

EXTREME NETWORKS INC  
Form 10-K/A  
October 07, 2015  
Table of Contents

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

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Form 10-K/A  
(Amendment No. 1)

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(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended June 30, 2015

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

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Extreme Networks, Inc.  
(Exact name of Registrant as specified in its charter)

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Delaware 77-0430270  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

145 Rio Robles 95134  
San Jose, California (Zip Code)  
(Address of principal executive offices)  
Registrant's telephone number, including area code: (408) 579-2800

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Securities registered pursuant to Section 12(b) of the Act: None  
Securities registered pursuant to Section 12(g) of the Act:  
Common stock, \$.001 par value

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$334.9 million as of December 31, 2014, the last business day of the Registrant's most recently completed second fiscal quarter, based upon the per share closing price of the Registrant's common stock as reported on The NASDAQ Global Market reported on such date. For purposes of this disclosure, shares of common stock held or controlled by executive officers and directors of the registrant and by persons who hold more than 5% of the outstanding shares of common stock have been treated as shares held by affiliates. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

101,313,823 shares of the Registrant's Common stock, \$.001 par value, were outstanding as of August 21, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

EXPLANATORY NOTE

The purpose of this Amendment No. 1 to the Company's Annual Report on Form 10-K for the period ended June 30, 2015, filed with the Securities and Exchange Commission on September 14, 2015 (the "Form 10-K"), is to correct the fiscal year end date in the certifications of our principal executive officer on Exhibit 32.1 and principal financial officer on Exhibit 32.2 and to re-file Exhibit 10.18.

No other changes have been made to the Form 10-K. This Amendment No. 1 to the Form 10-K speaks as of the original filing date of the Form 10-K, does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update in any way disclosures made in the original Form 10-K.

Table of Contents

EXTREME NETWORKS, INC.  
 FORM 10-K  
 INDEX

	Page
<u>Forward Looking Statements</u>	<u>3</u>
<u>PART I</u>	<u>3</u>
Item 1. <u>Business</u>	<u>3</u>
Item 1A. <u>Risk Factors</u>	<u>14</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>25</u>
Item 2. <u>Properties</u>	<u>25</u>
Item 3. <u>Legal Proceedings</u>	<u>25</u>
Item 4.    Mine Safety Disclosures	<u>25</u>
<u>PART II</u>	<u>27</u>
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>27</u>
Item 6. <u>Selected Financial Data</u>	<u>29</u>
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>44</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>45</u>
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>80</u>
Item 9A. <u>Controls and Procedures</u>	<u>80</u>
Item 9B. <u>Other Information</u>	<u>81</u>
<u>PART III</u>	<u>82</u>
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>82</u>
Item 11. <u>Executive Compensation</u>	<u>82</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>82</u>

Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>82</u>
Item 14.	<u>Principal Accountant Fees and Services</u>	<u>82</u>
	<u>PART IV</u>	<u>83</u>
Item 15.	<u>Exhibits and Financial Statement Schedules</u>	<u>83</u>
	<u>SIGNATURES</u>	<u>84</u>

Table of Contents

FORWARD LOOKING STATEMENTS

This annual report on Form 10-K, 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 results of operations, our ability to expand our market penetration, our ability to expand our distribution channels, customer acceptance of our products, our ability to meet the expectations of our customers, product demand and revenue, cash flows, product gross margins, our expectations to continue to develop new products and enhance existing products, our expectations regarding the amount of our research and development expenses, our expectations relating to our selling, general and administrative expenses, our efforts to achieve additional operating efficiencies and to review and improve our business systems and cost structure, our expectations to continue investing in technology, resources and infrastructure, our expectations concerning the availability of products from suppliers and contract manufacturers, anticipated product costs and sales prices, our expectations that we have sufficient capital to meet our requirements for at least the next twelve months and our expectations regarding materials and inventory management. These forward-looking statements involve risks and uncertainties, and the cautionary statements set forth below and those contained in the section entitled “Risk Factors” identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. 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 this Form 10-K and other filings we have made with the Securities and Exchange Commission. More information about potential factors that could affect our business and financial results is set forth under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

PART I

Item 1. Business

Overview

Extreme Networks, Inc., together with its subsidiaries, (collectively referred to as Extreme and as we, us and our) is a leading provider of wired and wireless network infrastructure equipment, software and services for enterprises, data centers, and service providers. Our customers include businesses, hospitals, hotels, universities, sports venues, telecommunications companies and government agencies around the world. We are driven by our guiding principles to build the very best products, to deliver world-class customer service and to be the easiest company with which to do business. As networks internal to businesses, between businesses and the Internet itself become more pervasive and critical to a wide variety of business and social communications, the volume and the demands of applications, data, users and devices on networks continue to increase. Our vision focuses on the design and delivery of simple, fast and smart networking solutions to deliver better connections, providing superior experiences for everyone. We primarily sell our products through an ecosystem of our channel partners who combine our Ethernet products with their offerings to create compelling information technology solutions for end user customers.

During the fourth quarter of fiscal 2015, we implemented a plan to reduce costs through targeted restructuring activities intended to reduce operating costs and realign our organization in the current competitive environment. We initiated a plan to reduce our worldwide headcount by more than 225 employees, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions.

On October 31, 2013, we completed the acquisition of Enterasys Networks, Inc. (“Enterasys”), a privately held provider of wired and wireless network infrastructure and security solutions, whereby Enterasys became our wholly-owned subsidiary. The combined entity immediately became a networking industry leader with more than 14,000 customers. As network switching leaders in enterprise, data center and cloud, Extreme and Enterasys together combine and extend their world-class products and technologies to provide customers with some of the most advanced, high performance, and open solutions in the market as well as a superb overall customer experience. The combination of Extreme and Enterasys is significant in that it brings together two companies with distinct strengths addressing the key areas of the network, from unified wired and wireless edge, to the enterprise core, to the data center and cloud. With an open software approach, we can drive product innovations and customers will benefit from the increased resources and larger scale.

Industry Background

The networking industry has undergone significant changes in the last few years. With the mobilization of the workforce, the virtualization of the data center, and the demand for anywhere, anytime connectivity, across any device, Ethernet is a common technology across both enterprises and service providers. Extreme Networks' strategy, product portfolio, and research and development are aligned with the following trends:  
Ethernet (Wired and Wireless). Through its scalability, adaptability, and cost-effectiveness, Ethernet has solidified its role in both public and private networks. 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.

