EXTREME NETWORKS INC
Form 10-K
September 14, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

x 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

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission file number 000-25711

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

Delaware (State or other jurisdiction of incorporation or organization)	77-0430270 (I.R.S. Employer Identification No.)
145 Rio Robles San Jose, California (Address of principal executive offices)	95134 (Zip Code)

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

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

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

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 x No o

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 o	Accelerated Filer x
Non-Accelerated Filer o	Smaller reporting company o

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

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

Portions of the registrant's definitive proxy statement for the 2015 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

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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

Item1. 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.

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- 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.

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- 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.

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- 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

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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.

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- 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.

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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

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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.

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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.

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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 and 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 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 September 14, 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

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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.

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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;

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- 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.

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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.

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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;
- 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; and
- CAMs
- Connectors
- Timing circuits (crystals & clocks).

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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.

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, 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. There can be no assurance 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 that 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, service, 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, service, 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 available 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, there can be no assurance that new products or enhancements will achieve widespread market acceptance.

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. Further, 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 have received notices from entities alleging that we may be infringing their patents, and we are currently parties to patent litigation as described under Part I, Item 3, Legal Proceedings. 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:

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- 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; or
- redesign those products that use the disputed technology.

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

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

We believe that 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 and may in the future pursue or be subject to claims or lawsuits in the normal course of our business. In addition to the intellectual property lawsuits described above, we are currently parties to other litigation as described in Part I, Item 3. Legal Proceedings. 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 directors, officers and employees in certain lawsuits. We do not maintain 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.

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

We primarily rely on our manufacturing partners; Alpha Networks, Inc. headquartered in Hsinchu, Taiwan, Flextronics, Inc. headquartered in Singapore, 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.

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.

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

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and funding appropriation continues to be under review by the Federal Communications Commission and there can be no assurance 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. 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 price. As a result, we experienced high levels of attrition. 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.

Companies in the networking industry whose employees accept positions with competitors frequently claim that competitors have engaged in unfair hiring practices. We have from time to time been involved in claims like this with other companies and, although to date they have not resulted in material litigation, we do not know whether we will be involved in additional claims in the future. We could incur substantial costs in litigating any such claims, regardless of the merits.

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 you 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.

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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 the businesses acquired are appropriately integrated in our financial systems. We integrated the financial and other key managerial systems of Enterasys with Extreme effective July 1, 2014, the first day of our fiscal 2015. 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 offset our U.S. taxable income. If U.S. taxable income is greater than the change in ownership limitation, we will pay a higher rate of tax with respect to the amount of taxable income that exceeds the limitation. This could have a material adverse impact on our results of operations. On April 26, 2012, we adopted an Amended and Restated Rights Agreement to help protect our assets (the “Rights Agreement”). In general, this does not allow a stockholder to acquire more than 4.95% of our outstanding common stock without a waiver from our board of directors, who must take into account the relevant tax analysis relating to potential limitation of our net operating losses. The Rights Agreement is effective through May 31, 2016, subject to ratification by a majority of stockholders at our next annual stockholder meeting expected to be held on November 12, 2015.

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 U.S. 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.

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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.

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.

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, or the need to engage in litigation regarding these matters, 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

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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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal administrative, sales, and marketing facilities are located in San Jose, California. We started leasing our current headquarters in June 2013. We also lease office space and executive suites in various other geographic locations domestically and internationally for research & development, sales and service personnel and administration. Our aggregate lease expense for fiscal 2015 was $11.1 million.

At June 30, 2015, the significant facilities that we leased were as follows:

Location	Use	Size (in square feet)
San Jose, California	Principal administrative, sales and marketing facilities	57,600
Research Triangle Park, North Carolina	Research and development, sales and administrative offices	85,400
Salem, New Hampshire	Research and development, sales and marketing and administrative offices	197,300
Chennai, India	Research and development	43,839
Shannon, Ireland	Sales, marketing and administrative offices	26,100

Item 3. Legal Proceedings

The information set forth under the heading "Legal Proceedings" in Note 5, Commitments and Contingencies and Leases, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K, is incorporated herein by reference.

