)
Shares used in per share calculation - basic	109,213	104,104	107,531	102,486
Shares used in per share calculation - diluted	109,213	104,104	107,531	102,486

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, 2016. Except for the following policy, there have been no material changes to the Company's significant accounting policies since the filing of the Annual Report on Form 10-K.

Business Combinations

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

4. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, *Compensation – Stock Compensation* ("ASU 2016-09") which identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The Company early adopted this standard beginning with its fiscal year 2017. The impact of the adoption had the following impacts:

- In recording share-based compensation expense, the standard allows companies to make a policy election as to whether they will include an estimate of awards expected to be forfeited or whether they will account for forfeitures as they occur. The Company has elected to not include an estimated forfeiture rate in the computation of its share-based compensation expense. This election did not have a material impact on the Company's condensed consolidated financial statements and accordingly no adjustment was made to beginning accumulated deficit to apply the modified retrospective method.
- The standard requires that employee taxes paid when an employer withholds shares for tax-withholding purposes be reported as financing activities in the consolidated statements of cash flows. Previously, the Company included these cash flows in financing activities and therefore the adoption of this provision had no impact.
- The new standard requires that the tax effects of share-based compensation be recognized in the income tax provision. Previously, these amounts were recognized in additional paid-in capital. Given the full valuation allowance against the US deferred tax assets, there will be no impact to the effective tax rate until such time as the valuation allowance may be reversed.
- The standard also requires previously unrecognized excess tax benefits to be recognized on a modified retrospective basis. Unrecognized tax benefits result when a deduction for stock based compensation does not actually reduce taxes payable. The Company has recorded $13.5 million and $0.9 million of previously unrecorded deferred tax assets for federal and state net operating losses, respectively, with a corresponding increase to the valuation allowance pursuant to the evidence discussed in Note 9. The cumulative net impact to accumulated deficit of early adoption of this provision was therefore zero.
- ASU 2016-09 also requires excess tax benefits to be presented as an operating activity on the statement of cash flows rather than as a financing activity on either a retrospective or prospective basis. The Company has elected to apply this provision of the standard on a prospective basis.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 requires retrospective adoption and will be effective for annual and interim periods in fiscal years beginning after December 15, 2015. This guidance became effective for the Company beginning with its fiscal year 2017.

In connection with the Company's adoption of ASU 2015-03 in fiscal 2017, all debt issuance costs have been presented, with the exception of those related to the revolving credit facility, as a reduction of the carrying amount of the related debt liability. The previously reported balances in the Company's June 30, 2016 Form 10-K for debt issuance costs listed in "Other assets" have been reclassified to "Current portion of long-term debt" in the amount of $0.2 million and "Long-term debt, less current portion" in the amount of $0.2 million to conform to the December 31, 2016 presentation.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue Recognition - Revenue from Contracts with Customers (Topic 606), which will replace substantially all current revenue recognition guidance once it becomes effective. The new standard provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers unless the contracts are in the scope of other standards. The new standard is less prescriptive and may require software entities to use more judgment and estimates in the revenue recognition process than are required under existing revenue guidance. Since ASU 2014-09 was issued, several additional ASUs have been issued and incorporated within ASC 606 to clarify various elements of the guidance. In August 2015, the FASB issued ASU 2015-14 which amended the effective date of this ASU to fiscal years beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016.

The new revenue standard may be applied using either of the following transition methods: (1) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (2) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). The Company plans to adopt the standard in the first quarter of fiscal 2018 and preliminarily expects to use the full retrospective method. However, the Company is continuing to evaluate the impact of the standard, and our adoption method is subject to change. The Company expects that the adoption of this guidance will have a material impact on its financial statements, specifically related to the timing of revenue recognition for sales through our distributors. The Company is continuing to assess all other potential impacts of the standard, including the pattern with which the Company recognizes revenue.

5. Balance Sheet Accounts

Cash and Cash Equivalents

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

	March 31, 2017	June 30, 2016
Cash	$ 112,996	$ 89,847
Cash equivalents	4,284	4,275
Total cash and cash equivalents	$ 117,280	$ 94,122

The Company considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Investments with original maturities of greater than three months, but less than one year at the balance sheet date are classified as short-term investments.

Inventory

The Company values its inventory at lower of cost or market. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. The Company has established inventory allowances primarily determined by the age 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.

Inventory consists of the following (in thousands):

	March 31, 2017	June 30, 2016
Finished goods	$ 46,658	$ 38,751
Raw materials	1,031	2,238
Total Inventory	$ 47,689	$ 40,989

Property and Equipment, Net

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

	March 31, 2017	June 30, 2016
Computer equipment	$ 36,372	$ 34,657
Purchased software	11,099	5,574
Office equipment, furniture and fixtures	11,099	10,385
Leasehold improvements	22,505	19,342
Total property and equipment	81,075	69,958
Less: accumulated depreciation and amortization	(50,666)	(40,378)
Property and equipment, net	$ 30,409	$ 29,580

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
March 31, 2017				
Developed technology	5.52 years	$ 55,600	$ 42,056	$ 13,544
Customer relationships	3.59 years	40,400	37,354	3,046
Maintenance contracts	1.59 years	17,000	11,617	5,383
Trademarks	4.59 years	5,100	2,717	2,383
License agreements	6.60 years	2,445	1,052	1,393
Other intangibles	2.90 years	1,382	965	417
Total intangibles, net with finite lives		121,927	95,761	26,166
In-process research and development, with indefinite life		1,600	-	1,600
Total intangibles, net		$ 123,527	$ 95,761	$ 27,766

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2016				
Developed technology	0.30 years	$ 48,000	$ 43,028	$ 4,972
Customer relationships	0.30 years	37,000	32,889	4,111
Maintenance contracts	2.30 years	17,000	9,067	7,933
Trademarks	0.30 years	2,500	2,222	278
License agreements	9.70 years	3,413	1,473	1,940
Other intangibles	3.70 years	1,428	900	528
Total intangibles, net		$ 109,341	$ 89,579	$ 19,762

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

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Amortization in "Cost of revenues: Product"	$ 995	$ 3,417	$ 6,271	$ 11,847
Amortization of intangibles	1,193	4,142	7,510	12,860
Total amortization	$ 2,188	$ 7,559	$ 13,781	$ 24,707

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):

	March 31, 2017
Balance as of June 30, 2016	$ 70,877
Additions due to acquisition	11,803
Balance at end of period	$ 82,680

During the nine months ended March 31, 2017, the Company completed the acquisition of certain assets and liabilities from Zebra resulting in an additional $11.8 million of goodwill. See Note 2 for additional information related to the acquisition.

Deferred Revenue, Net

Deferred revenue, net represents amounts for (i) deferred services revenue (support arrangements, professional services and training), and (ii) deferred product revenue net of the related cost of revenue when the revenue recognition criteria have not been met.

The following table summarizes deferred revenue, net (in thousands):

	March 31, 2017	June 30, 2016
Deferred maintenance	$ 95,683	$ 83,419
Deferred product and other revenue	7,091	11,441
Total deferred revenue, net	102,774	94,860
Less: current portion	78,918	72,934
Non-current deferred revenue, net	$ 23,856	$ 21,926

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

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Balance beginning of period	$ 98,128	$ 84,706	$ 83,419	$ 87,441
Deferred maintenance assumed due to acquisition	626	—	14,159	—
New maintenance arrangements	28,181	27,683	90,690	84,502
Recognition of maintenance revenue	(31,252)	(27,320)	(92,585)	(86,874)
Balance end of period	95,683	85,069	95,683	85,069
Less: current portion	71,827	62,842	71,827	62,842
Non-current deferred revenue	$ 23,856	$ 22,227	$ 23,856	$ 22,227

Deferred Distributors Revenue, Net of Cost of Sales to Distributors

The Company records revenue from its stocking distributors on a sell-through basis, recording deferred revenue and deferred cost of sales associated with all sales transactions to these distributors in "Deferred distributors revenue, net of cost of sales to distributors" in the liability section of its condensed consolidated balance sheets. The amount shown as "Deferred distributors' revenue, net of cost of sales to distributors" represents the deferred gross profit on sales to distributors based on contractual pricing.

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

	March 31, 2017	June 30, 2016
Deferred distributors revenue	$ 57,188	$ 35,138
Deferred cost of sales to distributors	(12,930)	(8,321)
Deferred distributors revenue, net of cost of sales to distributors	$ 44,258	$ 26,817

Debt

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

	March 31, 2017	June 30, 2016
Current portion of long-term debt:		
Term Loan	$ 11,149	$ 17,628
Current portion of long-term debt	$ 11,149	$ 17,628
Long-term debt, less current portion:		
Term Loan	$ 73,775	$ 27,446
Revolving Facility	10,000	10,000
Total long-term debt, less current portion	83,775	37,446
Total debt	$ 94,924	$ 55,074

During the three months ended December 31, 2016, the Company entered into an Amended and Restated Credit Agreement which agreement was subsequently amended on March 2, 2017, by Amendment One to such agreement (collectively the agreement and Amendment One, the "Credit Facility, as amended") with Silicon Valley Bank, JPMorgan Chase Bank, N.A., Bank of America, N.A., Cadence Bank, N.A., and Comerica Bank (collectively, the "Lenders"). The Credit Facility, as amended provides for a five-year $90.5 million term loan ("Term Loan") and a five-year $50.0 million revolving credit facility ("Revolver"), which includes a $5.0 million swing line loan sub facility and a $10.0 million letter of credit sub facility. The Credit Facility, as amended among other things, ame nds and restates the Company's existing credit facility. The Credit Facility, as amended is collateralized by substantially all of the assets of the Company.

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 $23.2 million of availability under the Revolver as of March 31, 2017. The Company had $0.9 million of outstanding letters of credit under the Revolver as of March 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 nine months ended March 31, 2017 and 2016 (in thousands):

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Balance beginning of period	$ 10,228	$ 10,415	$ 9,600	$ 8,676
Warranties assumed due to acquisition	—	—	2,034	—
New warranties issued	1,893	1,638	3,997	7,158
Warranty expenditures	(2,091)	(1,773)	(5,601)	(5,554)
Balance end of period	$ 10,030	$ 10,280	$ 10,030	$ 10,280

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.

Advertising

Cooperative advertising expenses are recorded as marketing expenses to the extent that an advertising benefit separate from the revenue transaction can be identified and the cash paid does not exceed the fair value of that advertising benefit received. Cooperative advertising obligations with customers are accrued and the costs expensed at the time the related revenue is recognized. If the Company does not meet the criteria for recognizing such cooperative advertising obligations as marketing expense, the costs are recorded as a reduction of revenue. All other advertising costs are expensed as incurred. Advertising ex penses for three and nine months ended March 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 short-term investments. The Company does not invest an amount exceeding 10% of its combined cash or cash equivalents in the securities of any one obligor or maker, except for obligations of the United States government, obligations of United States government agencies and money market accounts.

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

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

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Tech Data Corporation	13%	16%	15%	16%
Jenne	14%	17%	14%	13%
Westcon Group Inc.	10%	13%	12%	15%

The following customer accounts for more than 10% of our accounts receivable outstanding as of March 31, 2017, Westcon Group Inc. 18%.

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

March 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Money market funds	$ 4,284	$ —	$ —	$ 4,284
Liabilities				
Derivative Instruments:				
Foreign currency contracts	$ —	$ 80	$ —	$ 80
Total	$ 4,284	$ 80	$ —	$ 4,364

June 30, 2016	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Money market funds	$ 4,275	$ —	$ —	$ 4,275
Total	$ 4,275	$ —	$ —	$ 4,275

Level 2 investments :

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

The fair value of the derivative instruments under our foreign currency contracts is estimated based on valuations provided by alternative pricing sources supported by observable inputs which is considered Level 2. Due to the short duration until maturity of the derivative instruments, the fair value approximates the carrying amount of the Company's contracts of $96.0 million

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 $96.0 million and $55.5 million as of March 31, 2017 and June 30, 2016, respectively.

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. There were no impairments recorded for the three and nine months ended March 31, 2017 or 2016.