## Table of Contents

Mobile Workforce. 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. Information technology ("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.

The Cloud. Data center architectures are influenced by the cloud and by the deployment of server virtualization. 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, provides the infrastructure for both private and public clouds. In addition, there is growing interest in Software Defined Network ("SDN") approaches that may include technologies such as OpenFlow, OpenStack, and CloudStack for increased network agility.

Public Network Evolution. 3G and 4G mobile networks now provide the necessary capacity and reach to enable employees to be productive away from the office and away from fixed networks in a BYOD world. Mobile operators continue to invest in their next-generation networks, and Ethernet is the technology often used for their access networks, referred to as mobile backhaul.

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. We believe that the underpinning technology for all of these adjacent markets is Ethernet. As a result, we believe that there will be continued consolidation among adjacent market vendors to enable them to deliver complete and broad solutions to customers.

### The Extreme Networks Strategy

With the proliferation of mobile users and their devices, within a campus or across continents, the challenges of operating and managing a network have changed in the BYOD world of today. IT has rapidly evolved from a fixed world to a new world of mobility where everything - people, devices, machines, and applications - is in motion. IT now has to support end-users with smart phones, tablets, laptops and other wireless peripherals as well as their wired workstations. Users are beginning to define the services that IT must offer as they adopt smart phones, tablets and their applications, and as they work on-the-go. Users know what they need to be productive, and they expect the network to help them achieve productivity. The blurring of work and personal applications that must be supported on the network places increasing security and management demands on IT.

Extreme Networks delivers mission critical software and services led networking solutions designed for the BYOD world, spanning high-performance data centers, the campus, and the mobile infrastructure. Customers deploying our solutions know what resources are using the network, what they are requesting and where they are located, and can provide customized access to approved resources and content. Our solutions help enable granular visibility and control, higher performance and resource security.

Our strategy is to offer differentiated software and services led networking solutions that deliver a stronger value proposition to our customers and offer an alternative to single-sourced, highly proprietary networking equipment from other companies. Our commitment to open standards is manifested by demonstrated interoperability within both enterprise and service provider networks, and the active participation in key industry and standards associations.

Key elements of our strategy include:

Provide simple, fast, smart software and services led networking solutions that provide visibility and control across our wired and wireless networking platforms. Our solutions include wired switching, wireless switching and access point's, management software, access control software, analytics software as well as applications and services that are made available across software defined networks. These technical capabilities coupled with our award winning services and support provide a strong value proposition to meet the specific demands of the following customers: Enterprises and cloud data centers use our products to deploy automated next generation virtualized and high-density server infrastructure solutions.

• Enterprises and organizations in education, healthcare, manufacturing, hospitality and government agencies use our solutions for their mobile campus and backbone networks.

• Enterprises, universities, healthcare and hospitality organizations use our solutions to enable better visibility and provide controls to their environments with data processing and analytics requirements.

• Service Providers use our products to deliver high performance, high capacity and low latency connections to their customers.

• Mobile Operators deploy our products for mobile backhaul in support of mobile broadband.



Table of Contents

Extend switching and routing technology leadership. Our technological leadership is based on innovative switching, routing and wireless products, the depth and focus of our market experience and the operating systems - the software that runs on all of our Ethernet switches. Our network operating systems, a primary merchant silicon vendor, and a few select manufacturing partners of our core products, permits us to derive leverage from our engineering investment. We intend to invest our engineering resources to continue to create leading-edge technologies that will increase the performance and functionality of our products and as a direct result, the value of our solution to our current and future customers. In addition, we look for maximum synergies from our engineering investment in our targeted verticals and when targeting new vertical market segments.

Expand WiFi technology leadership. Wireless is today's access method of choice and every business must deal with scale, density and BYOD challenges. The dramatic increase and demand being seen everywhere today, fueled by more users, with multiple devices increases the expectation that everything will just work. The network edge landscape is changing as the explosion of mobile devices increases the demand for mobile, transparent and always on wired to wireless edge services. This new "unified access layer" requires intelligent distributed components to ensure that access control and resiliency of business services are available across the entire infrastructure and manageable from a single console. Our unified access layer portfolio provides intelligence for the wired/wireless edge.

Our software delivers unified management across the wired, wireless environment from the data center to the mobile edge. Our rich set of integrated management capabilities provides centralized visibility and highly efficient anytime, anywhere control of enterprise wired and wireless network resources.

Offer network-powered business and application analytics. Our network-powered application analytics and optimization solution captures and analyzes context-based data about application traffic to deliver meaningful intelligence - about applications, users, locations and devices. This enables the network to become a strategic business asset - by enabling the mining of network-based business events and strategic information that help executives make faster and more effective decisions.

Data can now be mined to show how applications are being used; enabling a better understanding of customer behavior on the network, identifying the level of user engagement, and assuring business application delivery to optimize the user experience. Additionally application adoption can be tracked to determine the return on investment associated with new application deployments.

In addition visibility into network and application performance enables IT to pinpoint and resolve performance bottlenecks in the infrastructure whether they are caused by the network, application, or server. This saves both time and money for the business and ensures critical applications are running at the best possible performance.

Support SDN. Networks are built using switches, routers, and other devices in a distributed fashion to scale and provide reliability. In this distributed environment, it has become more complex to provide new end-to-end services and applications in a seamless and cost effective manner. As the business demands more agile and flexible IT services this has become a focal point for innovation and also for differentiation by vendors that have solved that challenge. To address the simultaneous needs for security, virtualization, manageability, mobility and agility in today's networks the concept of SDNs are gaining attention as a viable solution.

The value of SDN in the enterprise lies specifically in the ability to provide network virtualization and automation of configuration across the entire network/fabric so new services and end systems can be deployed rapidly and operational cost can be minimized.

Expand market penetration by targeting high-growth market segments. Within the campus, we focus on the mobile user, leveraging our automation capabilities and tracking wireless Local Area Network ("LAN") growth. Our data center approach leverages our product portfolio to address the needs of managed hosting and cloud data center providers, while we deliver key components of mobile backhaul solutions to our network equipment partners. Within the campus we also target the high-growth physical security market, converging technologies such as Internet Protocol ("IP") video across a common Ethernet infrastructure in conjunction with our technology partners.

Leverage and expand multiple distribution channels. We distribute our products through select distributors, a large number of resellers and system-integrators worldwide and several large strategic partners. We maintain a field sales force to support our channel partners and to sell directly to certain strategic accounts. As an independent Ethernet

switch vendor, we seek to provide products that, when combined with the offerings of our channel partners, create compelling solutions for end-user customers.