Item 4. Mine Safety Disclosures

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Not Applicable

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Market Prices and Dividends

Our common stock trades on the NASDAQ Global Market and commenced trading on NASDAQ on April 9, 1999 under the symbol "EXTR." The following table sets forth the high and low sales prices as reported by NASDAQ. Such prices represent prices between dealers, do not include retail mark-ups, mark-downs or commissions and may not represent actual transactions.

Stock Prices	High	Low
Fiscal year ended June 30, 2015:		
First quarter	$5.38	$4.24
Second quarter	$4.85	$3.01
Third quarter	$3.60	$2.70
Fourth quarter	$3.25	$2.41
Fiscal year ended June 30, 2014:		
First quarter	$5.22	$3.51
Second quarter	$7.18	$5.11
Third quarter	$7.82	$5.39
Fourth quarter	$6.10	$3.55

As of August 21, 2015, there were 217 stockholders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. We have never declared or paid cash dividends on our capital stock and do not anticipate paying any cash dividends in the foreseeable future.

We currently have authority granted by our Board of Directors to repurchase up to $75 million in common stock over a three year period starting October 1, 2012. As of June 30, 2015, we have repurchased 4.1 million shares of common stock at a total cost of $14.5 million, none of which was repurchased in fiscal 2015.

Certain information regarding our equity compensation plan(s) as required by Part II is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for our 2015 Annual Meeting of Stockholders not later than 120 days after the end of the fiscal year covered by this report.

STOCK PRICE PERFORMANCE GRAPH

Set forth below is a stock price performance graph comparing the annual percentage change in the cumulative total return on our common stock with the cumulative total returns of the CRSP Total Return Index for The NASDAQ Stock Market (U.S. companies) and the NASDAQ Computer Manufacturers Securities for the period commencing June 27, 2010 and ending on June 30, 2015. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

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Comparison of Five-Year Cumulative Total Returns
Performance Graph for Extreme Networks, Inc.
Prepared by CRSP (www.crsp.uchicago.edu), Center for Research in Security Prices, Booth School of Business, The University of Chicago. Used with permission.

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Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data for each of the fiscal years ended June 30, 2015, 2014, 2013 and 2012 and July 3, 2011derived from audited financial statements. These tables should be reviewed in conjunction with the Consolidated Financial Statements in Item 8 and related Notes, as well as Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Historical results may not be indicative of future results.

	Year Ended				
	June 30, 2015 (1)	June 30, 2014(2)	June 30, 2013(3)	June 30, 2012(4)	July 3, 2011(5)
	(In thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenues	$552,940	$519,554	$299,343	$322,722	$334,428
Operating income (loss)	$(62,994)	$(50,232)	$10,852	$13,909	$3,114
Net income	$(71,643)	$(57,310)	$9,673	$15,872	$2,713
Net income per share – basic	$(0.72)	$(0.60)	$0.10	$0.17	$0.03
Net income per share – diluted	$(0.72)	$(0.60)	$0.10	$0.17	$0.03
Shares used in per share calculation – basic	99,000	95,515	93,954	93,451	91,423
Shares used in per share calculation – diluted	99,000	95,515	95,044	94,490	92,795

	As of				
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	July 3, 2011
	(In thousands)				
Consolidated Balance Sheets Data:					
Cash and cash equivalents, short-term investments and marketable securities	$76,225	$105,882	$205,613	$153,515	$146,977
Inventories	$58,014	$57,109	$16,167	$26,609	$21,583
Total assets	$428,660	$526,432	$311,424	$284,590	$270,973
Deferred revenue, net	$99,782	$97,677	$41,454	$39,328	$36,973
Total debt	$66,875	$121,563	$—	$—	$—
Other long-term liabilities	$10,264	$8,595	$1,507	$643	$2,474
Common stock and capital in excess of par value	$865,382	$845,364	$821,425	$970,743	$963,697
Accumulated deficit	$(759,856)	$(688,213)	$(630,903)	$(640,576)	$(656,448)

(1) Fiscal 2015 net income includes acquisition and integrations costs of $10.2 million, amortization of intangibles of $17.9 million and a restructuring charge of $9.8 million.