7. Share-based Compensation

Shares reserved for issuance

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

	March 31, 2017	June 30, 2016
2014 Employee Stock Purchase Plan	7,785	10,001
Employee stock options and awards outstanding	9,352	10,609
2013 Employee Plan shares available for grant	10,241	5,401
Total shares reserved for issuance	27,378	26,011

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

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Cost of product revenue	$ 73	$ 205	$ 262	$ 777
Cost of service revenue	56	223	475	867
Research and development	625	1,137	2,593	3,857
Sales and marketing	809	996	3,129	3,791
General and administrative	911	942	2,869	2,828
Total share-based compensation expense	$ 2,474	$ 3,503	$ 9,328	$ 12,120

During the three and nine months ended March 31, 2017 and 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 (including performance or market-based restricted stock units) 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 nine months ended March 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, 2016	4,224	$ 3.36	
Granted	3,527	4.09	
Vested	(1,476)	3.94	
Cancelled	(797)	3.43	
Non-vested stock awards outstanding at March 31, 2017	5,478	$ 3.66	$ 41,094

The following table summarizes stock option activity for the nine months ended March 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, 2016	6,385	$ 4.10	3.70	$ 1,416
Granted	—	—		
Exercised	(1,467)	3.75		
Cancelled	(1,044)	4.51		
Options outstanding at March 31, 2017	3,874	$ 4.12	4.11	$ 13,143
Vested and expected to vest at March 31, 2017	3,874	$ 4.12	4.11	$ 13,143
Exercisable at March 31, 2017	2,919	$ 4.48	3.27	$ 8,841

The fair value of each stock option grant under the Company's 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 restricted stock award grant with performance criteria ("PSU's") under the Company's 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 2017, the Company approved the grant of 680,000 stock awards to the Company's Executive Officers and 771,020 stock awards to other Company employees. Fifty percent (50%) of the stock awards granted 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 service-based 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.

The PSUs are considered earned once the Company's stock price equals or exceeds $5.00 per share for 30 consecutive trading days after January 1, 2017 ("Performance Threshold"). Once the Performance Threshold is satisfied the PSUs shall vest with respect to the number of RSUs that have vested as of the date the Performance Threshold is satisfied and thereafter shall vest on the same schedule as the RSUs, subject to continued service to the Company. If the Performance Threshold is not met by the third anniversary of the grant date the award is terminated for no consideration. In addition, the 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 $5.00 per share.

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

During the quarter ended March 31, 2017, a grant of 100,000 RSUs was made to one of the Company's Executive Officers. The award was granted under the Company's standard terms and conditions.

The fair value of each share purchase option under the Company's 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 1,114,707; 2,218,306; 999,758 and 1,999,519 shares issued under the Company's 2014 Employee Stock Purchase Plan ("ESPP") during the three and nine months ended March 31, 2017 and 2016, respectively.

	Employee Stock Purchase Plan		Stock Option Plan	Employee Stock Purchase Plan	
	Three Months Ended		Nine Months Ended	Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2016	March 31, 2017	March 31, 2016
Expected life	0.50 years	1.45 years	4.0 years	0.50 years	1.25
Risk-free interest rate	0.40%	0.52%	1.78%	0.40%	0.44%
Volatility	37%	57%	52%	38%	57%
Dividend yield	—%	—%	—%	—%	—%

8. Restructuring Charges

As of March 31, 2017, restructuring liabilities were $6.3 million and consisted of obligations for estimated future obligations for non-cancelable lease payments for excess facilities and for severance payments and benefits. Pursuant with the WLAN Business acquisition from Zebra, the Company assumed a facility lease located at and transferred its headquarters to 6480 Via del Oro, San Jose, California. The Company consolidated its existing workforce from the Company's previous headquarters location on Rio Robles Drive in San Jose, California, with employees assumed from Zebra at the Via del Oro site and exited the Rio Robles site on January 31, 2017. Due to the Company's cease use of the Rio Robles facility and abandonment of all leasehold improvements, it accelerated the amortization of the remaining leasehold improvements balance for this site over the shortened service period such that the leasehold improvements were fully amortized on the cease-use date. The Company recorded accelerated amortization expense for the three and nine months ended March 31, 2017 of $0.9 million and $2.6 million respectively, and it is reflected in "Restructuring and related charges, net of reversals" in the condensed consolidated statements of operations.

The Company entered into a sublease agreement during the third quarter of fiscal 2017. The sublease is for the remaining duration of the Company's lease. The sublease resulted in adjustments to the prior estimates for the amount of sublease payments, timing of sublease activities and real estate commissions associated with the sublease. The net adjustments resulted in a charge of $1.5 million during the third quarter of fiscal 2017. Previously, in the second quarter of fiscal 2017, the Company had modified its estimated future obligations for non-cancelable lease payments and related future sub-leasing income and recorded charges of $0.1 million. The excess facilities payments will continue through fiscal year 2023, due to the length of the lease agreements.

In conjunction with the above noted actions, the Company announced a reduction-in-force during the quarter ended March 31, 2017 affecting 90 employees. The Company recorded $5.3 million in severance and benefits charges during the period. Cash payments of $2.9 million were made during the third quarter and the balance of cash payments are expected to be paid by the end of the first quarter of fiscal 2018.

Fiscal 2016 Restructuring

During the first quarter of fiscal 2016, the Company recorded restructuring charges of $5.6 million including $5.4 million for excess facility charges and adjustments to service and benefits of $0.2 million. Excess facilities charges included $4.1 million of accrued lease costs pertaining to the estimated future obligations for non-cancelable lease payments for excess facilities and accelerated depreciation of leasehold improvements in the amount of $1.3 million.

During the second quarter of fiscal 2016, the Company incurred restructuring charges of $3.0 million including $2.9 million in excess facilities charges related to amending its lease in North Carolina, thereby reducing it floor space by 36%, and adjustments to severance and benefits of $0.2 million. Excess facilities charges included accelerated depreciation of leasehold improvements in the amount of $1.9 million and contract termination charges and professional fees of $1.0 million.

During the third quarter of fiscal 2016, in conjunction with the exiting of facilities noted above, the Company incurred restructuring charges of $1.4 million. Excess facilities charges included accelerated depreciation of leasehold improvements in the amount of $1.2 million associated with the North Carolina facility, $0.2 million related to a change in the accrued lease costs pertaining to the estimated future obligations for non-cancelable lease payments for our San Jose, California headquarters facility and the reversal of $0.2 million of estimated severance benefits. These charges are reflected in "Restructuring and related charges, net of reversals" in the condensed consolidated statements of operations.

Restructuring and related liabilities consist of (in thousands):

	Excess Facilities	Severance Benefits	Other	Total
Balance as of June 30, 2016	4,644	—	—	4,644
Period charges	1,655	5,339	2,578	9,572
Non cash charges	—	—	(2,578)	(2,578)
Period payments	(2,286)	(3,049)	—	(5,335)
Balance as of March 31, 2017	$ 4,013	$ 2,290	$ —	$ 6,303
Less: current portion included in Other accrued liabilities				3,529
Restructuring accrual included in Other long-term liabilities				$ 2,774

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 manufactures 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 March 31, 2017, the Company had non-cancelable commitments to purchase $88.9 million of such inventory. As of March 31, 2017 the Company had non-cancelable software and maintenance support commitments to purchase $22.8 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 Matters

Certain Brazilian tax authorities have made tax assessments against our Brazilian subsidiary, Enterasys Networks do Brazil Ltda., based on an alleged underpayment of taxes. The tax authorities are also seeking interest and penalties with respect to such claims (collectively, the "ICMS Tax Assessments"). The State of Sao Paolo, Brazil denied Enterasys Networks do Brazil Ltda. the use of certain tax credits granted by the State of Espirito Santo, Brazil under the terms of the FUNDAP program for the tax years of 2002 through 2009. The Company's application to resolve the ICMS Tax Assessments at the administrative level of the Sao Paolo Tax Department under the amnesty relief program (Reference No 3.056.963-1) was denied in March, 2014, by the Sao Paolo Tax Administration. All currency conversions in this Legal Proceedings section are as of March 31, 2017. The value of the ICMS tax credits that were disallowed by the Sao Paolo Tax Administration is BRL 3.4 million (US $1.1 million), plus interest and penalties BRL 18.1 million (US $5.8 million). Possible court fees are estimated to be BRL 4.2 million (US $1.3 million). On January 10, 2014, the Company filed a lawsuit to overturn or reduce the ICMS Assessments, which lawsuit remains on-going. As part of this lawsuit, the Company made a request for a stay of execution, so that no tax foreclosure can be filed until a final ruling is made and no guarantee needs to be presented. On or about October 6, 2014, the preliminary injunction was granted with regard to the stay of execution, and in response to an appeal on the guarantee requirement, the appellate court further ru led on or about January 28, 2015 that no cash deposit (or guarantee) need be made by the Company.

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

Based on the currently available information, the Company believes the ultimate outcome of the above assessments will not have a material adverse effect on the Company's financial position or overall results of operations. The Company believes that the ICMS Tax Assessments against our Brazilian subsidiary are without merit and the Company is defending the claims vigorously. While the Company believes there is no legal basis for the alleged liability, due to the complexities and uncertainty surrounding the judicial process in Brazil and the nature of the claims asserted, it is unable to determine the likelihood of an unfavorable outcome against our Brazilian subsidiary and estimate the potential tax liability related to the ICMS Tax Assessments, if any, may be up to BRL 25.3 million (US $8.1 million). The Company does not expect a final judicial determination for several years. The Company believes BRL 9.4 million (US $3.0 million) is the best estimate within the range and has recorded an accrual as of the Acquisition Date of Enterasys Networks as such matter relates to the period before the acquisition.

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

In re Extreme Networks, Inc. Securities Litigation

On October 23 and 29, 2015, complaints were filed alleging violations of securities laws 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. Plaintiffs allege that defendants violated the securities laws by disseminating materially false and misleading statements and concealing material adverse facts regarding Extreme Networks' current financial condition and growth prospects. Plaintiffs seek damages of an unspecified amount on behalf of a 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, lead plaintiff filed a consolidated complaint. On November 10, 2016 defendants filed a motion to dismiss the complaint and on April 27, 2017, the case was dismissed by the court, with leave to amend the complaint. Plaintiffs have until May 29, 2017, if they elect to file an amended complaint.

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 members of the Board of Directors as defendants and seeks recovery on behalf of the Company based on substantially the same allegations as the securities class action litigation described above. The parties have agreed to stay the case pending further activities in the securities class action litigation, and the court signed a stipulation and order to that effect.

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

On February 27, 2017, the Company was served with a patent infringement complaint, dated February 2, 2017, and filed by Plectrum LLC in the U.S. District Court for the Eastern District of Texas. The case is Plectrum LLC v. Extreme Networks, Inc., No. 4:17-cv-0079. The complaint asserts infringement of U.S. Patent Nos. 5,978,951, 6,205,149, and 6,751,677. The complaint asserts that the Company infringes based on its manufacture, use, sale, and/or offer for sale of the Company's S-Series products and Summit Series Switch products. Plectrum seeks an injunction and damages of an unspecified amount. The Company has not yet responded to the complaint.

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, LLC) sued Extreme in the Central District of California. The complaint asserts infringement of U.S. Pa tent Nos. 7,062,296; 7,729,728; and 6,611,231. XR seeks damages of an unspecified amount and on-going royalties, but not an injunction. The Company has not yet responded to the complaint. The Company believes the claims are without merit and intends to vi gorously defend the claims.

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 Delaware 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 these matters. It is not possible to estimate the maximum potential amount under these indemnification agreements due to the limited history of these claims. The cost to defend the Company and the named individuals could have a material adverse effect on its consolidated financial position, results of operations and cash flows in the future. Recovery of such costs under its director and officers' insurance coverage is uncertain. As of March 31, 2017, the Company had no outstanding indemnification claims.

10. Income Taxes

For the three months ended March 31, 2017 and 2016, the Company recorded an income tax provision of $1.2 million and $0.9 million, respectively. For the nine months ended March 31, 2017 and 2016, the Company recorded an income tax provision of $3.3 million and $3.0 million, respectively.

The income tax provisions for the three months ended March 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. and the Zebra WLAN Business. The income tax provisions for both fiscal years were calculated based on the actual results of operations for the three months ended March 31, 2017 and 2016, and therefore may not reflect the annual effective tax rate.

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 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 purchased the Zebra WLAN Business in an asset acquisition. 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 nine months ended March 31, 2017, the Company deducted $1.3 million and $3.7 million of tax amortization expense respectively, for each period of tax related to capitalized goodwill resulting from the acquisition of Enterasys and the Zebra WLAN Business. As of March 31, 2017, the Company recorded a deferred tax liability of $5.8 million related to this 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 $19.4 million of unrecognized tax benefits as of March 31, 2017. The future impact of the unrecognized tax benefit of $19.3 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 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.

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 basic and diluted net loss per share (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Net loss	$ (5,604)	$ (10,784)	$ (20,694)	$ (29,544)
Weighted-average shares used in per share calculation - basic and diluted	109,213	104,104	107,531	102,486
Net loss per share - basic and diluted	$ (0.05)	$ (0.10)	$ (0.19)	$ (0.29)

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

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Options to purchase common stock	—	4,439	398	7,249
Restricted stock units	4	330	7	959
Employee Stock Purchase Plan shares	269	185	269	185
Total shares excluded	273	4,954	674	8,393

12. Foreign Exchange Forward Contracts

The Company uses derivative financial instruments to manage exposures to foreign currency. The Company's objective for holding derivatives is to use the most effective methods to minimize the impact of these exposures. The Company does not enter into derivatives for speculative or trading purposes. The Company records all derivatives on the balance sheet as "Other accrued liabilities" at fair value. Changes in the fair value of derivatives are recognized in earnings as "Other Income". 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 March 31, 2017, forward foreign currency contracts had a notional principal amount of $4.3 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 March 31, 2016, the Company did not have any derivative instruments outstanding.