Maintain and extend our strategic relationships. We have established strategic relationships with a number of industry-leading vendors to both provide increased and enhanced routes to market, but also to collaboratively develop unique solutions.

5

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## Table of Contents

Provide high-quality customer service and support. We seek to enhance customer satisfaction and build customer loyalty through high-quality service and support. This includes a wide range of standard support programs that provide the level of service our customers require, from standard business hours to global 24-hour-a-day, 365-day-a-year real-time response support.

### Products

Our products offer resilient high performance networking, intelligence and operational simplicity for IT. We build our products into vertical markets solutions for converged campus networks with user and device mobility, data center and cloud administrators to virtualize their server and storage over a high-performance Ethernet infrastructure, service providers to provide bandwidth and service level agreements for Carrier Ethernet, 3G and 4G services, and management software that provide visibility, security and intelligent control - all through a single pane of glass.

Resilient high performance networking. Customers can choose to deploy redundant management and fabric modules, hot swappable line cards, multi-speed stacking across 100 Megabits ("M")/1G/10G/40G/100G systems, redundant power supplies and fan trays delivering high hardware availability. These deployments are supported by our modular and fault-tolerant network operating systems that spans our complete switching portfolio, unique in the industry. Technologies supported include a variety of layer-2 resiliency protocols including multi-switch Link Aggregation ("M-LAG"), Ethernet Automatic Protection Switching ("EAPS"), Multiprotocol Label Switching ("MPLS") / Virtual Private LAN Service ("VPLS") for high service availability, and layer-3 IPv4 and IPv6 routing protocols for high network availability. EAPS is an example of our innovation and allows network managers to configure their network infrastructure so that critical network communications can be rapidly rerouted in the event of a network outage in most topologies. This level of high-speed communications 'reroute' is targeted for mission critical and demanding applications, including voice and video and maintains service delivery in the event of network outage. We further offer a versatile and flexible Quality of Service ("QoS") solution that allows network operators to configure bandwidth for mission critical applications and in doing so control the overall experience and the service-level of the communication flows. We have deep experience with communication quality controls, starting with our introduction to the market of the first broad QoS controls for Ethernet to the recent Data Center Bridging protocols for 'lossless' Ethernet that enables traditional storage networks to converge over a common Ethernet infrastructure. We provide Layer 2 ("L2") extension for data centers through multiple supported technologies that include Virtual Extensible LAN, VPLS, and Pseudo-Wire Emulation as well as Layer 2 extension with Generic Routing Encapsulation ("GRE/L2") and SPB (on the S-Series). In addition to GRE/L2 and Shortest Path Bridging ("SPB") on our S-Series, we offer innovative traffic optimization for east/west and north/south traffic using Fabric routing and Host routing, respectively. This means we can enable Virtual Machine ("VM") mobility using Layer 3 Data Center Interconnect, even without L2 stretch. Our mobile backhaul products also support sophisticated timing functionality including Synchronous Ethernet and RFC1588, as well as Time Division Multiplexing interfaces for the transport of T1/E1 traffic across an Ethernet infrastructure. Our unique CoreFlow2 architecture delivers tens of millions of flows for deep visibility and control over users, services, and applications to meet the demands of today's businesses applications.

Intelligence. Based on a unified, pervasive and intelligent software foundation, our customers can take advantage of user, machine and application visibility and control for the whole network infrastructure, from data center to edge. Universal Port automatically detects new devices such as IP phones that plug-in to the network and can assign appropriate power, server and other configurations. The Identity Management engine allows tracking of users based on their login id and host machine, and assigning them to roles based on guest, contractor, or employee privilege. In the data center and cloud, Network Virtualization allows network administrators visibility into VM movement and having virtual port-profiles follow VMs as they move within and across network switches. CLEAR-Flow, our wire-speed security rules engine, helps detect and mitigate traffic anomalies, including denial of service attacks. NetSight provides centralized visibility and granular control of enterprise network resources end to end, to manage, automate and report on the entire network through a single interface. Network Access Control ("NAC")/ MobileIAM and Purview provide comprehensive visibility and policy for multi-vendor environments, providing detailed context that correlates users with their devices, applications, locations and other attributes. These products provide deep network insight and analytics, which can be used for better network optimization, improved security and smarter business decisions. This enables business innovation powered by the network infrastructure and empowers IT to turn

the network into a strategic business asset that can now provide value to other lines of business. Our new Audio-Video Bridging ("AVB") capabilities add intelligence within the network to support the convergence of professional audio and video across Ethernet, while our SDN investments provide a foundation for enhanced automation, control and innovation.

Operational simplicity. We provide a unified management system for the entire network providing consistent management across all network segments and devices, making IT operations more efficient and simpler. No matter how many moves, adds, or changes occur in your environment, NetSight keeps everything in view and under control through role-based access controls. NetSight can even manage beyond Extreme Networks switching, routing, and

## Table of Contents

wireless hardware to deliver standards-based control of other vendors' network equipment. This means faster provisioning, quicker problem resolution, tighter security and reduced IT administration time.

**Vertical Market Solutions.** Our software and services-led networking solution offerings are solutions targeted at specific high-growth vertical markets. These include Open Fabric, our architecture for open and scalable next-generation data center deployments that offer investment protection and provide a path to SDN. Extreme Networks' All Ethernet Open Fabric is anchored by our BlackDiamond BDX switch, our Summit top-of-rack data center switches, NetSight management, and where required, products from technology partners. In the campus, our Intelligent Mobile Edge offering combines our Summit edge virtual chassis switches, our WLAN access point and controller portfolio, and our NetSight management platform offering user and device identity awareness.

Our product categories include:

**Modular Ethernet switching systems.** Our Black Diamond® products deliver modular or chassis-based Ethernet connectivity solutions for enterprises, data centers and service providers. These products have a range of management and line cards that allow our customers to flexibly configure and re-purpose the systems to meet specific needs. Our Black Diamond products in conjunction with our operating systems and our centralized management software product provide the density, performance and reliability required to serve in environments with demanding applications.

During the last year we announced the industry's highest capacity 100G interfaces for the BlackDiamond BDX. Our S-Series and K-Series switching deliver flow-based architecture via our CoreFlow2 technology that enable granular visibility and policy control without impacting performance or user experience. These products scale up to 576 ports with Quad Small Form-factor Pluggable, 10GBase-T and SFP+ connectivity options, with built-in hardware support for 10/100/1000, 1GE, 10GE, 40GE, emerging protocols (IPv6) and large-scale deployment protocols (MPLS).