(2) Fiscal 2014 net income includes acquisition and integration costs of $25.7 million, amortization of intangibles of $16.7 million and a restructuring charge, net of reversal of $0.5 million.

(3) Fiscal 2013 net income includes gain on sale of facilities of $11.5 million, restructuring charge, net of reversal of $6.8 million and a charge for litigation settlement, net of $2.0 million.

(4) Fiscal 2012 net income includes restructuring charge, net of reversal of $1.6 million and litigation settlement gain of $0.1 million and $1.9 million cumulative translation adjustments gain from Japan subsidiary liquidation.

(5) Fiscal 2011 net income includes restructuring charge of $3.8 million and litigation settlement gain of $4.2 million.

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Quarterly Financial Data (Unaudited)

Quarterly results for the years ended June 30, 2015 and 2014 follow:

	June 30, 2015(1)	March 31, 2015(2)	December 31, 2014(3)	September 30, 2014(4)
	(In thousands, except per share amounts)			
Net revenues	$149,870	$119,590	$147,208	$136,274
Gross profit	$76,327	$57,724	$75,162	$70,527
Net loss	$(15,657)	$(23,548)	$(13,105)	$(19,330)
Net loss per share – basic	$(0.16)	$(0.24)	$(0.13)	$(0.20)
Net loss per share – diluted	$(0.16)	$(0.24)	$(0.13)	$(0.20)

	June 30, 2014(5)	March 31, 2014(6)	December 31, 2013(7)	September 30, 2013(8)
	(In thousands, except per share amounts)			
Net revenues	$155,293	$141,762	$146,583	$75,916
Gross profit	$82,922	$70,855	$69,845	$43,707
Net loss	$(16,231)	$(25,058)	$(15,986)	$(35)
Net income (loss) per share – basic	$(0.17)	$(0.26)	$(0.17)	$—
Net income (loss) per share – diluted	$(0.17)	$(0.26)	$(0.17)	$—

(1) Net loss and net loss per share include the effect of acquisition and integration costs of $0.9 million, amortization of intangibles $4.5 million and a restructuring charge of $9.8 million.

(2) Net loss and net loss per share include the effect of acquisition and integration costs of $1.7 million and amortization of intangibles $4.5 million.

(3) Net loss and net loss per share include the effect of acquisition and integration costs of $3.5 million and amortization of intangibles $4.5 million.

(4) Net loss and net loss per share include the effect of acquisition and integration costs of $4.1 million and amortization of intangibles $4.5 million.

(5) Net loss and net loss per share include the effect of acquisition and integration costs of $6.9 million and amortization of intangibles of $5.3 million.

(6) Net loss and net loss per share include the effect of acquisition and integration costs of $6.4 million, amortization of intangibles of $7.7 million and litigation settlement income of $0.1 million.

(7) Net loss and net loss per share include the effect of acquisition and integration costs of $8.7 million, amortization of intangibles of $3.8 million and a restructuring charge of $0.4 million.

(8) Net loss and net loss per share include the effect of acquisition costs of $3.7 million and a restructuring charge of $75,000.

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

We believe that understanding the following key developments is helpful to an understanding of our operating results for the fiscal year ended June 30, 2015.

We are a leading provider of network infrastructure equipment and offer related services contracts for extended warranty and maintenance to our enterprise, data center and service provider customers. We were incorporated in California in May 1996, and reincorporated in Delaware in March 1999. Our corporate headquarters are located in San Jose, California. Substantially all of our revenue is derived from the sale of our networking equipment and related service contracts.