Foreign currency transactions gains and losses from operations was gain of $0.8 million and $0.2 million for the three months ended March 31, 2017 and 2016, respectively. Foreign currency transactions gains and losses from operations was gain of $0.0 million and $1.3 million for the nine months ended March 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 primarily based on the customer's ship-to location. Information regarding geographic areas is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
Net Revenues:	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Americas:				
United States	$ 79,088	$ 58,205	$ 202,139	$ 173,298
Other	3,448	5,398	21,618	18,983
Total Americas	82,536	63,603	223,757	192,281
EMEA:				
Germany	17,918	16,795	61,782	49,150
Other	34,058	33,563	97,526	112,336
Total EMEA	51,976	50,358	159,308	161,486
APAC:	14,152	10,925	36,352	35,005
Total net revenues	$ 148,664	$ 124,886	$ 419,417	$ 388,772

Long Lived Assets:	March 31, 2017	June 30, 2016
Americas	$ 67,484	$ 58,277
EMEA	9,909	14,234
APAC	4,236	2,493
Total long lived assets	$ 81,629	$ 75,004

Item 2. Management's Discussion and Analysis o f 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 third quarter of fiscal 2017, our Annual Report on Form 10-K for the fiscal year ended June 30, 2016, 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; the timing of any recovery 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

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

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.

The Internet of Things ("IoT") and the evolution of the cloud have made reliable and secure Internet connections increasingly critical to business success. In this time of rapid changes and market shifts, delivering a focused value proposition based on automation, simplicity, high quality solutions and world class customer support is vitally important. As the volume and the demands of users, applications, data and devices on networks continue to increase, Extreme stands ready to help our customers address the ever-evolving demands of the business.

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 has proliferated.** Employees expect high-quality and secure access to corporate resources in a Bring Your Own Device ("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. IT departments focus their investment decisions on this mobile workforce, taking a unified view of wireless access, 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.
- **Growing usage of the cloud.** Deployment of server virtualization is influencing data center architecture. Enterprises have migrated increasing numbers of applications and services to either private clouds or public clouds offered by third parties. In either case, the network infrastructure must adapt to this new dynamic environment. Intelligence and automation are key if enterprises are to derive maximum benefit from their cloud deployments. Ethernet speeds, scaling from 10 Gigabits per second ("G") to 40G and even 100G, provide the infrastructure for both private and public clouds. In addition, there is growing interest in SDN approaches that may include technologies such as OpenFlow, OpenStack, and CloudStack for increased network agility.
- **Vendor Consolidation.** We believe consolidation of vendors within the Ethernet networking market and between adjacent markets (storage, security, wireless & voice software and applications) continues to gain momentum. In 2015, the Hewlett-Packard Company ("HP") acquired Aruba, the Dell, Inc. acquisition of EMC closed in September 2016 and Brocade Communication Systems acquired Ruckus in May 2016. We believe these acquisitions reflect a realization that customers want end-to-end, integrated networking solutions. Extreme identified this trend in 2013 and sought to address the issue with

its acquisition of Enterasys in 2013. During October 2016, Extreme has continued this a ctivity with the acquisition of the WLAN Business from Zebra. With these acquisitions Extreme has rationalized the roadmap and provided an upgrade path for customers.

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:

- **End-to-end, wired and wireless solutions** . Extreme offers a complete, unified portfolio of software-driven network access technology. We offer the latest in wireless access points for both outdoor and indoor use plus a complete line of switches to cover the campus, right up to and including the data center.
- **Multi-vendor management from a “single pane of glass”.** Extreme offers a single unified management system that is designed to provide insight, management and control across the entire network. This can provide better visibility to make the network easier to manage and troubleshoot, often with lower operating expenses. Our software can also manage many other vendors’ network devices, enabling our customers to potentially maximize device lifespan.
- **Software-driven vertical solutions.** We design our software-driven solutions to support the unique needs of our target vertical markets in industries such as, healthcare, hospitality, education, manufacturing, government, transportation and logistics and retail. These solutions are well positioned to add value to our vertical-specific partner ecosystem.
- **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 and drive better business outcomes.
- **Built-in identity and access control.** We design our network access control and identity management with the wired and wireless hardware. The Air Defense Services Platform (“ADSP”) leads the industry in Wireless Intrusion Prevention and supports advanced forensics analysis required for PCI, HIPAA and other compliance regulations.
- **EZ policy assignment and software-defined networking (“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.
- **Managed Services Solutions.** Extreme outsourced network monitoring and management services can save money on IT staff and training and allow the IT staff to focus on more strategic tasks to drive better value across the business.
- **100% in-sourced tech support.** Extreme 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.

Acquisition

On October 28, 2016, we closed the purchase of the wireless LAN business (the “WLAN Business”) of Zebra Technologies Corporation, (“Zebra”), pursuant to an Asset Purchase Agreement (the “Purchase Agreement”). Under the terms of the Purchase Agreement, we acquired customers, employees, technology and other assets, as well as assumed certain contracts and other liabilities of the WLAN Business, for a cash purchase price of $51.1 million, subject to certain adjustments related to net working capital and deferred revenue on October 28, 2016 (the “Closing”).

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

During the three and nine months ended March 31, 2017, we recognized acquisition costs of $1.1 million and $7.6 million, respectively, which is included in “Acquisition and integration costs” in the accompanying condensed consolidated statements of operations.

Future Acquisitions

On March 7, 2017, we entered into an Asset Purchase Agreement ("Purchase Agreement") with Avaya Inc., ("Avaya"), to purchase Avaya's fabric-based secure networking solutions and network security solutions business (the "Business"). Upon the terms and subject to the conditions of the Purchase Agreement, we will acquire customers, employees, technolo gy and other assets of the Business, as well as assume certain contracts and other liabilities of the Business, for a purchase price of $100 million, subject to certain adjustments set forth in the Purchase Agreement related to net working capital, deferre d revenue, certain assumed lease obligations and certain assumed pension obligations for transferring employees of the Business. Pursuant to certain ancillary agreements, Avaya will also provide us with access to certain technology related to the Business , as well as transition services for a period of time following the closing of the transaction. The Purchase Agreement is contingent upon approval of the court and we have made a deposit of $10.0 million toward the purchase price, which is included in "Pr epaid expenses and other current assets" in the accompanying condensed consolidated balance sheets.

During the three and nine months ended March 31, 2017, we recognized acquisition costs of $1.3 million, which is included in "Acquisition and integration costs" in the accompanying condensed consolidated statements of operations related to the Purchase Agreement.

On March 29, 2017, we entered into another Asset Purchase Agreement (the "Purchase Agreement II") with LSI Corporation, ("LSI"), and, solely for the purposes set forth in the Purchase Agreement II, Broadcom Corporation, ("Broadcom") to purchase the data center technology business (the " Business II") of Brocade Communication Systems, Inc. ("Brocade") and its subsidiaries. Upon the terms and subject to the conditions of the Purchase Agreement II, we will acquire customers, employees, technology and other assets of the Business II, as well as assume certain contracts and other liabilities of the Business II, for an upfront cash closing payment equal to $35.0 million, plus a deferred payment equal to $20.0 million to be paid $1 million per quarter for 20 quarters following the closing date of the transaction (the "Closing," and such date, the "Closing Date"), plus quarterly earnout payments equal to 50% of profits of the Business II for the five-year period commencing at the end of our first full fiscal quarter following the Closing Date. Pursuant to certain ancillary agreements, LSI will also provide us with access to certain technology related to the Business II, as well as transition services for a period of time following the Closing. The acquisition will include the rights to have manufactured and sold Brocade's current SLX based solutions product portfolio, which launched in March 2017. The Purchase Agreement II is contingent upon Broadcom acquiring Brocade, therefore we do not expect our transaction to close until the first quarter of fiscal 2018.

During the three and nine months ended March 31, 2017, we recognized acquisition costs of $1.0 million, which is included in "Acquisition and integration costs" in the accompanying condensed consolidated statements of operations related to the Purchase Agreement II.

Results of Operations

During the third quarter of fiscal 2017, we achieved the following results:

- Net revenues of $148.7 million compared to $124.9 million in the third quarter of fiscal 2016.
- Product revenues of $110.8 million compared to $92.7 million in the third quarter of fiscal 2016.
- Service revenues of $37.9 million compared to $32.2 million in the third quarter of fiscal 2016.
- Total gross margin of 55.3% of net revenues compared to 50.2% of net revenues in the third quarter of fiscal 2016.
- Operating loss of $3.2 million compared to $8.9 million in the third quarter of fiscal 2016.
- Net loss of $5.6 million compared to a net loss of $10.8 million in the third quarter of fiscal 2016.
- Cash flow provided by operating activities of $44.0 million in the nine months ended March 31, 2017 compared to $18.9 million in the nine months ended March 31, 2016.
- Cash and cash equivalents of $117.3 million compared to $88.3 million as of March 31, 2016.

Net Revenues

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

	Three Months Ended				Nine Months Ended			
	March 31, 2017	**March 31, 2016**	**$ Change**	**% Change**	**March 31, 2017**	**March 31, 2016**	**$ Change**	**% Change**
Net Revenues:								
Product	$ 110,789	$ 92,711	$ 18,078	19.5%	$ 310,709	$ 289,447	$ 21,262	7.3%
Percentage of net revenue	*74.5%*	*74.2%*			*74.1%*	*74.5%*		
Service	37,875	32,175	5,700	17.7%	108,708	99,325	9,383	9.4%
Percentage of net revenue	*25.5%*	*25.8%*			*25.9%*	*25.5%*		
Total net revenues	$ 148,664	$ 124,886	$ 23,778	19.0%	$ 419,417	$ 388,772	$ 30,645	7.9%

Product revenues increased $18.1 million or 19.5% for the three months ended March 31, 2017 as compared to the corresponding period of fiscal 2016. Product revenues increased by $21.3 million or 7.3% for the nine months ended March 31, 2017 as compared to the corresponding period of fiscal 2016. The increases in product revenues for both periods of fiscal 2017 were attributable to growth in our wireless business due to the acquisition of the WLAN Business and lower discounting from list price. The increase was partially offset by lower e-rate educational revenue.

Service revenues increased $5.7 million or 17.7% in the third quarter of fiscal 2017, compared to the corresponding period of fiscal 2016. Service revenues increased $9.4 million or 9.4% for the nine months ended March 31, 2017, compared to the corresponding period of fiscal 2016. The increase in service revenues for both periods was due to the acquisition of the WLAN Business and the increased number of service contracts acquired.

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				Nine Months Ended			
	March 31, 2017	**March 31, 2016**	**$ Change**	**% Change**	**March 31, 2017**	**March 31, 2016**	**$ Change**	**% Change**
Gross profit:								
Product	$ 58,388	$ 42,471	$ 15,917	37.5%	$ 154,722	$ 135,170	$ 19,552	14.5%
Percentage of product revenue	52.7%	45.8%			49.8%	46.7%		
Service	23,758	20,249	3,509	17.3%	68,024	62,943	5,081	8.1%
Percentage of service revenue	62.7%	62.9%			62.6%	63.4%		
Total gross profit	$ 82,146	$ 62,720	$ 19,426	31.0%	$ 222,746	$ 198,113	$ 24,633	12.4%
Percentage of net revenue	55.3%	50.2%			53.1%	51.0%		

Product gross profit increased $15.9 million or 37.5% in the third quarter of fiscal 2017 as compared to the corresponding period in fiscal 2016. Gross profit increased during the third quarter of fiscal 2017 due to higher revenues of $18.1 million, lower intangible asset amortization of $2.7 million, lower material costs of $1.5 million and inventory charges of $0.9 million.

Product gross profit increased $19.6 million or 14.5% in the first nine months of fiscal 2017 as compared to the corresponding period in fiscal 2016. Gross profit increased during the first nine months of fiscal 2017, due to higher revenues of $21.3 million, lower intangible asset amortization of $2.7 million, warranty charges of $3.3 million due to lower claim rates, offset by increases in excess inventory charges of $0.9 million related to the discontinuance of certain product lines due to the acquisition of the WLAN Business.

Service gross profit increased $3.5 million or 17.3% in the third quarter of fiscal 2017 as compared to the third quarter of fiscal 2016 and increased $5.0 million or 8.1% in the first nine months of fiscal 2017 as compared to the corresponding period of fiscal 2016. The increase in service gross profit was due to the increase in service revenues related to the acquisition of the WLAN Business and the increased service contracts acquired for both periods of fiscal 2017.