**Stackable Ethernet switching systems.** Our Summit® product family delivers Ethernet connectivity for the network edge, aggregation and core. Within the Summit family are products that offer a range of connection speeds (from 100 Megabit to 40 Gigabit), various physical presentations (copper and fiber) and options to deliver PoE or unpowered standard Ethernet ports. As with the our Black Diamond products, the Summit products in conjunction with our operating systems provide the features, performance and reliability required by our customers to deploy, operate and manage converged networking infrastructures. We have recently announced the Summit X430, which we believe is the most cost-effective enterprise-grade switching platform in the industry.

**High density WiFi.** In addition to our wired Ethernet switch portfolio, we offer our IdentiFi™ family of wireless access points, centralized management and appliance to enable the deployment of wired-like performance, at scale for high-density in every environment. Our wireless Access Point products offer both indoor and outdoor 802.11a/b/g/n/ac access points. Proven in the most demanding environments, IdentiFi delivers an exceptional experience for BYOD/Mobile users wherever they may roam. During the last year we announced multiple high-density venue deployments including multiple NFL stadiums including the Philadelphia Eagles Lincoln Financial Field, New England Patriots Gillette Stadium and Tennessee Titans LP Field.

**Centralized management software.** To provide a central network-wide visibility and control capability we offer our NetSight management software system. This system provides the ability to manage and automate the entire network through a single interface. This means deploy, configure, monitor and support the complete range of WiFi and switching infrastructure and also set network-wide policy to enable our customers to reduce the overall cost of network administration and operations, protect corporate resources and provide consistent high quality user experience.

**NAC and BYOD management.** Extreme Networks' NAC and MobileIAM products provide a complete standards-based, multi-vendor interoperable pre-connect and post-connect Network Access Control solution for wired and wireless LAN and VPN users. Automated BYOD registration allowing users to register their own devices using their credentials with no IT intervention. Guest registration access control features to assure secure guest networking without burdening IT staff. Also allows easy integration with other third party network management tools for Mobile Device Management integration, threat response Next Generation Firewall ("NGFW"), Security Information and Event Management ("SIEM"), Intrusion Prevention System ("IPS") and more.

**Application Analytics.** We recently announced Purview, a network-powered application analytics and optimization solution that captures network data, aggregates, analyzes, correlates, and reports on it to enable better decision making

and improved business performance. Purview allows IT operations to optimize the network for each and every application, enhance security for those applications and provide data for business analytics. This empowers IT to turn the network into a strategic business asset that can now provide value to other lines of business, and it enables business innovation powered by the network infrastructure. As an example, Extreme was selected as the Official Wifi Analytics Provider for the NFL including Super Bowl XLVIII.

7

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## Table of Contents

SDN. We recently announced our Open, Standards-Based and Comprehensive SDN solution. Extreme Networks' SDN platform is based on a comprehensive, hardened OpenDaylight ("ODL") controller and includes: network management, network access control, application analytics and wireless controller technology. Extreme Networks' SDN platform drives innovation and investment protection through backward compatibility, efficiency through comprehensive Application Programming Interfaces ("APIs") and protocol support of OpenStack, OpenFlow and other protocols.

### Sales, Marketing and Distribution

We conduct our sales and marketing activities on a worldwide basis through a distribution channel utilizing distributors, resellers and our field sales organization. We primarily sell our products through an ecosystem of channel partners who combine our Ethernet, wireless and software analytics products with their offerings to create compelling information technology solutions for end-user customers. We utilize our field sales organization to support our channel partners and to sell direct to end-user customers, including some large global accounts.

Alliance, Original Equipment Manufacturers ("OEM") and Strategic Relationships. We have active Alliance, OEM & Strategic relationships with Barco NV, Ericsson Enterprise AB, SGI, PC HK Ltd., Nokia Siemens Networks, and Aviat Networks, Inc. as well as other global industry technology leaders in which our products are qualified to be included into an overall solution or reference architectures. These tested and validated solutions are then marketed and sold by the Alliance, OEM or Strategic partner into their specific verticals, market segments and customers as turnkey offerings.

Distributors. We have established several key relationships with leading distributors in the electronics and computer networking industries. Each of our distributors primarily resells our products to resellers. The distributors enhance our ability to sell and provide support to resellers, who may benefit from the broad service and product fulfillment capabilities offered by these distributors. Distributor, Westcon Group, Inc., accounted for 15%, 11% and 16% of our net revenue in fiscal years 2015, 2014 and 2013, respectively. Distributor, Tech Data Corporation, accounted for 15%, 11% and 10% of our net revenue in fiscal years 2015, 2014 and 2013, respectively. Each of Westcon Group and Tech Data Corporation entered into agreements on substantially the same material terms as we generally enter into with each of our distributor partners. Distributors are generally given the right to return a portion of inventory to us for the purpose of stock rotation, to claim rebates for competitive discounts and participate in various cooperative marketing programs to promote the sale of our products and services. We defer recognition of revenue on all sales to distributors who maintain inventory of our products until the distributors sell the product, as evidenced by monthly "sales-out" reports that the distributors provide to us, provided other revenue recognition criteria are met. (See "Revenue Recognition" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.)

Resellers. We rely on many resellers worldwide that sell directly to end-user customer. Our resellers include regional networking system resellers, resellers who focus on specific vertical markets, value added resellers, network integrators and wholesale resellers. We provide training and support to our resellers and our resellers generally provide the first level of contact to end-users of our products. Our relationships with resellers are on a non-exclusive basis. Our resellers are not given rights to return inventory and do not automatically participate in any cooperative marketing programs. We generally recognize product revenue from our reseller and end-user customers at the time of shipment, provided other revenue recognition criteria are met. When significant obligations or contingencies remain after products are delivered, such as installation or customer acceptance, revenue and related costs are deferred until such obligations or contingencies are satisfied. (See "Revenue Recognition" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.)

Field Sales. We have trained our field sales organization to support and develop leads for our resellers and to establish and maintain key accounts and strategic end-user customers. To support these objectives, our field sales force:

- assists end-user customers in finding solutions to complex network system and architecture problems;
- differentiates the features and capabilities of our products from competitive offerings;
- continually monitors and understands the evolving networking needs of enterprise and service provider customers;
- promotes our products and ensures direct contact with current and potential customers; and
- assists our resellers to drive to closure business opportunities.