On June 26, 2015, the Senior Secured Credit Facilities were amended and reduced to $115 million from $125 million, with the Revolving Facility being reduced to $50 million from $60 million. The Senior Secured Credit Facilities, as amended, mature on October 31, 2018.

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, primarily in sales and marketing as well as research and development, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions. We expect to reduce our operating expenses by approximately $40 million on an annualized basis due to these actions.

On October 31, 2013, we completed the acquisition of Enterasys, a privately held provider of wired and wireless network infrastructure and security solutions, for $180.0 million, net of cash acquired, whereby Enterasys became our wholly-owned subsidiary. The combined entity immediately became a networking industry leader with more than 14,000 customers. As a combined Company, we believe we will set the standard for the networking industry with a strategic focus on three principles:

- Highly scaled and differentiated products and solutions: Our combined product portfolio spans data center networking, switching and routing, Software-Defined Networking ("SDN"), wired and wireless LAN access, network management with analytics and integrated security features. This broader solutions portfolio can be leveraged to better serve existing and new customers. We will continue to enhance and support the product roadmaps of both companies going forward to protect the investments of customers and avoid any disruption to their businesses. We intend to increase research and development to accelerate our vision for high-performance, modular, open networking.
- Leading customer service and support: We are working to augment our current outsourced support model by integrating Enterasys' in-sourced expertise, building on Enterasys' award-winning heritage and strong commitment to exceptional customer experience. The Company's expanded global network of channel partners and distributors will benefit from expanded services and support capabilities.
- Strong Channels and Strategic Partners: Our focus is to leverage the capabilities of the combined Company and expand existing partnerships with Ericsson, as well as continue to add new strategic partnerships in the future. Additionally, we will increase our focus on partnering with distributors and channel partners globally. The goal is to develop and enhance relationships that grow revenue and profits for the Company and our alliance and channel partners. At the same time, we are investing in infrastructure to make doing business with the Company easier and more efficient.

Impact of the Global Economic Developments

We believe that the slow economic recovery in the United States, Asia and Europe, and other challenges affecting global economic conditions placed significant limitations on our financial performance. We operate in three regions: Americas, which includes the United States, Canada, Mexico, Central America and South America; EMEA, which includes Europe, Middle East, and Africa; and APAC which includes Asia Pacific, South Asia, Japan and Australia. Sales in APAC and some European countries were most impacted as a result of the soft global economy. We believe that conservative purchasing patterns and delays or cancellation of IT infrastructure plans in the face of continued uncertainty regarding the global economy, may continue to negatively impact overall demand for networking solutions, including Ethernet equipment.

We have taken, and plan to continue to take, other steps to manage our business in the current economic environment. For example, we have managed from time to time our contingent work force, consolidation of office locations, reduced travel and other discretionary spending, realigned our product portfolio and organization to grow revenue and operating income, and controlled all hiring activities.

Increasing Demand for Bandwidth

We believe that the continued increase in demand for bandwidth will, over time, drive future demand for high performance Ethernet solutions. Wide-spread adoption of electronic communications in all aspects of our lives, proliferation of next generation converged mobile devices and deployment of triple-play services to residences and businesses alike, continues to generate demand for greater network performance across broader geographic locations. In parallel to these transformational forces within society and the community at large, the accelerating adoption of internet and intranet “cloud” solutions within business enterprises is enabling organizations to offer greater business scalability to improve efficiency and through more effective operations, improve profitability. In order to realize the benefits of these developments, customers require additional bandwidth and high performance from their network infrastructure at affordable prices. We are seeing the initial indications that the Ethernet segment of the networking equipment market will return to growth as enterprise, data center and carrier customers continue to recognize the performance and operating cost benefits of Ethernet technology.