Operating Expenses

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

	Three Months Ended				Nine Months Ended			
	March 31, 2017	March 31, 2016	$ Change	% Change	March 31, 2017	March 31, 2016	$ Change	% Change
Research and development	$ 24,691	$ 18,852	$ 5,839	31.0%	$ 67,003	$ 59,836	$ 7,167	12.0%
Sales and marketing	38,759	38,322	437	1.1%	116,824	111,442	5,382	4.8%
General and administrative	9,612	8,957	655	7.3%	27,296	27,896	(600)	(2.2)%
Acquisition and integration costs	3,418	—	3,418	—	9,908	1,157	8,751	756.4%
Restructuring and related charges, net of reversals	7,719	1,358	6,361	468.4%	9,572	9,992	(420)	(4.2)%
Amortization of intangibles	1,193	4,142	(2,949)	(71.2)%	7,510	12,860	(5,350)	(41.6)%
Total operating expenses	$ 85,392	$ 71,631	$ 13,761	19.2%	$ 238,113	$ 223,183	$ 14,930	6.7%

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 $5.8 million or 31.0% for the three months ended March 31, 2017 as compared to the corresponding period of fiscal 2016. The increase in research and development expenses was due to higher personnel costs of $4.2 million due to increased headcount related to the acquisition of the WLAN Business, higher facility and information technology costs of $0.9 million associated with the WLAN Business, increased professional fees of $0.6 million and increased equipment costs of $0.1 million.

Research and development expenses increased by $7.2 million or 12.0% for the nine months ended March 31, 2017 as compared to the corresponding period of fiscal 2016. The increase in research and development expenses was due to higher personnel costs of $5.1 million, increased professional fees of $1.1 million and increased facility and information technology costs of $1.0 million. All of which were driven by the acquisition of the WLAN Business.

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 $0.4 million or 1.1% for the three months ended March 31, 2017 as compared to the corresponding period of fiscal 2016. The increase in sales and marketing expenses was primarily due to higher personnel costs of $0.7 million driven in large part by the acquisition of the WLAN Business partially offset with reduced marketing costs of $0.3 million.

Sales and marketing expenses increased by $5.4 million or 4.8% for the nine months ended March 31, 2017 as compared to the corresponding period of fiscal 2016. The increase in sales and marketing expenses was primarily due to higher personnel costs of $3.2 million, travel costs of $1.2 million and professional fees of $0.7 million, due in large part to the acquisition of the WLAN Business. The increases were partially offset by reduced marketing costs of $0.4 million.

General and Administrative Expenses

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

General and administrative expenses increased by $0.7 million or 7.3% for the three months ended March 31, 2017 as compared to the corresponding period of fiscal 2016. The increase in general and administrative expenses was due to higher personnel costs of $0.3 million and professional fees and sales taxes of $0.4 million.

General and administrative expenses decreased by $0.6 million or 2.2% for the nine months ended March 31, 2017 as compared to the corresponding period of fiscal 2016. The decrease in general and administrative expenses was due to lower personnel costs of $1.0 million partially offset by an increase in professional fees of $0.4 million.

Acquisition and Integration Costs

During the three months ended March 31, 2017 and 2016, we recorded $3.4 million and none, respectively, of acquisition and integration costs. Expenses for the three months ended March 31, 2017 consisted primarily of legal and accounting services associated with the acquisition of the WLAN Business.

During the nine months ended March 31, 2017 and 2016, we recorded $9.9 million and $1.2 million, respectively, of acquisition and integration costs. Costs for the nine months ended March 31, 2017 relate primarily to the acquisition of the WLAN Business and costs for the nine months ended March 31, 2016 were related to integration costs primarily for IT and sales integration associated with Enterasys.

Restructuring and Related Charges

During the three months ended March 31, 2017, we incurred $7.7 million in restructuring and other charges. The significant charges during the quarter were related to a reduction in force totaling $5.3 million. Additionally, we entered into a sublease agreement for our Rio Robles site in San Jose, California during the third quarter of fiscal 2017. The sublease is for the remaining duration of the our lease. The sublease resulted in adjustments to the prior estimates for the amount of sublease payments, timing of sublease activities and real estate commissions associated with the sublease. The adjustments to sub-lease income to be received related to the future obligations for non-cancelable lease payments in the amount of $1.5 million and accelerated depreciation of leasehold improvements and fixed assets in the amount of $0.9 million.

During the nine months ended March 31, 2017, we incurred $9.6 million in restructuring and other charges. The significant charges during the period was related to a reduction in force totaling $5.3 million. Additionally, there were adjustments to estimated sub-lease income to be received related to the future obligations for non-cancelable lease payments in the amount of $1.7 million and accelerated depreciation of leasehold improvements and fixed assets in the amount of $2.6 million.

During the three months ended March 31, 2016, we incurred $1.2 million in charges related to amending our facility lease in North Carolina and $0.2 million of adjustments to severance and benefits. Excess facilities charges included the acceleration of depreciation of leasehold improvements in the amount of $1.2 million, and contract termination charges and other of $1.0 million. These charges were partially offset by adjustments to the estimated future sublease income at our San Jose facility of $0.3 million.

During the nine months ended March 31, 2016, we incurred $10.0 million in excess facilities charges. Excess facilities charges included $4.4 million of accrued lease costs pertaining to the estimated future obligations for non-cancelable lease payments for excess facilities, acceleration of depreciation of leasehold improvements of $4.5 million and contract termination charges and professional fees of $1.0 million.

Amortization of Intangibles

During the three months ended March 31, 2017 and 2016, we recorded $1.2 million and $4.1 million, respectively of amortization expense recorded in operating expenses in the condensed consolidated statements of operations. The reduction was due to complete amortization of acquired intangibles from the Enterasys acquisition.

During the nine months ended March 31, 2017 and 2016, we recorded $7.5 million and $12.9 million, respectively of amortization expense recorded in operating expenses in the condensed consolidated statements of operations. The reduction was due to complete amortization of acquired intangibles from the Enterasys acquisition.

Interest Expense

During the three and nine months ended March 31, 2017 we recorded $1.2 million and $3.0 million, respectively, in interest expense primarily in connection with our Credit Facility, as amended. We expect our interest expense will increase in future periods due to the higher balances of our Credit Facility, as Amended.

During the three and nine months ended March 31, 2016, we recorded $0.8 million and $2.4 million, respectively, in interest expense primarily in connection with our Credit Facility, as Amended.

Other Income (Expense)

During the three months ended March 31, 2017 and 2016, we recorded expenses of $0.3 million, for both periods, in other expense. The charge was primarily due to foreign exchange losses from the revaluation of certain assets and liabilities denominated in foreign currencies into U.S. Dollars.

During the nine months ended March 31, 2017 and 2016 we recorded income of $0.6 million and $0.8 million, respectively, in other income. The increases for both periods was primarily due to foreign exchange gains from the revaluation of certain assets and liabilities denominated in foreign currencies into U.S. Dollars.

Provision for Income Taxes

For the three months ended March 31, 2017 and 2016, we recorded an income tax provision of $1.2 million and $0.9 million, respectively. For the nine months ended March 31, 2017 and 2016, we recorded an income tax provision of $3.3 and $3.0 million, respectively.

The income tax provisions for the three months ended March 31, 2017 and 2016 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 Enter asys and the WLAN Business.

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, 2016, 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*
- *Restructuring Charges*

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

Business Combinations

We allocate the purchase price of acquired business' to the tangible and intangible assets acquired and liabilities assumed, assumed equity awards, as well as to in-process research and development based upon their estimated fair values at the acquisition date. The purchase price allocation process requires management's judgment and often involves the use of significant estimates and assumptions, especially at the acquisition date with respect to intangible assets, deferred revenue obligations and equity assumed.

Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates in valuing certain of intangible assets we have acquired or may acquire in future include but are not limited to assumptions with respect to future cash inflows and outflows, discount rates, intangibles and other asset lives, expected costs to develop the in-process research and development into commercially viable products, among other items.

In connection with the purchase price allocations for our acquisitions, we estimate the fair value of inventory using the comparative sales method. The fair value of the inventory utilizing the comparative sales method is estimated using the selling price, less sales costs, marketing costs and profit on these costs. The operating profit margins are based on the historical margins.

In connection with the purchase price allocations for our acquisitions, we estimate the fair value of deferred revenue using the cost build-up approach. The cost build-up approach determines the fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. The estimated costs to fulfill the obligations are based on historical costs and benchmarking analysis.

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, investments, and working capital (in thousands):

	March 31, 2017	June 30, 2016
Cash and cash equivalent	$ 117,280	$ 94,122
Total cash and investments	$ 117,280	$ 94,122
Working capital	$ 47,056	$ 17,442

As of March 31, 2017, our principal sources of liquidity consisted of cash and cash equivalents of $117.3 million, accounts receivable, net of $102.0 million and availability of borrowings from the Revolving Facility of $23.2 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 $117.3 million of cash and cash equivalents at March 31, 2017, cash flows from operations along with the availability of borrowings from the Revolving Facility will be sufficient to fund our principal uses of cash for at least the next 12 months.

During the three months ended December 31, 2016, we entered into an Amended and Restated Credit Agreement which agreement was subsequently amended on March 2, 2017, by Amendment One to such agreement (collectively the agreement and Amendment One, the “Credit Facility, as Amended”) with Silicon Valley Bank, JPMorgan Chase Bank, N.A., Bank of America, N.A., Cadence Bank, N.A., and Comerica Bank (collectively, the “Lenders”). The Credit Facility, as Amended provides for a five-year $ 90.5 million term loan (“Term”) and a five-year $ 50.0 million revolving credit facility (“Revolver”), which includes a $ 5.0 million swing line loan sub facility and a $ 10.0 million letter of credit sub facility. The Credit Facility, as Amended among other things, amends and restates the Company’s existing credit facility. The Credit Facility, as Amended is collateralized by substantially all of the assets of the Company.

The Credit Facility, as Amended, contains financial covenants that among other things, require us to maintain a minimum Consolidated Fixed Charge Coverage Ratio and Consolidated Quick Ratio and a maximum Consolidated Leverage Ratio and 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.

The Credit Facility, as Amended, 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 Extreme and its subsidiaries, the occurrence of certain material judgments, the occurrence of certain ERISA events, the invalidity of the loan documents or a change in control of our Company. The amounts outstanding under the Credit Facility, as Amended, may be accelerated upon certain events of default. At March 31, 2017, we were in compliance and expect to remain in compliance with the covenants of the Credit Facility, as Amended, 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):

	Nine Months Ended	
	March 31, 2017	March 31, 2016
Net cash provided by operating activities	$ 43,961	$ 18,913
Net cash used in investing activities	(69,159)	(2,797)
Net cash provided by (used in) financing activities	48,328	(3,665)
Foreign currency effect on cash	28	(342)
Net increase in cash and cash equivalents	$ 23,158	$ 12,109

Net Cash Provided By Operating Activities

Cash flows provided by operations in the nine months ended March 31, 2017 were $44.0 million due to non-cash expenses of $35.4 million for items such as amortization of intangibles, stock-based compensation expense and depreciation as well as decreases in inventory, prepaid expenses and other assets and increases in accounts pa yable, deferred revenues and other current and long-term liabilities. This was partially offset by the current period's net loss of $20.7 million along with increases in accounts receivable.

Cash flows provided by operations in the nine months ended M arch 31, 2016, were $18.9 million due to non-cash expenses of $50.9 million such as amortization of intangibles, stock-based compensation expense and depreciation as well as decreases in accounts receivables and was partially offset by the current period's net loss of $29.6 million and decreases in accounts payable and deferred distributor revenues.

Net Cash Used In Investing Activities

Cash flows used in investing activities in the nine months ended March 31, 2017 and 2016 were $69.2 million and $2.8 million, respectively. For the nine months ended March 31, 2017, cash flows consisted of expenditures of $51.1 million for the WLAN Business acquisition, $10.2 million in deposits in conjunction with a future acquisition and $7.8 million of purchases of property and equipment. For the nine months ended March 31, 2016, amounts consisted of purchases of property and equipment.

Net Cash Provided by Financing Activities

Cash flows provided by financing activities in the nine months ended March 31, 2017 were $48.3 million which consisted of new borrowings of $48.3 million under our Credit Facility, as amended, $9.2 million proceeds from the issuance of shares of our common stock under our Employee Stock Purchase Plan ("ESPP") and the exercise of stock options, net of taxes paid on vested and released stock awards, offset by repayment of debt totaling $7.8 million and $1.3 million of loan fees incurred in connection with the Credit Facility, as amended.

Cash flow used in financing activities in the nine months ended March 31, 2016 were $3.7 million, consisting of $23.1 million of cash used for repayment of debt partial offset by borrowings under the Revolver of $15.0 million and $4.5 million of proceeds from the issuance of shares of our common stock under the ESPP combined with the exercise of stock options and vested and released stock awards, net of taxes paid.