As of June 30, 2015, our worldwide sales and marketing organization consisted of approximately 496 employees, including vice presidents, directors, managers, sales representatives, and technical and administrative support personnel. We have domestic sales offices located in 5 states and international sales offices located in 29 countries.

8

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Table of Contents

Customers with 10% of net revenue or greater

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

	Fiscal Year Ended					
	June 30, 2015		June 30, 2014		June 30, 2013	
Tech Data Corporation	15	%	11	%	10	%
Westcon Group Inc.	15	%	11	%	16	%
Scansource, Inc.	*		*		12	%

\* Less than 10% of revenue

**International sales**

International sales are an important portion of our business. In fiscal 2015, sales to customers outside of the United States accounted for 57% of our consolidated net revenue, compared to 59% in fiscal 2014 and 66% in fiscal 2013. These sales are conducted primarily through foreign-based distributors and resellers managed by our worldwide sales organization. In addition, we have direct sales to end-user customers, including large global accounts. The primary markets for sales outside of the United States are countries in Europe and Asia, as well as Canada, Mexico, Central America and South America. (See "Net Revenue" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.)

**Marketing**

We continue to develop and execute on a number of marketing programs to support the sale and distribution of our products by communicating the value of our solutions to our existing and potential customers, our distribution channels, our resellers and our technology alliance partners. Our marketing efforts include participation in industry tradeshows, conferences and seminars, publication of technical and educational articles in industry journals, communication across social media channels, frequent updates to our publicly available website, promotions, web-based training courses, advertising and public relations. We also submit our products for independent product testing and evaluation.

**Backlog**

Our products are often sold on the basis of standard purchase orders that are cancelable prior to shipment without significant penalties. In addition, purchase orders are subject to changes in quantities of products and delivery schedules in order to reflect changes in customer requirements and manufacturing capacity. Our business is characterized by seasonal variability in demand and short lead-time orders and delivery schedules. Actual shipments depend on the then-current capacity of our contract manufacturers and the availability of materials and components from our vendors. Although we believe that the orders included in the backlog are firm, all orders are subject to possible rescheduling by customers, cancellations by customers which we may elect to allow without penalty to customer, and further pricing adjustments on orders from distributors. Therefore, we do not believe that our backlog, as of any particular date is necessarily indicative of actual revenue for any future period.

Our product backlog at June 30, 2015, net of anticipated back end rebates for distributor sales, was \$14.8 million, compared with product backlog of \$10.7 million at June 30, 2014.

**Seasonality**

Like many of our competitors, we historically have experienced seasonal fluctuations in customer spending patterns, which generally adversely affect our first and third fiscal quarters. This pattern should not be relied upon or be considered indicative of our future performance, however, as it has varied in the past.

**Customer Service and Support**

Our customers seek high reliability and maximum uptime for their networks. To that extent, we provide the following service offerings:

• Support services for end-users, resellers and distributors. We meet the service requirements of our customers and channel partners through our Technical Assistance Centers ("TACs"), located in Research Triangle Park ("RTP"), North Carolina; Salem, New Hampshire and Chennai, India. Our TAC engineers and technicians assist in diagnosing and troubleshooting technical issues regarding customer networks. Development engineers work with the TACs to

resolve product functionality issues specific to each customer.

Professional services. We provide consultative services to improve customer productivity in all phases of the network lifecycle – planning, design, implementation, operations and optimization management. Our network architects develop and execute customized software and service-led networking solutions for deployment plans to meet

9

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## Table of Contents

individualized network strategies. These activities may include the management and coordination of the design and network configuration, resource planning, staging, logistics, migration and deployment. We also provide customized training and operational best practices manuals to assist customers in the transition and sustenance of their networks. Education. We offer classes covering a wide range of topics such as installation, configuration, operation, management and optimization – providing customers with the necessary knowledge and experience to successfully deploy and manage our products in various networking environments. Classes may be scheduled and available at numerous locations worldwide. We deliver training using our staff, on-line training classes and authorized training partners. In addition, we make much of our training materials accessible free-of-charge on our internet site for customers and partners to use in self-education. We believe this approach enhances the market's ability to learn and understand the broad array of advantages of our products.

### Long-Lived Assets

See Note 3 of our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for more information regarding our long-lived assets.

### Manufacturing

We outsource the majority of our manufacturing and supply chain management operations as part of our strategy to maintain global manufacturing capabilities and to reduce our costs. We conduct quality assurance, manufacturing engineering, document control and test development at engineering facilities in San Jose, California, RTP, North Carolina, Salem, New Hampshire, Toronto, Canada and Chennai, India. This approach enables us to reduce fixed costs and to flexibly respond to changes in market demand. Our end-to-end supply chain, including our three engineering facilities at San Jose, RTP and Chennai are all ISO 9001 certified.

We use Alpha Networks, Inc. headquartered in Hsinchu, Taiwan to design and manufacture our Summit, A-Series, B-Series, C-Series, Stackable products, G-Series, D-Series, I-Series and 800-Series Standalone products and Black Diamond Chassis products. Alpha Networks is a global networking Original/Joint Design Manufacturer ("ODM/JDM") leader with core competencies in areas such as Ethernet, LAN/MAN, Wireless, Broadband and VoIP. Alpha Networks manufacturing processes and procedures are ISO 9001 certified.

We use Benchmark Electronics, Inc. ("Benchmark") headquartered in Huntsville, Alabama and Flextronics Int'l ("Flextronics") headquartered in Singapore, to manufacture our S-Series and K-Series Chassis products; 7100-Series Stackable products and SSA Standalone products. Benchmark and Flextronics have a significant investment in capital to ensure they have the latest in manufacturing and test technologies and both companies are ISO 9001 certified. Our wireless Access Point products are supplied by Senao Electronics ("Senao"), headquartered in Taipei, Taiwan. Senao's manufacturing processes and procedures are ISO 9001 certified.

All of our manufacturers utilize automated testing equipment to perform product testing and burn-in with specified tests. Together we rely upon comprehensive inspection testing and statistical process controls to assure the quality and reliability of our products.

We use a collaborative sales and operations planning forecast of expected demand to determine our material requirements. Lead times for materials and components vary significantly, and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. We order most of our materials and components on an indirect basis through our ODM/JDM, OEMs and CMs. Purchase commitments with our manufacturers ODM/JDM, CMs and OEMs are generally on a purchase order basis.