Expanding Product Portfolio

We believe that continued success in our marketplace is dependent upon a variety of factors that includes, but is not limited to, our ability to design, develop and distribute new and enhanced products employing leading-edge technology. New software and hardware introductions during the current year included a Summit X770 switch supporting industry's highest density performing top of rack switching, Purview - a network-powered application analytics and optimization solution, identiFi 38xx WiFi Access Points supporting 802.11ac, SDN 2.0 - an open, standards-based (based on OpenDaylight) and comprehensive SDN solution, 100GbE support for the BDX8 and NetSight 6.0 a consolidated management across the expanded portfolio. During fiscal 2014, we also introduced key software functionality that will drive differentiation. Over the past few years, we further extended our product portfolio through the Summit family of stackable switches for the intelligent edge, continued evolutions of our BlackDiamond BDX8, a highly-scalable core switch for IT and cloud data centers, the S-series flow-based switching for campus and data center, the identiFi Wi-Fi product portfolio with both indoor and outdoor 802.11a/b/g/n/ac access points, the E4G Cell Site Router family for mobile backhaul, and a revamp of our software and network management solutions that include: NetSight for centralized network management and NAC/Mobile-IAM that provides BYOD management and network access control solution for wired and wireless LAN and VPN users.

Industry Developments

The market for network infrastructure equipment is highly competitive and dominated by a few large companies. The current economic climate has further driven consolidation of vendors within the Ethernet networking market and with vendors from adjacent markets, including storage, security, wireless and voice applications. We believe that the underpinning technology for all of these adjacent markets is Ethernet. As a result, independent Ethernet switch vendors are being acquired or merged with larger, adjacent market vendors to enable them to deliver complete and broad solutions. As an independent Ethernet switch vendor, we must provide products that, when combined with the products of our large strategic partners, create compelling solutions for end-user customers. Our acquisition of Enterasys gives us a larger market share and presence and an opportunity to create complementary solutions for our customers. Our approach is to focus on the intelligence and automation layer that spans our hardware products and that facilitates end-to-end solutions, as opposed to positioning Extreme Networks as a low-cost-vendor with point products. Lower overall market growth has also created an environment of declining margins due to increased competition between the remaining vendors in this space. During the last year, overall Ethernet port counts have grown, while industry revenues have decreased, signaling a decline in average selling price per port. Our product life cycle and operational cost reduction efforts are therefore even more critical for margin preservation.

Amendment to Rights Agreement

On November 27, 2012, our Board of Directors adopted an Amended and Restated Rights Agreement between the Company and Computershare Shareholder Services LLC as the rights agent (the “Restated Rights Plan”). The Restated Rights Plan governs the terms of each right (“Right”) that has been issued with respect to each share of Common Stock of Extreme Networks. Each Right initially represents the right to purchase one one-thousandth of a share of our Series A Preferred Stock. The Restated Rights Plan replaces in its entirety the Rights Agreement, dated as of April 27, 2001, as amended on June 30, 2010; April 26, 2011, between us and Mellon Investor Services LLC (the “Prior Rights Plan”). The Board reviewed the necessity of the provisions of the Prior Rights Plan. The Prior Rights Plan was adopted to preserve the value of our deferred tax assets, including our net operating loss carry forwards, with respect to our ability to fully use its tax benefits to offset future income which may be limited if we experience an “ownership change” for purposes of Section 382 of the Internal Revenue Code of 1986 as a result of ordinary buying and selling of our common stock. Following its review, the Board decided it was necessary and in the best interests of us and our stockholders to enter into the Restated Rights Plan. The Restated Rights Plan incorporates the Prior Rights Plan and the amendments thereto into a single agreement and extended the term of the Prior Rights Plan to April 30, 2013. Our stockholders voted to extend the term of the Restated Rights Plan from April 30, 2013 to April 30, 2014 at our 2012 Annual Meeting of Stockholders, and the Restated Rights Plan was amended effective April 30, 2013 to reflect the extension of the term. The Board of Directors unanimously approved an amendment to the Rights Plan effective May 14, 2015 to extend the Rights Plan through May 31, 2016, subject to ratification by a majority of the stockholders at the next annual meeting, expected to be held on November 12, 2015.