Foreign currency effect on cash

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

Contractual Obligations

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

	Total	Less than 1 Year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:					
Debt obligations	$ 95,976	$ 11,313	$ 36,200	$ 48,463	$ —
Interest on debt obligations	12,234	3,952	6,053	2,229	—
Non-cancellable inventory purchase commitments	88,879	88,879	—	—	—
Non-cancellable purchase commitments	22,816	5,066	10,375	7,375	—
Non-cancellable operating lease obligations	54,988	12,513	20,134	14,458	7,883
Other liabilities	950	200	400	350	—
Total contractual cash obligations	$ 275,843	$ 121,923	$ 73,162	$ 72,875	$ 7,883

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 $88.9 million as of March 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.

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 March 31, 2017.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 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 March 31, 2017 (dollars in thousands).

	Maturing in				
	Three months or less	Three months to one year	Greater than one year	Total	Fair Value
March 31, 2017					
Included in cash equivalents	$ 4,284	$ —	$ —	$ 4,284	$ 4,284
Weighted average interest rate	0.50%	—%	—%		

The following tables present hypothetical changes in fair value of the financial instruments held at March 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	Unrealized loss given an increase in interest rate of X bps	
(100 bps)	(50 bps)	March 31, 2017	100 bps	50 bps
$ —	$ —	$ 4,284	$ —	$ —

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.

The following table presents hypothetical changes in interest expense for the quarter ended March 31, 2017 , on outstanding credit facility borrowings as of March 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	Change in interest expense given an increase in interest rate of X bps	
(100 bps)	(50 bps)	March 31, 2017	100 bps	50 bps
$ (240)	$ (120)	$ 95,975	$ 240	$ 120

* Underlying interest rate was 0.15% during the quarter. The table above assumed the underlying interest rate did not decrease below 0%.

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 March 31, 2017, we had $4.3 million notional of forward foreign currency contracts outstanding.

Foreign currency transaction gains and losses from operations was a gain of $0.0 million and $0.2 million for the three mo nths ended March 31, 2017 and 2016 , respectively . Foreign currency transaction gains and losses from operations was a gain of $0.6 million and $1.3 million for the nine months ended March 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

Our internal control over financial reporting (as defined in Rules 13a – 15(f) and 15(d) – 15(f) under the Exchanges Act) include the WLAN Business, acquired on October 28, 2016, in our financial reporting structure.

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. Othe r 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, 2016 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, divestitures and strategic investments, and the integration of acquired companies or technologies may negatively impact our business and financial results or dilute the ownership interests of our stockholders.

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

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

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

For example, on October 28, 2016, we completed the acquisition of the WLAN Business from Zebra (the “WLAN Business”) and incurred approximately $100.5 million of indebtedness to pay off existing debt and to finance the acquisition. As of March 31, 2017, $98.2 million of this indebtedness remained outstanding.

On March 7, 2017, we entered into an asset purchase agreement with Avaya Inc., or Avaya, to purchase Avaya’s fabric-based secure networking solutions and network security solutions business under section 363 of the United States Code, 11 U.S.C. § 101-1532 (the “Bankruptcy Code”) for a purchase price of $100 million (the “Avaya Transaction”), which is described in more detail in the risk factor below.

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

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

Our ability to realize the anticipated benefits our acquisitions and investment activities, including the WLAN 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 strategic transaction with Avaya may not be consummated or may not deliver the anticipated benefits we expect.

On March 7, 2017, we entered into an asset purchase agreement with Avaya, to purchase Avaya's fabric-based secure networking solutions and network security solutions business under section 363 of the Bankruptcy Code for a purchase price of $100 million (the "Avaya Transaction"). We are devoting a significant proportion of our time and resources to consummating the Avaya Transaction, however, there can be no assurance that such activities will result in the consummation of this transaction. In connection with the purchase agreement, Avaya is seeking approval of a bidding and public auction process pursuant to the Bankruptcy Code, and as such, the purchase agreement is subject to higher or better offers made in accordance with bidding procedures that are approved by the Bankruptcy Court.

Each party's obligation to consummate the Avaya Transaction is also subject to other customary conditions, including (i) the absence of any law or governmental order prohibiting or preventing the consummation of the transactions contemplated, (ii) the receipt of certain needed governmental approvals and authorizations, (iii) the receipt of certain material contractual consents, (iv) the accuracy of the representations and warranties and compliance with the covenants set forth in the purchase agreement, (v) the absence of any material adverse effect on the business, (vi) the approval and entry of the bidding procedures order by the Bankruptcy Court and (vii) the approval of the transaction and entry of a sale order by the Bankruptcy Court. In the event that any of these closing conditions is not satisfied, we may not be able to consummate the Avaya Transaction. In addition, even if we are able to consummate the Avaya Transaction, such transaction may not deliver the benefits we anticipate or enhance stockholder value.

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

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

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

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

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

Our senior secured credit facilities impose financial and operating restrictions on us.

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

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

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

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

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

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

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

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

Our success depends to a significant degree upon the continued contributions of our key management, engineering, sales and marketing, service and operations personnel, many of whom would be difficult to replace. We do not have employment contracts with these individuals that mandate that they render services for any specific term, nor do we carry life insurance on any of our key personnel. We have experienced and may in the future experience significant turnover in our executive personnel. Changes in our management and key employees could affect our financial results, and a recent reduction in force, may impede our ability to attract and retain highly skilled personnel. In addition, retention has generally become more difficult for us, in part because the exercise price of most of the stock options granted to many of our employees is above the market. 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.

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 two 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 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; and
- increases in the price of the components we purchase.

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; and
- natural disasters and epidemics.

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.

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 will 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 as incorporated in our products may not meet the quality requirements of our customers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If we do not successfully anticipate technological shifts, market needs and opportunities, and develop products and product enhancements that meet those technological shifts, needs and opportunities, or if those products are not made av ailable 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.

We cannot guarantee that we will be able to anticipate future technological shifts, market needs and opportunities or be able to develop new products or product enhancements 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 fail to develop and introduce new products or product enhancements to meet those needs 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, which would significantly harm our business, financial condition, and results of operations. Even if we are able to anticipate, develop and commercially introduce new products and enhancements, we cannot assure that new products or enhancements will achieve widespread market acceptance.

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

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

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

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

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

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

- stop selling our products that incorporate the challenged intellectual property;
- obtain a royalty bearing license to sell or use the relevant technology, and that license may not be available on reasonable terms or available at all;
- pay damages;
- redesign those products that use the disputed technology; or
- face a ban on importation of our products into the United States.

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

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

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

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

We have in the past, currently are and will likely in the future pursue or be subject to claims or lawsuits in the normal course of our business. In addition to the risks related to the intellectual property lawsuits described above, we are currently parties to other litigation as described in Note 8 to our Notes to Condensed Consolidated Financial Statements. 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 ma nufacturing requirements could harm our operating results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our future effective tax rates may be volatile or adversely affected by changes in our business or U.S. or foreign tax laws, including: the partial or full release of the valuation allowance recorded against our net U.S. deferred tax assets; expiration of or lapses in the research and development tax credit laws; transfer pricing adjustments; tax effects of stock-based compensation; or costs related to restructuring. 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 o ffset 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 o n 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 stoc k 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. The Rights Agreement is effective through May 31, 2017.

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

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

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

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

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

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.

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. The secure maintenance of this information is critical to our operations and business strategy. Increasingly, companies, including Extreme Networks, are subject to a wide variety of attacks on their networks on an ongoing basis. Despite our security measures, Extreme Networks' 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.

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.

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.

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

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

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

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

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

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

Item 3. Defaults Upon Senior Securities - Not applicable

Item 4. Mine Safety Disc losure - Not Applicable

Item 5. Other Information – Not Applicable

Item 6. E xhibits

(a) Exhibits:

Exhibit Number	Description of Document	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Number	
2.1	Asset Purchase Agreement, dated March 7, 2017, by and between Extreme Networks, Inc. and Avaya, Inc.	8-K	3/7/2017	2.1	
2.2	Amendment No. 1, dated April 3, 2017, to the Asset Purchase Agreement, dated March 7, 2017, by and between Extreme Networks, Inc. and Avaya, Inc.				X
2.3	Asset Purchase Agreement, dated as of March 29, 2017, by and among LSI Corporation, Extreme Networks, Inc. and, solely for the purposes set forth therein, Broadcom Corporation.	8-K	3/29/2017	2.1	
10.1	First Amendment to the Amended and Restated Credit Agreement, dated as of March 2, 2017, by and among the Company, as borrower, the several banks and other financial institutions or entities party thereto as lenders, and Silicon Valley Bank, as administrative agent and collateral agent.				X
10.2	Sublease Agreement, dated February 3, 2017, by and between the Company as sub-landlord and Yangtze Memory Technologies, Inc. as sub-tenant.				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.

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

SIGNAT URES

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)

May 4, 2017

AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT (this "Amendment"), dated as of April 3, 2017, is made by and between Avaya Inc. ("Avaya") and Extreme Networks, Inc. ("Purchaser" and, together with Avaya, the "Parties").

Capitalized terms not defined herein have the meanings assigned to such terms in that certain Asset Purchase Agreement, dated as of March 7, 2017, by and between the Parties (the "Agreement").

WHEREAS, pursuant to Section 11.14 of the Agreement, the Parties desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing preamble and recital, which shall constitute a part of this Amendment, and the mutual promises contained in this Amendment, and intending to be legally bound thereby, the Parties agree as follows.

1. Amendment to Agreement.

(a) Section 3.18 of the Agreement is hereby amended by replacing "Goldman, Sachs & Co." with "Centerview Partners LLC".

(b) Section 5.21 of the Agreement is hereby amended by replacing each instance of "15th day" with "45th day".

2. TSA. The Parties hereby agree that notwithstanding anything in the Agreement, the Transition Services Agreement or the schedules to the Transition Services Agreement as of the date of this Amendment, Avaya will undertake and perform information technology or system development, programming or similar work only as, and to the extent that, the Parties may otherwise and separately discuss and agree in writing, and only on such terms as the Parties agree in writing (including duration, cost and other details). If the Parties do agree to perform any such information technology or system development, programming or similar work, the details regarding such work will be reflected in the schedules to the Transition Services Agreement.

3. Ratification. Except as set forth herein, all provisions of the Agreement remain in full force and effect as originally written.

4. Miscellaneous. This Amendment shall be governed by and construed in accordance with the applicable terms of Article XI of the Agreement, which are hereby incorporated by reference and shall apply *mutatis mutandis* as if set forth herein.

* * * *

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the day and year first above written.

AVAYA INC.

By: /s/ LAURENT PHILONENKO
Name: Laurent Philonenko
Title: Senior Vice President, Corporate Strategy and Development – Chief Technology Officer

EXTREME NETWORKS, INC.

By: /s/ KATY MOTIEY
Name: Katy Motiey
Title: EVP, Chief Administrative Officer HR, General Counsel, & Corporate Secretary

Exhibit 10.1

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this " ***Agreement*** "), dated as of March 2, 2017, is entered into by and among **EXTREME NETWORKS, INC.** , a Delaware corporation (the " ***Borrower*** "), the several banks and other financial institutions or entities party hereto (each a " ***Lender*** " and, collectively, the " ***Lenders*** "), **SILICON VALLEY BANK** (" ***SVB*** "), in its capacity as both the Issuing Lender and the Swingline Lender, and SVB , as administrative agent and collateral agent for the Secured Parties (in such capacity, the " ***Administrative Agent*** "). Unless otherwise defined herein, terms defined in the Amended and Restated Credit Agreement (defined below) and used herein shall have the respective meanings given to such terms in the Amended and Restated Credit Agreement.

RECITALS

A. The Borrower, the Lenders and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement, dated as of October 28, 2016 (as amended, supplemented, restructured or otherwise modified prior to the date hereof, the " ***Amended and Restated Credit Agreement*** ").

B. The Borrower has requested that the Administrative Agent and the Required Lenders agree to amend the Amended and Restated Credit Agreement in the manner described in Section 1 hereof.

C. The Administrative Agent and the Required Lenders have agreed to so amend the Amended and Restated Credit Agreement upon the terms and conditions set forth herein.