### Research and Development

The success of our products to date is due in large part to our focus on research and development. We believe that continued success in the marketplace will depend on our ability to develop new and enhanced products employing leading-edge technology. Accordingly, we are undertaking development efforts with an emphasis on increasing the reliability, performance and features of our family of products, and designing innovative products to reduce the overall network operating costs of customers.

Our product development activities focus on solving the needs of enterprises, data centers, and service providers. Current activities include the continuing development of our innovative switching technology aimed at extending the capabilities of our products. Our ongoing research activities cover a broad range of areas, including, in particular, 40G and 100G Ethernet, routing, timing and resiliency protocols, open standards interfaces, software defined networks,

network security, identity management, data center fabrics, and wireless networking.

We continue to enhance the functionality of our modular operating systems which has been designed to provide high reliability and availability. This allows us to leverage a common operating system across different hardware and network chipsets.

## Table of Contents

As of June 30, 2015, our research and development organization consisted of 389 employees. Research and development efforts are conducted in several locations, including San Jose, California; RTP, North Carolina; Salem, New Hampshire, Toronto, Canada and Chennai, India. Our research and development expenses in fiscal years 2015, 2014 and 2013 were \$93.4 million, \$77.1 million and \$40.5 million, respectively.

### Intellectual Property

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of June 30, 2015, we have 347 issued patents in the United States and 183 patents outside of the United States. The expiration dates of our issued patents in the United States range from 2016 to approximately 2032. Although we have patent applications pending, there can be no assurance that patents will be issued from pending applications or that claims allowed on any future patents will be sufficiently broad to protect our technology. With respect to trademarks, we have a number of pending and registered trademarks in the United States and abroad.

We enter into confidentiality, inventions 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 software, documentation and other proprietary information. In addition, we provide our software products to end-user customers primarily under "shrink-wrap" or "click-through" license agreements. These agreements are not negotiated with or signed by the licensee, and thus these agreements may not be enforceable in some jurisdictions. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

### Competition

The market for network switches, routers and software (including analytics) which is part of the broader market for networking equipment is extremely competitive and characterized by rapid technological progress, frequent new product introductions, changes in customer requirements and evolving industry standards. We believe the principal competitive factors in this market are:

- expertise and familiarity with network protocols, network switching/routing/wireless and network management;
- expertise and familiarity with application analytics software;
- expertise with network operations and management software;
- product performance, features, functionality and reliability;
- price/performance characteristics;
- timeliness of new product introductions;
- adoption of emerging industry standards;
- customer service and support;
- size and scope of distribution network;
- brand name;
- breadth of product offering;
- access to customers; and
- size of installed customer base.

We believe that we compete with our competitors with respect to many of the foregoing factors. However, the market for network switching solutions is dominated by a few large companies, particularly Brocade Communications Systems, Inc., Cisco Systems, Inc., Dell, Hewlett-Packard Company, Huawei Technologies Co. Ltd., and Juniper Networks Inc. Most of these competitors have longer operating histories, greater name recognition, larger customer bases, broader product lines and substantially greater financial, technical, sales, marketing and other resources.

### Environmental Matters

We are subject to various environmental and other regulations governing product safety, materials usage, packaging and other environmental impacts in the United States and in various countries where our products are manufactured and sold. We are also subject to regulatory developments, including recent SEC disclosure regulations relating to so-called "conflict minerals," relating to ethically responsible sourcing of the components and materials used in our products. To date, compliance with federal, state, local, and foreign laws enacted for the protection of the environment has had no material effect on our capital expenditures, earnings, or competitive position.



Table of Contents

We are committed to energy efficiency in our product lines. Accordingly, we believe this is an area that affords us a competitive advantage for our products in the marketplace. We maintain compliance with various regulations related to the environment, including the Waste Electrical and Electronic Equipment and Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment regulations adopted by the European Union. To date, our compliance efforts with various U.S. and foreign regulations related to the environment has not had a material effect on our operating results.

**Employees**

As of June 30, 2015, we employed 1,351 people, including 496 in sales and marketing, 389 in research and development, 184 in operations, 189 in customer support and service, and 93 in finance and administration. We have never had a work stoppage and no U.S. employees are represented under collective bargaining agreements. We consider our employee relations to be good.

We believe that our future success depends on our continued ability to attract, integrate, retain, train and motivate highly qualified employees, and upon the continued service of our senior management and key employees. None of our executive officers or key employees is bound by an employment agreement which mandates that the employee render services for any specific term. The market for qualified personnel is highly competitive.

**Organization**

We were incorporated in California in May 1996, and reincorporated in Delaware in March 1999. Our corporate headquarters are located at 145 Rio Robles, San Jose, CA 95134 and our telephone number is (408) 579-2800. We electronically file our SEC disclosure reports with the SEC and they are available free of charge at both [www.sec.gov](http://www.sec.gov) and [www.extremenetworks.com](http://www.extremenetworks.com). The public may also read or copy any materials we file with the Securities Exchange Commission at the SEC's Public Reference Room at Station Place, 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our corporate governance guidelines, the charters of our audit committee, our compensation committee, our nominating and corporate governance committee and our strategy committee and our code of conduct policy (including code of ethics provisions that apply to our principal executive officer, principal financial officer, controller and senior financial officers) are available on our website at [www.extremenetworks.com](http://www.extremenetworks.com) under "Corporate Governance." These items are also available to any stockholder who requests them by calling (408) 579-2800.

**Executive Officers of the Registrant**

The following table sets forth information regarding our executive officers as of October 6, 2015:

Name	Age	Position
Edward B. Meyercord III	50	President and Chief Executive Officer
Kenneth Arola	59	Executive Vice President and Chief Financial Officer
Frank Blohm	56	Executive Vice President of Operations, Supply Chain, Quality and IT
Allison Amadia	48	Executive Vice President, General Counsel and Corporate Secretary
Kelley Steven-Waiss	46	Executive Vice President, Chief Human Resources Officer
Norman Rice III	41	Executive Vice President, Marketing and Corporate Development
Eric Broockman	60	Executive Vice President, Engineering and Chief Technology Officer
Robert Gault	52	Executive Vice President, Worldwide Sales, Services and Channels
Eileen Brooker	51	Executive Vice President, Alliances, Strategic Accounts and OEM

Edward B. Meyercord III. Mr. Meyercord has served as our President and Chief Executive Officer of Extreme since April 2015. Mr. Meyercord joined our Board of Directors as an independent director in October 2009 and has served as Chairman since March 2011. Prior to assuming an operating role at Extreme, Mr. Meyercord was Chief Executive Officer and Director at Critical Alert Systems, LLC, a software-driven, healthcare information technology company that he co-founded. Previously, Mr. Meyercord served as Chief Executive Officer, President and Director of both Cavalier Telephone & TV, a privately held voice, video and data services company with an extensive fiber network; and Talk America, Inc., a publicly traded company that provided phone and internet services to consumers and small businesses throughout the United States. Mr. Meyercord was also a Vice President in the investment banking division of Salomon Brothers (now Citigroup). He previously served on the board of Tollgrade Communications, Inc.