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Results of Operations

Our operations and financial performance have been affected by the economic factors described above and our acquisition of Enterasys, and during fiscal 2015, we achieved the following results:

- Net revenue of $552.9 million, an increase of 6.4% from fiscal 2014 net revenue of $519.6 million.
- Product revenue of $418.0 million, an increase of 1.5% from fiscal 2014 product revenue of $411.8 million.
- Service revenue of $134.9 million, an increase of 25.1% from fiscal 2014 service revenue of $107.8 million.
- Total gross margin of 50.6% of net revenue in fiscal 2015, compared to 51.5% in fiscal 2014.
- Restructuring charge of $9.8 million, for termination and related benefits.
- Operating loss of $63.0 million, an increase in the operating loss of $12.8 million from fiscal 2014.
- Net loss was $71.6 million in fiscal 2015, an increase of $14.3 million from a net loss of $57.3 million in fiscal 2014.
- Cash flow provided by operating activities was $37.4 million, compared to cash flow used in operating activities of $26.8 million in fiscal 2014, an increase of $64.3 million. Cash and cash equivalents were $76.2 million as of June 30, 2015, an increase of $3.0 million from fiscal 2014.

Net Revenue

The following table presents net product and service revenue for the fiscal years 2015, 2014 and 2013 (dollars in thousands):

		Year Ended				Year Ended		
	June 30, 2015	June 30, 2014	$ Change	% Change	June 30, 2014	June 30, 2013	$ Change	% Change
Net Revenue:								
Product	$418,046	$411,761	$6,285	1.5 %	$411,761	$239,955	$171,806	71.6 %
Percentage of net revenue	75.6 %	79.3 %			79.3 %	80.2 %		
Service	134,894	107,793	27,101	25.1 %	107,793	59,388	48,405	81.5 %
Percentage of net revenue	24.4 %	20.7 %			20.7 %	19.8 %		
Total net revenue	$552,940	$519,554	$33,386	6.4 %	$519,554	$299,343	$220,211	73.6 %

Product revenue increased $6.3 million or 1.5% for the year-ended June 30, 2015, compared to the corresponding period of fiscal 2014. The fiscal 2015 period reflects increased product shipments and customers as a result of our acquisition of Enterasys, whereas the fiscal 2014 period only reflects eight months of sales subsequent to the October 31, 2013 acquisition date. However, the increase in sales was partially offset by declines of customer spending across each geographical region and an increase in customer discounts. The decline in customer spending was partially due to the significant strengthening of the United States Dollar in all geographical areas and the entrance of competitors in regions where we have a strong presence, specifically in Asia Pacific and EMEA regions.

Product revenue increased in fiscal 2014 as compared to fiscal 2013 primarily due to significant increase in the number of customers and products sold due to our acquisition of Enterasys in the second quarter of fiscal 2014. This resulted in a significant increase in our product revenue in all regions.

Service revenue increased $27.1 million or 25.1% for the year-ended June 30, 2015 compared to the corresponding period of fiscal 2014 due to an increase in service maintenance contracts and professional service and training revenues due to our acquisition of Enterasys. Purchase accounting charges related to deferred service revenues decreased $2.2 million for the year-ended June 30, 2015, to $3.1 million from $5.3 million in the corresponding period of fiscal 2014.

Service revenue increased in fiscal 2014 as compared to fiscal 2013 primarily due to an increase in service maintenance contracts and professional service and training revenues due to our acquisition of Enterasys in the second quarter of fiscal 2014.