ACCORDINGLY, subject to the satisfaction of the conditions to effectiveness described in Section 2 of this Agreement, the parties hereto hereby agree as follows:

AGREEMENT

SECTION 1 Amendment of the Amended and Restated Credit Agreement . With effect from and after the Effective Date (defined below), the Amended and Restated Credit Agreement shall be amended by amending and restating Section 7.8(o)(xi) thereof to read in its entirety as follows:

> (xi) (A) the aggregate amount of the cash consideration paid by such Group Member in connection with any particular Permitted Acquisition shall not exceed $100,000,000, and (B) the aggregate amount of the cash consideration paid by all Group Members in connection with all such Permitted Acquisitions consummated from and after the Amendment and Restatement Date shall not exceed $100,000,000;

SECTION 2 Conditions Precedent to Effectiveness . The effectiveness of Section 1 of this Agreement shall be subject to the satisfaction of each of the following conditions precedent (the first date on which all such conditions shall be satisfied or waived, the " ***Effective Date*** "):

(a) the Administrative Agent shall have received from the Borrower and each of the Required Lenders a duly executed original (or, if elected by the Administrative Agent, an executed facsimile or PDF followed promptly by an executed original) counterpart of this Agreement;

(b) the Administrative Agent shall have received from each Guarantor party thereto a duly ex ecuted original (or, if elected by the Administrative Agent, an executed facsimile or PDF followed promptly by an executed original) signature page to the Guarantor Acknowledgment and Consent attached hereto as Exhibit A ;

(c) the Administrative Agent shall have received from the Borrower an amendment fee equal to the product of (i) $40,000 multiplied by (ii) the number of Lenders that have executed this Agreement and delivered to the Administrative Agent copies of their executed counterpart signature pages hereto by no later than 2:00 PM, San Francisco time, on March 2, 2017 (the " ***Signing Lenders*** "), which amendment fee will be divided equally by the Administrative Agent among and paid to the Signing Lenders. Such amendment fee shall be fully-earned on the date paid and shall not be refundable for any reason;

(d) the Borrower shall have paid all costs and expenses of the Administrative Agent then due in accordance with Section 4(d) hereof and Section 10.5 of the Amended and Restated Credit Agreement, to the extent such costs and expenses have been invoiced to the Borrower prior to the Effective Date; and

(e) on the Effective Date, after giving effect to this Agreement, (i) the representations and warranties contained in Section 3 of this Agreement shall be true and correct and (ii) no Default or Event of Default shall have occurred and be continuing.

SECTION 3 Representations and Warranties . The Borrower hereby represents and warrants to the Administrative Agent and each of the Required Lenders that:

(a) no Default or Event of Default exists immediately before, and that no Default or Event of Default exists immediately after, giving effect to the amendments contemplated by Section 1 hereof;

(b) the execution, delivery and performance by the Borrower of this Agreement have been duly authorized by all necessary corporate action on the part of the Borrower and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable;

(c) this Agreement and the other Loan Documents constitute the legal, valid and binding obligations of each Loan Party party hereto or thereto, and are enforceable against each such Loan Party in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles and principles of good faith and fair dealing (whether enforcement is sought by proceedings in equity or at law); and

(d) each of the representations and warranties made by each Loan Party in or pursuant to any Loan Document to which such Loan Party is party (after giving effect to the amendment to the Amended and Restated Credit Agreement contemplated herein) (i) that is qualified by materiality is true and correct, and (ii) that is not qualified by materiality, is true and correct in all material respects, in each case, on and as of the date hereof, as if made on and as of such date, except to the extent that any such representation and warranty expressly relates to an earlier date, in which case such representation and warranty shall have been true and correct in all material respects as of such earlier date.

SECTION 4 Miscellaneous .

(a) Amended and Restated Credit Agreement Otherwise Not Affected. Except as expressly contemplated hereby, the Amended and Restated Credit Agreement shall rema in unchanged and in full force and effect and is hereby ratified and confirmed in all respects. The Administrative Agent's and the Required Lenders' execution and delivery of, or acceptance of, this Agreement shall not be deemed to create a course of deal ing or otherwise to create any express or implied duty by the Administrative Agent or any Lender to provide any other or further amendments under the same or similar circumstances in the future.

(b) No Reliance. The Borrower hereby acknowledges and confirms to the Administrative Agent and the Required Lenders that it is executing this Agreement on the basis of its own investigation and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of any other Person.

(c) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and to the benefit of their respective successors and assigns permitted by the terms of the Loan Documents. No third party beneficiaries are intended in connection with this Agreement.

(d) Costs and Expenses. The Borrower hereby agrees to pay to the Administrative Agent on demand the reasonable and documented out-of-pocket costs and expenses of the Administrative Agent, and the reasonable and documented out-of-pocket fees and disbursements of counsel to the Administrative Agent, in connection with the negotiation, preparation, execution and delivery of this Agreement and any other documents to be delivered herewith.

(e) Governing Law. **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA.** This Agreement is subject to the provisions of Section 10.14 of the Amended and Restated Credit Agreement relating to submission to jurisdiction, jury trial waiver and judicial reference, which provisions are by this reference incorporated herein, *mutatis mutandis* , as if set forth herein in full **.**

(f) Complete Agreement; Amendments. This Agreement, together with the Amended and Restated Credit Agreement and the other Loan Documents, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Agreement supersedes all prior drafts and communications with respect hereto and may not be amended except in accordance with the provisions of Section 10.1 of the Amended and Restated Credit Agreement.

(g) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

(h) Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement by PDF, facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability and binding effect of this Agreement.

(i) Interpretation . This Agreement is the result of negotiations between and has been reviewed by respective counsel to the Borrower and the Guarantors and is the product of all parties hereto. Accordingly, this Agreement shall not be construed against any party merely because of its involvement in the preparation hereof.

(j) Loan Document . This Agreement shall constitute a Loan Document.

(Remainder of page intentionally left blank; signature page follows)

Exhibit 10.1

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

EXTREME NETWORKS, INC. ,
as the Borrower

By:/s/ B. DREW DAVIES
Name: B. Drew Davies
Title: Chief Financial Officer

SILICON VALLEY BANK ,
as the Administrative Agent, a Lender, the Swingline Lender and the Issuing Lender

By:/s/ STEPHEN CHANG
Name: Stephen Chang
Title: Vice President

BANK OF AMERICA, N.A. ,
as a Lender

By:/s/ THOMAS R. SULLIVAN
Name: Thomas R. Sullivan
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ WILLIAM HORSTMAN
Name: William Horstman
Title: Authorized Officer

CADENCE BANK, N.A.,
as a Lender

By: /s/ STEVE PRICHETT
Name: Steve Prichett
Title: Executive Vice President

COMERICA BANK,
as a Lender

By: /s/ ROBERT SHUTT
Name: Robert Shutt
Title: Senior Vice President

Exhibit 10.1

EXHIBIT A

GUARANTOR ACKNOWLEDGEMENT AND CONSENT

Each of the undersigned, each a Guarantor with respect to the Secured Obligations of the Loan Parties to the Secured Parties under the terms of the Loan Documents, hereby:

(a) acknowledges and consents to the execution, delivery and performance by the Borrower of the foregoing Agreement;

(b) represents and warrants that the execution and delivery by it of this Guarantor Acknowledgement and Consent (i) are within its corporate power, (ii) have been duly au thorized by all necessary corporate action, and (iii) do not require the consent, approval or authorization of any Person which has not been previously obtained; and

(c) reaffirms and agrees that the Guarantee and Collateral Agreement as to which the unde rsigned is party, and all other Loan Documents and agreements executed and delivered by the undersigned to the Administrative Agent and/or the Lenders in connection with the Guarantee and Collateral Agreement, are in full force and effect without defense, offset or counterclaim and will so continue.

All capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to such terms in the Amended and Restated Credit Agreement (as defined in the Agreement) or in the other “Loan Documents” defined therein, as the context may require.

This Guarantor Acknowledgement and Consent shall constitute a Loan Document under the Amended and Restated Credit Agreement.

IN WITNESS WHEREOF, each of the Guarantors named below has duly executed and delivered this Guarantor Acknowledgment and Consent as of the Effective Date specified in the Agreement.

EXTREME NETWORKS, INC.

By:
Name:
Title:

ENTERASYS NETWORKS, INC.

By:
Name:
Title:

Exhibit 10.2

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (this "Sublease") is entered into this 3 day of February, 2017 by and between EXTREME NETWORKS, INC., a Delaware corporation ("Sublandlord"), and YANGTZE MEMORY TECHNOLOGIES, INC., a California corporation ("Subtenant").

Recitals

A. W3 RIDGE RIO ROBLES PROPERTY LLC, a California limited liability company ("Landlord"), and Sublandlord entered into that certain Office Space Lease Agreement dated December 31,2012 (the "Master Lease"), respecting those premises consisting of approximately 57,586 rentable square feet of space (the "Premises") comprising the entirety of the building located at 145 Rio Robles, San Jose, California (the "Building"). The Premises is more particularly described in the Master Lease and depicted on Exhibit "A" attached hereto. A copy of the Master Lease is attached to this Sublease as Exhibit "E".

B. Sublandlord desires to sublet to Subtenant, and Subtenant desires to sublet from Su b landlord, the Premises (the "Sublease Premises") on the terms and conditions set forth in this Sublease.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Sublease and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

Agreement

I. Sublease . Sublandlord hereby subleases to Subtenant, and Subtenant hereby subleases from Su b landlord, the Sublease Premises on the terms and conditions hereinafter set forth. In addition, Subtenant shall have the right to use the existing furniture, fixtures and equipment located within the Sublease Premises and listed on Exhibit "B" attached hereto (the "FF&E") and Landlord's Furniture (as defined in Section 22(b) below). The parties hereby agree that FF&E shall not include (a) Landlord's Furniture or (b) any equipment within the existing gym located in the Building. Su b landlord has a shared use agreement with SunPower to use the existing gym located in the Building and shall terminate such shared use agreement with SunPower prior to the Commencement Date (as defined in Section 2(a) below).

2. Term.

(a) Conditioned upon receipt of the Master Landlord Consent (as defined in Section 15 below), the term of this Sublease shall commence on February 28, 2017 (the "Commencement Date") and shall expire on June 30, 2023 (the "Sublease Term"), unless sooner terminated under the provisions of this Sublease or unless the Master Lease is sooner terminated. Promptly after the Commencement Date is ascertained, Sublandlord and Subtenant shall execute the certificate attached to this Sublease as Exhibit "D" . Failure to execute said certificate shall not affect the commencement or expiration of the Sublease Term.

(b) Notwithstanding the Commencement Date set forth in Section 2(a) above, if for any reason Sublandlord fails to deliver possession of the Sublease Premises to Subtenant on or before the Commencement Date, Sublandlord shall not be liable to Subtenant therefore, nor shall such failure affect the validity of this Sublease or the obligations of Subtenant hereunder, except as set forth below. In the event of any delay in delivery of possession, Subtenant shall not be obligated to pay rent or to perform any of its other obligations under this Sublease, except for the payment of the Security Deposit pursuant to Section 6 below, until possession of the Sublease Premises is delivered to Subtenant; provided, however, if Su b landlord fails to deliver possession of the Sublease Premises to Subtenant for any reason on or before April 30, 2017 , then Subtenant shall have the option to terminate this Sublease and in such event, Sublandlord shall refund the Security Deposit and all prepaid rental amounts.

(c) Commencing on February 1 , 2017 until the Commencement Date (the "Early Access Period"), Subtenant shall have access to the Sublease Premises for the purpose of the installation of furniture, fixtures and equipment; provided, however, that during such Early Access Period all of the terms and conditions of this Sublease shall apply except that Subtenant shall not be obligated to pay Monthly Base Rent or Additional Rent until the occurrence of the Commencement Date. Such early access shall be at Subtenant's sole risk and conditioned upon full execution of this Sublease and delivery to Su b landlord of payment of the Monthly Base Rent, Additional Rent and Security Deposit as required herein and insurance certificates evidencing that Subtenant has obtained the insurance required pursuant to this Sublease. Subtenant shall not conduct its business in the Sublease Premises at any time during such Early Access Period. In addition to the foregoing, Su b landlord shall have the right to impose such reasonable additional conditions on Subtenant's early entry as Sublandlord shall deem appropriate.

3. Monthly Base Rent.

(a) Commencing on the Commencement Date and continuing throughout the Sublease Term, Subtenant shall pay to Sublandlord, without prior demand therefore, in advance on the first day of each calendar month, as monthly rent ("Monthly Base Rent") the following:

Months	Monthly Base Rent
1-12*	$109,413.40
13-24	$112,695.80
25-36	$116,076.68
37-48	$119,558.98
49-60	$123,145.75
61-72	$126,840.12
73-78	$130,645.32

* Provided Subtenant is not in monetary or material non-monetary default beyond the expiration of any applicable notice and cure period, Monthly Base Rent for the first three (3) months of the Sublease Term shall be abated.

(b) Monthly Base Rent shall be prorated for any partial month.

4. Additional Rent; Service Contracts; Utilities.

(a) Subtenant shall pay to Su b landlord during the Sublease Term and on or prior to the date such sums are due under the Master Lease, Subtenant's Pro Rata Share (as defined below in Section 9(a)) of all sums of additional rent and expenses **("Additional Rent")** payable under the Master Lease. Sublandlord and Subtenant agree that this Sublease is intended to pass through to Subtenant all financial obligations imposed on Sublandlord pursuant to the Master Lease relating to the Sublease Premises, except for the Monthly Base Rent (as defined in the Master Lease) that Sublandlord pays to Landlord for the Sublease Premises. Any ambiguity in the terms of this Sublease shall be construed in accordance with such intention. If Sublandlord shall receive any refund for Additional Rent or sums paid by Sublandlord under the Master Lease, Subtenant shall be entitled to the return of any refund if and to the extent such refund was for payments made by Subtenant to Sublandlord under this Sublease. For example, if Subtenant pays Operating Expense Rental (as this term is defined in the Master Lease) to Sublandlord under this Sublease, and Sublandlord pays Operating Expense Rental to the Master Landlord, and the Master Landlord refunds a portion of such Operating Expense Rental to Su b landlord, Sublandlord shall refund the same to Tenant if and to the extent such refund relates to periods covered by this Sublease and relate in proportion to payments made by Subtenant. Further, Su b landlord covenants and agrees that it will, upon notice from Subtenant, exercise its audit rights under Section 2.4.5 of the Master Lease upon Subtenant's demand if Subtenant agrees to pay all costs and expenses of Sublandlord.