Kenneth Arola. Mr. Arola joined Extreme in June 2014 and serves as our Executive Vice President, Chief Financial Officer. Mr. Arola oversees our financial strategy and is responsible for managing Extreme's worldwide financial affairs. Mr. Arola is an accomplished financial executive with over 30 years of experience in high-technology and medical-technology companies. Mr. Arola came to Extreme from Align Technology where he served as Vice President, Finance and Chief Financial Officer. Prior to Align Technology, Mr. Arola spent 14 years at Adaptec Inc. in various capacities including Vice President Finance and Corporate



Table of Contents

Controller, Vice President Finance FP&A, and Business Unit Controller. Mr. Arola holds a Masters of Business Administration from Santa Clara University and a Bachelor of Arts in Biology from University of the Pacific. Frank Blohm. Mr. Blohm has been with Extreme since 2002 and now serves as our Executive Vice President of Operations, Supply Chain, Quality Control, and IT. Mr. Blohm is responsible for leading the global supply chain organization, overseeing worldwide manufacturing, new product introduction, distribution, logistics product quality, Corporate IT, and procurement. Mr. Blohm is also responsible for managing Extreme's real estate holdings, corporate headquarters, and offices around the globe. Prior to his employment at Extreme, Mr. Blohm was Vice President of Operations at Sanmina-SCI, where he was responsible for the custom integration division. Mr. Blohm brings more than 20 years of experience in supply chain and operations for high-technology companies.

Allison Amadia. Ms. Amadia joined Extreme in July 2013 and serves as our Executive Vice President, General Counsel and Secretary. Ms. Amadia is responsible for managing Extreme's worldwide legal affairs including securities compliance, intellectual property, litigation, subsidiary management, employment, regulatory compliance, strategic alliances, and commercial transactions. Ms. Amadia also serves as the Company's Corporate Secretary and its Chief Compliance Officer. Ms. Amadia brings more than 20 years of corporate legal and executive experience from senior legal leadership positions at both public and private technology companies. Prior to Extreme Networks, from 2002 until 2013, Ms. Amadia founded and managed her own firm representing public and private technology companies. Prior to that, Ms. Amadia held key legal roles in leading technology companies including Novell, Inc., Hewlett-Packard Company and VeriFone, Inc. as well as numerous start-up companies. Ms. Amadia serves as a Director of TE2, a privately held marketing automation platform company. Ms. Amadia received a Juris Doctor from the University of Pennsylvania, where she graduated cum laude. Ms. Amadia received a Bachelor of Arts in Political Science from the University of California at Davis. She also completed elective courses in Corporate Finance and Management at the Wharton School of Business.

Kelley Steven-Waiss, Ms. Steven-Waiss has been with Extreme since March 2013 and currently serves as our Executive Vice President and Chief Human Resources Officer. Ms. Steven-Waiss oversees every aspect of Extreme's talent management strategy, including all global staffing, compensation, employee communications, talent development, and business partnering. Ms. Steven-Waiss has 20 years of executive management experience in human resources, change management, and corporate communications. Ms. Steven-Waiss comes to Extreme from Integrated Device Technology ("IDT") where she served as Vice President of Worldwide Human Resources from 2009 until 2012. Prior to IDT, Ms. Steven-Waiss was Vice President, Worldwide Human Resources for PMC-Sierra. She has also held executive management and consulting positions in large global consulting firms, public software and retail companies. Ms. Steven-Waiss is a board director for FormFactor, Inc. (NASDAQ: FORM) and a board director for a Silicon Valley-based education non-profit, ALearn.org. Ms. Steven-Waiss earned a Master of Arts degree in human resources and organizational development from the University of San Francisco and a Bachelor of Arts degree in journalism from the University of Arizona.

Norman Rice III, Mr. Rice has been with Extreme since January 2014 and serves as our Executive Vice President of Marketing and Corporate Development. In this capacity, Mr. Rice manages our corporate and marketing strategy, merger and acquisition pursuits and manages Extreme's Stadium and Entertainment Business. Prior to working for Extreme, Mr. Rice was the Managing Partner of New Castle Capital Group, LLC from July 2010 through January 2015. Mr. Rice had operating roles with leading Private Equity firms (Marlin and Gores Group) as well as management roles with Computer Associates, Concord Communications (Acquired by Computer Associates), Aprisma Management Technologies (Acquired by Concord), Houston Street Exchange and MicroStrategy. Mr. Rice is a Director on the Board of DSP Group (NASDAQ: DSPG) and was previously on the Board of NitroSecurity (Acquired by McAfee) and Advisory Board of vKernel (Acquired by Quest Software). Mr. Rice holds a Master of Science in Engineering and in Management, from Dartmouth College and a Bachelor of Science from the University of Michigan.

Eric Broockman, Mr. Broockman joined Extreme in January 2014 and serves as our Chief Technology Officer and Executive Vice President of Engineering. Mr. Broockman oversees our technology strategy for hardware and software in high impact market segments including network switching, high performance Wi-Fi- access, data center, security, software products, SDN and network visibility and management. Mr. Broockman is an accomplished technology

executive having held Chief Executive Officer and General Manager roles over the last 25 years. Mr. Broockman's experience includes research and development marketing and business strategy for large and private technology companies spanning a breadth of network and semiconductor products, including Ethernet LAN switching, wireless, core routers, advanced microprocessors and networking software. Mr. Broockman has a depth of industry experience including executive management roles for technology leaders, including Cirrus Logic, where he was the VP/GM of the Crystal Division, and IBM. He also served as the EVP of Marketing and VP/GM of Legerity, a private equity owned communications company, as well as the CEO of Alchemy Semiconductor, which was acquired by AMD. He most recently served as the Chief Executive Officer of Alereon Inc., where he led the strategy and product development of the industry's first gigabit OFDM wireless solution. Mr. Broockman holds numerous US patents, is an active inventor, and was a National Science Foundation Fellow. Mr. Broockman holds a Bachelor of Science and a Master of Science degree in Engineering from the University of Florida where he graduated with highest honors. He is also a graduate of the University of North Carolina at Chapel-Hill Executive Program in Business Administration.