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We operate in three regions: 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, Japan and Australia. The following table presents the total net revenue geographically for the fiscal years 2015, 2014 and 2013 (dollars in thousands):

Net Revenue	Year Ended June 30, 2015	June 30, 2014	$ Change	% Change	Year Ended June 30, 2014	June 30, 2013	$ Change	% Change
Americas:								
United States	$238,748	$211,734	$27,014	12.8 %	$211,734	$101,790	$109,944	108.0 %
Other	31,931	45,790	(13,859)	(30.3)%	45,790	33,584	12,206	36.3 %
Total Americas	270,679	257,524	13,155	5.1 %	257,524	135,374	122,150	90.2 %
Percentage of net revenue	49.0 %	49.6 %			49.6 %	45.2 %		
EMEA	223,368	202,555	20,813	10.3 %	202,555	112,812	89,743	79.6 %
Percentage of net revenue	40.4 %	39.0 %			39.0 %	37.7 %		
APAC	58,893	59,475	(582)	(1.0)%	59,475	51,157	8,318	16.3 %
Percentage of net revenue	10.7 %	11.4 %			11.4 %	17.1 %		
Total net revenues	$552,940	$519,554	$33,386	6.4 %	$519,554	$299,343	$220,211	73.6 %

We rely upon multiple channels of distribution, including distributors, direct resellers, OEM, and direct sales. Revenue through our distributor channel was 47% of total product revenue in fiscal 2015, 44% of total product revenue in fiscal 2014 and 43% of total product revenue in fiscal 2013.

The level of sales to any one customer, including a distributor, may vary from period to period.

Cost of Revenue and Gross Profit

The following table presents the gross profit on product and service revenue and the gross profit percentage of net revenue for the fiscal years 2015, 2014 and 2013 (dollars in thousands):

	Year Ended June 30, 2015	June 30, 2014	$ Change	% Change	Year Ended June 30, 2014	June 30, 2013	$ Change	% Change
Gross profit:								
Product	$193,028	$198,088	$(5,060)	(2.6)%	$198,088	$124,093	$73,995	59.6 %
Percentage of product revenue	46.2 %	48.1 %			48.1 %	51.7 %		
Service	86,709	69,241	17,468	25.2 %	69,241	38,533	30,708	79.7 %
Percentage of service revenue	64.3 %	64.2 %			64.2 %	64.9 %		
Total gross profit	$279,737	$267,329	$12,408	4.6 %	$267,329	$162,626	$104,703	64.4 %
Percentage of net revenue	50.6 %	51.5 %			51.5 %	54.3 %		

Cost of product revenue includes costs of materials, amounts paid to third-party contract manufacturers, costs related to warranty obligations, charges for excess and obsolete inventory, amortization of developed technology intangibles, royalties under technology license agreements, and internal costs associated with manufacturing overhead, including management, manufacturing engineering, quality assurance, development of test plans, and document control. We outsource substantially all of our manufacturing and supply chain management operations, and we conduct quality assurance, manufacturing engineering, document control and distribution at our facilities in San Jose, California, Salem, New Hampshire, China, and Taiwan.

Product gross profit decreased to $193.0 million for the year-ended June 30, 2015, from $198.1 million in the corresponding period of fiscal 2014. Product gross profit for the year-ended June 30, 2015, was favorably impacted by an increase in product revenue of $6.3 million, offset by higher material costs and increases of $5.8 million in excess and obsolete inventory charges, $6.1 million for amortization of the developed technology intangibles from the acquisition of Enterasys, $3.4 million for distribution costs due to higher utilization of air freight and $3.3 million of warranty charges. Gross profit for fiscal 2014, was negatively

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impacted by $11.1 million related to the sale of inventory which had been adjusted to fair value upon the Enterasys acquisition due to purchase accounting.