(b) Subtenant, at Subtenant's sole cost and expense, shall contract directly with third party service providers for the provision of janitorial services, garbage and utilities at the Sublease Premises (collectively, **"Utility** Services"). Su b landlord agrees to cooperate with Subtenant as necessary to transfer existing garbage and utility service accounts to Subtenant.

(c) For the first six (6) months of the Sublease Term, Su b landlord shall, at its sole cost and expense, continue to pay and maintain the existing Service Contracts (as defined in Section 3.1 of the Master Lease) required by Section 3.1 of the Master Lease for the Sublease Premises as well as pay the reasonable costs to repair or replace the equipment covered by such Service Contracts as may be required during such six (6) month period after the Commencement Date, except with respect to any maintenance, repair or replacement which is required as a result of damage directly caused by Subtenant, which Subtenant shall reimburse Sublandlord for the entire cost of such repairs or replacement. On the first day of the seventh (7th) month of the Sublease Term, Subtenant shall directly enter into and maintain Service Contracts (as defined in

Section 3.1 of the Master Lease) as required by Section 3 .I of the Master Lease for the Sublease Premises and shall be responsible for paying all such repair or replacement costs as may be required under such Service Contracts.

5. Place of Payment of Rent . All Monthly Base Rent, Additional Rent and all other amounts payable to Sublandlord under this Sublease shall be paid to Su b landlord when due, without prior notice or demand and without deduction or offset, in lawful money of the United States of America in accordance with separate wire instructions that Sublandlord shall provide to Subtenant in writing.

6. Security Deposit and Prepaid Rent.

(a) Upon the execution of this Sublease, Subtenant shall deposit with Su b landlord a cash security deposit of Four Hundred Eighty Two Thousand Eighty Five and 57/100 Dollars ($482,085.57), (the **"Security Deposit")** for the full and faithful performance of Subtenant's obligations under this Sublease. If Subtenant fails to pay any Monthly Base Rent or Additional Rent, or otherwise defaults with respect to any of its obligations under this Sublease, Sublandlord may (but shall not be obligated to), and without prejudice to any other remedy to Sublandlord, use, apply or retain all or any portion of the Security Deposit for the payment of any Monthly Base Rent or Additional Rent in default or for the payment of any other sum to which Sublandlord may become obligated by reason of Subtenant's default, or to compensate Sublandlord for any loss or damage or Sublandlord may suffer thereby, including, without limitation, prospective damages and damages recoverable pursuant to California Civil Code Section 1951.2. Subtenant waives the provisions of California Civil Code Section 1950.7, and all other provisions of law now in force or that become in force after the date of execution of this Sublease, that provide that Sublandlord may claim from the Security Deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Subtenant, or to clean the Sublease Premises. If Sublandlord uses or applies all or any portion of the Security Deposit as provided above, Subtenant shall, within ten (10) days after demand therefore, deposit cash with Sublandlord in an amount sufficient to restore the Security Deposit to the full amount thereof, and Subtenant's failure to do so shall, at Sublandlord's option, be an event of default under this Sublease. If the Subtenant performs all of Subtenant's obligations heretmder, the Security Deposit, or so much thereof that has not theretofore been applied by Sublandlord, shall be returned to Subtenant within thirty (30) days following the expiration of the Sublease Term and after Subtenant has vacated the Sublease Premises. Sublandlord shall not be deemed to hold the Security Deposit in trust nor be required to keep the Security Deposit separate from its general funds and Subtenant shall not be entitled to any interest on the Security Deposit.

(b) Upon execution of this Sublease, Subtenant shall make a payment to Su b landlord in the amount of One Hundred Thirty Nine Thousand Four Hundred Sixty Three and 27/100 Dollars ($139,463.27) as prepayment of rent for credit against the first installment of Monthly Base Rent and Additional Rent due hereunder.

7. Use. The Sublease Premises shall be used and occupied only for those purposes set forth in the Master Lease, and for no other purpose.

8. Incorporation of Master Lease Terms.

(a) Except as expressly set forth below in Section 8(b) below, the Master Lease is incorporated herein in its entirety by this reference. For the purpose of this Sublease, all references in the Master Lease to "Landlord" shall be deemed to mean Sublandlord, all
references to "Tenant" shall be deemed to mean Subtenant and all references to "Lease" shall mean this Sublease, and all references to the "Leased Premises" shall mean Sublease Premises. In the event of a conflict between the provisions of this Sublease and the Master Lease Agreement, as between Sublandlord and Subtenant, the provisions of this Sublease shall control.
Notwithstanding the foregoing incorporation of the terms and conditions of the Master Lease, Sublandlord shall not be responsible for the performance of any obligations to be performed by Landlord under the Master Lease, and Subtenant agrees to look solely to Landlord for the performance of such obligations. Sublandlord shall not be liable to Subtenant for any failure by Landlord to perform its obligations under the Master Lease, nor shall such failure by Landlord excuse performance by Subtenant of its obligations hereunder.

(b) Su b landlord and Subtenant agree that as between Sublandlord and Subtenant the following terms of the Master Lease shall not be incorporated into this Sublease: Sections 1.1, 1.2.3, 1.3, 1.4, 1.6, 2.1.1, 2.4.5, 2.5, 3.1, 7.5, 9.13, 9.14, Exhibit B, Exhibit C, and Exhibit E-1.

9. <u>Condition and Acceptance of the Sublease Premises.</u>

(a) For purposes of this Sublease, **"Subtenant's Pro Rata Share"** shall mean one hundred percent (I 00%).

(b) By execution of this Sublease, Subtenant accepts the Sublease Premises in its "AS IS" condition, and Sublandlord makes no representations or warranties to Subtenant with respect to any matter relating to the zoning, legal compliance or physical condition of the Sublease Premises. Sublandlord shall have no obligation to perform any improvements, alterations or repairs to the Sublease Premises prior to delivery thereof to Subtenant. Notwithstanding the foregoing, Sublandlord shall deliver the Premises, roof, HVAC, plumbing, electrical and related mechanical systems in good working order and condition upon the Commencement Date.

10. Alterations.

(a) Subtenant shall not make any alteration, addition, improvement or change to the Sublease Premises (including, but not limited to any alteration of the paint color or carpeting in the Sublease Premises) without the prior written consent of Su b landlord and Landlord, which consent shall be given or withheld subject to the terms of the Master Lease as incorporated into this Sublease. Any alterations permitted by Sublandlord pursuant to this Section 10 shall be made by Subtenant in accordance with all of the terms and conditions of the Master Lease relating to alterations; provided, however, that Subtenant shall remove any and all such alterations or physical additions in or to the Sublease Premises prior to the expiration or earlier termination of this Sublease or the Master Lease at Subtenant's sole cost and expense.

11. <u>Assignment and Subletting.</u>

(a) Any assignment of this Sublease, by operation of law or otherwise, or further sublet of the Sublease Premises shall require the prior written consent of Sublandlord and Landlord, which consent shall be given or withheld subject to the terms of the Master Lease as incorporated into this Sublease subject, however, to the following: So long as Subtenant is not entering into a Permitted Transfer for the purpose of avoiding or otherwise circumventing the terms of Article 8 of the Master Lease, Subtenant shall have the right to sublease the Premises or assign this Sublease without Sublandlord's consent, and to the extent agreed to by Master Landlord in the Master Landlord Consent to an Affiliate (defined, below) (a **"Permitted Transfer").** Each affiliate assignee or sublessee shall be and remain liable jointly and severally with Subtenant for payment of Rent and for the due performance of, and compliance with all the terms, covenants, conditions and agreements herein contained on Subtenant's part to be performed or complied with, for the term of this Sublease. No Permitted Transfer shall affect the continuing primary liability of Subtenant (which, following assignment as a result of a Permitted Transfer, shall be joint and several with the assignee), and Subtenant shall not be released from performing any of the terms, covenants and conditions of this Sublease. Subtenant shall promptly advise Landlord and Sublandlord of any Permitted Transfer. For purposes of this Sublease "Affiliate" means any Unigroup affiliate and an entity controlling, controlled by or under common control with Subtenant with control defined as ownership of more than twenty five percent (25%) of an entity's voting interests.

(b) Except in connection with a Permitted Transfer, Sublandlord shall have the option, by giving written notice to Subtenant within fifteen (1 5) days after receipt of any written notice of Subtenant's desire to assign or sublet the Sublease Premises (the **"Transfer Notice"),** to recapture the Sublease Premises, or a portion thereof if such Transfer Notice is made with respect to less than the entire the Sublease Premises. Such recapture notice shall cancel and terminate this Sublease with respect to the Sublease Premises or portion thereof, as applicable, as of the effective date of the proposed assignment or sublease stated in the Transfer Notice until the last day of the term of the assignment or sublease as set forth in the Transfer Notice (or at Sublandlord's option, shall cause the assignment to be made to Su b landlord or its agent, in which case the parties shall execute the assignment documentation promptly thereafter). In the event of a recapture by Sublandlord, if this Sublease shall be canceled with respect to less than the entire Sublease Premises, the Monthly Base Rent and Additional Rent required under the terms of this Sublease shall be prorated on the basis of the number of rentable square feet retained by Subtenant in proportion to the number of rentable square feet contained in the Sublease Premises, and this Sublease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same. If Sublandlord declines , or fails to elect in a timely manner to recapture the Sublease Premises under this Section 1 1 (b), then, provided Sublandlord and Landlord have consented to the proposed assignment in accordance with, Subtenant shall be entitled to proceed to transfer the Sublease Premises to the proposed assignee, subject to provisions of this Section 11. Notwithstanding the foregoing, if Sublandlord notifies Subtenant that it elects to recapture the Sublease Premises, or a portion thereof, Subtenant may rescind its Transfer Notice by written notice to Sublandlord given no later than five (5) business days after its receipt of Sublandlord's notice, in which event this Sublease shall continue as if Subtenant had never delivered its Transfer Notice.

12. Notices . All notices, demands or requests which may be or are required to be given under this Sublease shall be in writing and shall be given by personal delivery, or by certified or registered mail, return receipt requested, postage prepaid, or by Federal Express or similar overnight courier, charges prepaid, and addressed as follows:

Sublandlord: Extreme Networks
6480 Via Del Oro
San Jose, CA 95119
Attention: Ted Lawson

Subtenant: Before the Commencement Date: Yangtze Memory

Technologies, Inc.

809 Auzerais Ave, Unit 446
San Jose, CA 95126
Attention: Annie Chen
After the Commencement Date: At the Sublease Premises
Attention: Annie Chen

The addresses of the parties may be changed from time to time by notice given in the manner set forth in this Section 12. Each notice, request, demand, advice or designation given under this Sublease shall be deemed properly given only upon actual receipt or refusal of delivery.

13. Termination of Master Lease . This Sublease is, and shall at all times remain, subordinate to the Master Lease. In the event the Master Lease is terminated for any reason, then, on the date of such termination, this Sublease shall automatically terminate and be of no further force or effect. If the termination of the Master Lease (and resulting termination of this Sublease) occurs through no fault of Sublandlord, Sublandlord shall have no liability to Subtenant for the resultant termination of this Sublease. Upon termination of this Sublease, provided that all Subtenant obligations under this Sublease have been fully performed and no uncured default by Subtenant has occurred and is then continuing, Sublandlord shall return to Subtenant any unapplied portion of the Security Deposit. If the Master Lease is terminated due to a default by Sublandlord and as a result thereof, the Sublease is terminated, then Sublandlord shall be liable to Subtenant for actual damages, including relocation expenses, incurred by Subtenant as a result of such termination of this Sublease; provided, however, that in no event shall Sublandlord be liable for consequential or punitive damages.

14. Sublandlord's Obligations with Respect to Master Lease.

(a) Subject to Subtenant's full and faithful compliance with the terms of this Sublease and the Master Lease, Sublandlord shall use reasonable efforts to keep the Master Lease in full force and effect during the Sublease Term. Notwithstanding the foregoing, Su b landlord may in its discretion exercise the right to terminate the Master Lease in the event of casualty, destruction or condemnation as provided under Sections 6.1 and 6.3 of the Master Lease.