Table of Contents

Robert Gault, Mr. Gault joined Extreme in December 2015 and serves as our Executive Vice President, Worldwide Sales, Services and Channels. Mr. Gault is responsible for shaping the Company's Worldwide Sales, Channel and Services organizations as a core element of its growth and innovation strategy. Mr. Gault has more than 26 years of experience in sales and marketing with service providers and partners. Mr. Gault came to Extreme from Cisco, where he served as Vice President of Worldwide cloud and managed Services Channel Sales. Mr. Gault has also held senior leadership positions working directly with service providers including AT&T, MCI, and Sprint. Mr. Gault holds a Bachelor of Science degree in Business from West Chester University.

Eileen Brooker, Ms. Brooker joined Extreme in May 2004 and serves as our Executive Vice President, Alliances Strategic Accounts and OEM. Ms. Brooker, a 25 year veteran in sales for the high technology industry, leads Extreme Networks' Global Alliances, Strategic Accounts and OEM division. Her team is responsible for reference architecture inclusion and custom products across the industry's top providers in the Carrier Cloud, Data Center, Public Safety, and HPC markets as well as servicing Extreme's top Global Customers. During her tenure at Extreme Networks, she also ran the North American sales force and its channels where she aligned them to provide enterprise and service provider customers with high performance, converged and secure network infrastructures. Prior to this, she served as Vice President of Sales and Marketing for a custom application firm in Irvine, California as well as Managing Director for a security company based in New York. She has also served as Vice President of Sales of NEC Computer Systems Division and Vice President of Sales Western Region for Toshiba. Ms. Brooker obtained her Bachelor of Business Administration degree from the University Wisconsin, Milwaukee.

Item 1A. Risk Factors

The following is a list of risks and uncertainties which may have a material and adverse effect on our business, financial condition or results of operations. The risks and uncertainties set out below are not the only risks and uncertainties we face, and some are endemic to the networking industry.

We cannot assure you that we will be profitable in the future because a number of factors could negatively affect our financial results.

We have a limited history of profitability and have reported losses in some of our prior 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:

- we are dependent upon 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 that 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;
- sales to the telecommunications service provider market, which represent a significant source of large product orders, are 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;

Table of Contents

increases in the price of the components that we purchase.

Due to the foregoing factors, period-to-period comparisons of our operating results should not be relied upon as an indicator of our future performance.

We may fail to realize the anticipated benefits of the acquisition of Enterasys.

The success of the acquisition of Enterasys Networks Inc., which we acquired on October 31, 2013, will depend on, among other things, our ability to combine the businesses of Extreme and Enterasys in a manner that does not materially disrupt existing relationships and that allows us to achieve anticipated operational synergies. We have faced and will continue to face significant challenges in combining the two operations into one in a timely and efficient manner. The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in us not achieving the anticipated benefits of the acquisition.

We have made certain assumptions relating to the acquisition in our forecasts but the actual results could differ materially.

We have made certain assumptions relating to the forecast level of cost savings, synergies and associated costs of the acquisition of Enterasys. Our assumptions relating to the forecast level of cost savings, synergies and associated costs of the acquisition may be inaccurate based on the information available to us, including as the result of the failure to realize the expected benefits of the acquisition, higher than expected transaction and integration costs, including our ability to service new debt, as well as general economic and business conditions that may adversely affect the combined company following the completion of the acquisition.

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 that they owe us which may adversely affect our cash flow, the timing of our revenue recognition and the amount of 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 that 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;
- higher credit risks requiring cash in advance or letters of credit;
- difficulties in safeguarding intellectual property;
- political and economic turbulence;
- terrorism, war or other armed conflict;
- natural disasters and epidemics;
- 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; and the payment of operating expenses in local currencies, which exposes us to risks of currency fluctuations.

Table of Contents

Substantially all of our international sales are U.S. Dollar-denominated. Future increases in the value of the U.S. Dollar relative to foreign currencies could make our products less competitive in international markets. In the future, we may elect to invoice some of our international customers in local currency, which would expose us to fluctuations in exchange rates between the U.S. 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.

The combination of our business with the Enterasys' business will continue to require significant management attention, and we expect to incur additional costs due to integration.

The combined company requires us to devote significant management attention and other resources to integrating the two businesses. We may not successfully complete the integration of our operations in a timely manner and may experience disruptions in relationships with customers, suppliers and employees as a result.

Through June 30, 2015, we have incurred transaction and integration costs in connection with the Enterasys acquisition of \$35.9 million. We expect to incur additional costs integrating the companies' operations, product offerings, and personnel, which cannot be estimated accurately at this time. Although we expect that the realization of efficiencies related to the integration of the business will offset incremental transaction, integration and restructuring costs over time, we cannot give any assurance that this net benefit will be achieved. If the total costs of the integration exceed the anticipated benefits of the acquisition, our results of operations could be adversely affected.

We expect the average selling prices 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 that the average selling prices of our products will decrease in the future in response to competitive pricing pressures, excess inventories, increased sales discounts and new product introductions by us or our competitors. We may experience decreases in future operating results due to the erosion of our average selling prices. To maintain our gross margin, we must develop and introduce on a timely basis new products and product enhancements and continually reduce our product costs. Our failure to do so would likely cause our revenue and gross margin to decline.

We may engage in future acquisitions that dilute the ownership interests of our stockholders, cause us to incur debt or assume contingent liabilities.

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.

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. Acquisitions and investment activities also entail numerous risks, including:

- difficulties in the assimilation of acquired operations, technologies and/or products;
- unanticipated costs associated with the acquisition or investment transaction;
- 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

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.



## Table of Contents

Our credit facilities impose financial and operating restrictions on us.

Our debt instruments 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 facilities 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 agreement, the lenders under such credit agreement could foreclose on, and acquire control of, substantially all of our assets.

Our credit agreement is jointly and severally guaranteed by us and certain of our subsidiaries. Borrowings under our credit facilities are secured by liens on substantially all 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.

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 manufacture 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;

microprocessors;

programmable integrated circuits;