(b) So long as this Sublease is in full force and effect, and subject to Su b landlord's rights under Sections 6.1 and 6.3 of the Master Lease, Sublandlord shall not enter into any agreement or amendment or do or omit to do anything that Sublandlord is obligated to do under the terms of the Master Lease (except for obligations that Subtenant is required to perform under this Sublease) that will cause either the Master Lease to be terminated or the Sublease Premises to be surrendered prior to the expiration of the Sublease Term or otherwise will adversely affect the use by Subtenant of the Sublease Premises, materially increase the obligations of Subtenant or materially decrease the rights of Subtenant. In the event that termination of this Sublease results from a breach thereof by Sublandlord not caused by Subtenant, then Su b landlord shall be liable to Subtenant for reasonable relocation and moving costs or expenses incurred by Subtenant by reason thereof.

(c) Subtenant agrees that, notwithstanding anything to the contrary contained in this Sublease or in the Master Lease, except as otherwise provided in this Section 14(c), Sublandlord shall have no responsibility or obligation in connection with or for any of the representations or covenants made by Landlord under the Master Lease, nor shall Sublandlord be required to provide any of the services or make any of the alterations, installations, repairs or restorations or take any other actions that Landlord has agreed to provide, to make, to take or to cause to be provided or made or taken under the provisions of the Master Lease. Subtenant shall rely upon, and look solely, to Landlord for the performance of such obligations; provided that if Landlord shall fail to perform any of its obligations under the Master Lease relating to the Subtenant's quiet possession and use of the Sublease Premises, Sublandlord agrees, for Subtenant's benefit, upon Subtenant's written request, to use commercially reasonable efforts to enforce such obligations of Landlord under the Master Lease (provided commercially reasonable efforts shall not require Sublandlord to file a lawsuit against Landlord), and to attempt to cause Landlord to provide Subtenant with all of the services and other benefits that Landlord is required to provide to the Sublease Premises and Common Areas in accordance with the terms and conditions of the Master Lease. Subtenant shall reimburse all costs and expenses incurred by Su b landlord in enforcing or attempting to enforce the Master Lease against Landlord for Subtenant's benefit at Subtenant's request, and shall indemnify and hold harmless Sublandlord from and against any and all claims arising from or in connection with such enforcement or attempted enforcement by Sublandlord. Under no circumstances shall Subtenant have any right to require Su b landlord to perform any obligations of Landlord under the Master Lease or otherwise. Subtenant shall not make any claim against Sublandlord for any damage that may arise nor shall Subtenant's obligations hereunder be impaired solely by reason of (i) the failure of Landlord to keep, observe or perform any of Landlord's obligations pursuant to the Master Lease, or (ii) the acts or omissions of Landlord and each of its agents, contractors, servants, employees, invitees or licensees.

(d) Su b landlord shall protect, indemnify and save Subtenant harmless from and against all costs, losses, damages, liabilities and expenses (including, without limitation, reasonable attorneys : fees) by reason of or arising out of: (i) any accident, death, injury or damage which shall happen in, on, about or in connection with, the Premises or any matter involving the condition, occupancy, repair, use, non-use or operation of the Premises prior to the

Commencement Date; or (ii) any gross negligence or willful misconduct of Su b landlord or of Sublandlord's employees, agents, contractors or invitees within the Premises. Su b landlord's obligation to protect, indemnify and save Subtenant harmless, as set forth in this Section, shall survive the expiration or earlier termination of this Sublease. However the foregoing indemnification obligations of Sublandlord will not apply to any claim or liability is caused by, or arises from the act, or negligence of Subtenant.

(e) Except as otherwise expressly provided in this Sublease, Sublandlord shall perform its covenants and obligations under the Master Lease that do not require possession of the Premises for their performance and that are not otherwise to be performed under this Sublease by Subtenant on behalf of Sublandlord. For example, Sublandlord shall at all times keep in full force and effect all insurance required of Sublandlord as tenant under the Master Lease unless that requirement is waived in writing by Master Landlord.

(f) Sublandlord agrees to provide copies of default notices received by Sublandlord from Landlord concerning defaults under the Master Lease to Subtenant. In the event that Sublandlord defaults under any of its obligations under the Master Lease that have not been delegated to Subtenant hereunder, following prior written notice to Su b landlord, Subtenant shall have the right to cure the default on or before the date Sublandlord's applicable cure period expires. If any such default is cured by Subtenant, then Su b landlord shall reimburse to Subtenant any stuns paid or incurred by Subtenant in effecting the cure within thirty (30) days after notice and demand therefor from Subtenant, together with interest at the Default Rate specified in the Master Lease.

15. <u>Sublandlord Representations and Warranties</u>. Su b landlord represents, warrants and covenants to Subtenant that (a) it is the holder of the interest of Tenant under the Master Lease, (b) to Sublandlord's actual knowledge, the Master Lease is in full force and effect, (c) the copy of the Master Lease attached hereto as <u>Exhibit E</u> is a true and complete copy of the Master Lease, as modified or amended to date, and (d) to Sublandlord's knowledge, there are no defaults or events which with the passage of time would become defaults by Landlord or Sublandlord under the Master Lease.

16. <u>Quiet Enjoyment</u>. Su b landlord represents that it has full power and authority to enter into this Sublease, subject to the consent of the Landlord under the Master Lease. So long as no event of default has occurred (and remains uncured beyond any applicable notice periods), Subtenant's quiet and peaceable enjoyment of the Sublease Premises shall not be disturbed by Su b landlord or by anyone claiming through Su b landlord.

17. <u>Consent of Landlord</u>. Whenever the consent of Landlord is required under the Master Lease, Subtenant shall obtain the consent of both Su b landlord and Landlord, but in all instances Subtenant shall first request and obtain the consent of Sublandlord before requesting the consent of Landlord. This Sublease shall not become effective until Landlord has provided its written consent to this Sublease (the **"Master Landlord Consent").** Notwithstanding anything in this Sublease to the contrary, in the event the Master Landlord Consent is not obtained within thirty (30) days of the parties' execution of this Sublease, then this Sublease shall automatically terminate at ll :59 p.m. Pacific Time on such date and the parties shall thereafter have no further rights or obligations hereunder.

18. Holding Over. If Subtenant continues to occupy the Sublease Premises after the expiration of the Sublease Term without the express written consent of Sublandlord, such occupancy by Subtenant shall automatically, without notice, constitute a default and breach of this Sublease by Subtenant.

19. Brokers. Subtenant represents that it has used no broker in connection with this Sublease except for JLL. Sublandlord represents that it has used no broker in connection with this transaction other.than CBRE, Inc. Sublandlord shall be responsible for payment of a commission to such brokers pursuant to a separate agreement.

20. Entire Agreement . This Sublease contains all of the terms, covenants and conditions agreed to by Sublandlord and Subtenant and may not be modified orally or in any manner other than by an agreement in writing signed by all the parties to this Sublease or their respective successors in interest.

21. Exhibits. All exhibits attached hereto are incorporated in this Sublease, except as expressly excluded herein.

22. Counterparts. This Sublease may be executed in any number of counterparts, each of which shall be deemed an original, and when taken together they shall constitute one and the same sublease. The parties agree to accept a digital image (including but not limited to an image in the form of a PDF, JPEG, GIF file, or other e-signature) of this Sublease, if applicable, reflecting the execution of one or both of the parties, as a true and correct original.

23. Parking. Subject to the applicable provisions of the Master Lease, Subtenant shall have the exclusive right to park vehicles in the general parking area for the Project in accordance with the applicable provisions of the Master Lease, including, without limitation, Section 9.12 of the Master Lease.

24. Use of FF&E.

(a) During the Sublease Term, Su b landlord hereby leases to Subtenant and Subtenant hereby accepts from Sublandlord, at no additional rent, the FF&E (as defined in Section 1 above). The FF&E shall be leased in its "AS-IS" condition and Sublandlord makes no representations or warranties to Subtenant of any kind with respect thereto. Subtenant shall maintain the FF&E in its existing condition and repair, ordinary wear and tear and damage by casualty excepted, and shall pay all applicable taxes associated with the FF&E, if any. No alterations or changes shall be done to the F F &E except with Sublandlord ' s prior written consent, which shall not be unreasonably withheld, conditioned or delayed; provided however, Subtenant shall have the right to move the FF&E within the Sublease Premises. Upon expiration of the Sublease Term, Su b landlord shall convey the FF&E to Subtenant for Ten Dollars ($10.00) pursuant to a Bill of Sale in the form attached hereto as Exhibit "C"; provided however, in no event shall any portion of FF&E owned by the Landlord be included in such conveyance. If, however, this Sublease terminates prior to the end of the Sublease Term, Subtenant shall surrender the FF&E to Sublandlord in the same condition as received, ordinary wear and tear and damage by casualty excepted.

(b) Additionally, Sublandlord hereby leases to Subtenant and Subtenant hereby accepts from Su b landlord, at no additional rent, the furniture listed on Exhibit F to the Master Lease (the **"Landlord's Furniture").** The Landlord's Furniture shall be leased in its "AS-IS" condition and Sublandlord makes no representations or warranties to Subtenant of any kind with respect thereto. Subtenant shall maintain the Landlord's Furniture in its existing condition and repair, ordinary wear and tear and damage by casualty excepted, and shall pay all Landlord's Furniture taxes associated with the Landlord's Furniture. No alterations or changes shall be done to the Landlord's Furniture except with Sublandlord ' s prior written consent. At all times during the Term, Subtenant shall cause the Landlord's Furniture to be insured as required pursuant to the Master Lease. Upon expiration of the Sublease Term or earlier termination of this Sublease, Subtenant shall surrender the Landlord's Furniture to Sublandlord in the same condition as received, ordinary wear and tear and damage by casualty excepted. In the event of any damage to Landlord's Furniture, Subtenant shall provide written notice to Sublandlord of such damage and Subtenant shall make any and all repairs that are necessary at to the Landlord's Furniture at Subtenant's sole cost and expense.

25. Signage , Subject to the Landlord's and Su b landlord's approval and all applicable provisions of the Master Lease, Subtenant, at Subtenant's sole cost and expense, shall be entitled to the Building Signage (as defined in Section 3.3 of the Master Lease).

26. Restrictive Covenant . This Sublease contains the provisions set forth in Exhibit C-2 of that certain Restrictive Covenant, dated September 28,2012 (the **"Restrictive Covenant"),** as set forth on Exhibit "G" attached hereto.

[Signature page immediately follows]

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by their duly authorized representatives as of the day and year first above written.

"SUBLANDLORD":

EXTREME NETWORKS, INC., a Delaware corporation

By: / s/ B. DREW DAVIES
Name: B. Drew Davies
Title: Chief Financial Officer
Date: 2/3/2017

-
-

By: /s/ KATY MOTIEY
Name: Katy Motiey
Title: Chief Administrator Officer, HR GC and Secretary
Date: 2/3/2017

"SUBTENANT":

YANGTZE MEMORY TECHNOLOGIES, INC., a California corporation

By: /s/ WENGUANG SHI___
Name: Wenguang Shi
Title: President
Date: ______________________

By: ____________________________
Name: ______________________________
Title:_______________________

LANDLORD'S CONSENT

Landlord hereby consents to the subletting of the Premises on the terms and conditions contained in the foregoing Sublease including, without limitation, Section ll(a). Landlord represents, warrants and covenants to Subtenant that (a) it is the holder of the interest of Landlord under the Master Lease, (b) the Master Lease is in full force and effect, (c) the copy of the Master Lease attached to the foregoing Sublease as Exhibit E is a true and complete copy of the Master Lease, as modified or amended to date. Except as expressly provided in the Sublease, this consent shall not constitute a waiver of Landlord's right to withhold consent to any future assignment or sublease, or a release of Sublandlord from any of its obligations under the Master Lease.

LANDLORD :

W3 RIDGE RIO ROBLES PROPERTY LLC, a California limited liability company

By : ____ Title : ____ Date : ______________________________

Exhibit 31.1

SECTION 302 CERTIFICATION OF EDWARD B. MEYERCORD III
AS CHIEF EXECUTIVE OFFICER

I, Edward B. Meyercord III, certify that:

1. I have reviewed this Form 10-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: May 4, 2017

/s/ EDWARD B. MEYERCORD III
Edward B. Meyercord III
President and Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION OF B. DREW DAVIES
AS CHIEF FINANCIAL OFFICER

I, B. Drew Davies, certify that:

1. I have reviewed this Form 10-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: May 4, 2017

/s/ B. DREW DAVIES
B. Drew Davies
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF EDWARD B. MEYERCORD III AS CHIEF EXECUTIVE OFFICER, PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Extreme Networks, Inc. (the "Company") on Form 10-Q for the period ended March 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.

/s/ EDWARD B. MEYERCORD III

Edward B. Meyercord III
President and Chief Executive Officer
May 4, 2017

Exhibit 32.2

CERTIFICATION OF B. DREW DAVIES AS CHIEF FINANCIAL OFFICER, PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Extreme Networks, Inc. (the "Company") on Form 10-Q for the period ended March 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.

/s/ B. DREW DAVIES
B. Drew Davies
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)
May 4, 2017