Product gross profit increased for fiscal 2014 to $198.1 million as compared to $124.1 million primarily due to significant increase in product revenues due to our acquisition of Enterasys in the second quarter of fiscal 2014. However, product gross margin in fiscal 2014 decreased as compared to fiscal 2013 primarily due to a $11.1 million charge related to the utilization of the net increase in cost basis of the inventory acquired in connection with the purchase of Enterasys, $11.0 million for the amortization of developed technology intangibles from the acquisition of Enterasys during the second quarter of fiscal 2014 and increased stock compensation expenses offset by higher economic benefits realized in our manufacturing costs as compared to fiscal 2013.

Our cost of service revenue consists primarily of labor, overhead, repair and freight costs and the cost of spare parts used in providing support under customer service contracts.

Service gross profit increased to $86.7 million for the year-ended June 30, 2015, from $69.2 million in the corresponding period of fiscal 2014, primarily due to increase in service revenue of $27.1 million partially offset by increased personnel, overhead and travel costs as a result of the acquisition of Enterasys. Additionally, purchase accounting charges related to deferred service revenues decreased $2.2 million in fiscal 2015 to $3.1 million from $5.3 million as compared to fiscal 2014.

Service gross profit in fiscal 2014 increased as compared to fiscal 2013 primarily due to increased service revenue as a result of acquisition of Enterasys and cost reduction initiatives offset by higher personnel, overhead and travel cost as a result of our acquisition of Enterasys during the second quarter of fiscal 2014.

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Operating Expenses

The following table presents operating expenses and operating income (dollars in thousands):

	Year Ended				Year Ended			
	June 30, 2015	June 30, 2014	$ Change	% Change	June 30, 2014	June 30, 2013	$ Change	% Change
Research and development	$93,447	$77,146	$16,301	21.1 %	$77,146	$40,521	$36,625	90.4 %
Sales and marketing	169,299	156,666	12,633	8.1 %	156,666	87,202	69,464	79.7 %
General and administrative	42,092	40,912	1,180	2.9 %	40,912	26,725	14,187	53.1 %
Acquisition and integration costs	10,205	25,716	(15,511)	(60.3)%	25,716	—	25,716	N/M
Restructuring charge, net of reversals	9,819	510	9,309	1,825.3 %	510	6,836	(6,326)	(92.5)%
Amortization of intangibles	17,869	16,711	1,158	6.9 %	16,711	—	16,711	N/M
Litigation settlement (income)/loss	—	(100)	100	N/M	(100)	2,029	(2,129)	(104.9)%
Gain on sale of campus	—	—	—	—	—	(11,539)	11,539	N/M
Total operating expenses	$342,731	$317,561	$25,170	7.9 %	$317,561	$151,774	$165,787	109.2 %
Operating (loss) income	$(62,994)	$(50,232)	$(12,762)	(25.4)%	$(50,232)	$10,852	$(61,084)	(562.9)%

The following table highlights our operating expenses and operating income (loss) as a percentage of net revenues:

	Year Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
Research and development	16.9 %	14.8 %	13.5 %
Sales and marketing	30.6 %	30.2 %	29.1 %
General and administrative	7.6 %	7.9 %	8.9 %
Acquisition and integration costs	1.8 %	4.9 %	— %
Restructuring charge, net of reversals	3.2 %	0.1 %	2.3 %
Amortization of intangibles	1.8 %	3.2 %	— %
Litigation settlement (income)/loss	— %	— %	0.7 %
Gain on sale of campus	— %	— %	(3.9)%
Total operating expenses	62.0 %	61.1 %	50.6 %
Operating (loss) income	(11.4)%	(9.7)%	3.6 %

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 increased by $16.3 million or 21.1% for fiscal 2015 as compared to fiscal 2014. The increase in research and development expenses were primarily due to increased spending as a result of our acquisition of Enterasys. The increase in spending related to $13.4 million of personnel costs, which includes compensation, benefits and non-cash stock based compensation, including $0.4 million of expense related to our executive transition activity, $1.3 million in depreciation and $0.8 million for supplies and equipment.

Research and development expenses increased in fiscal 2014 as compared to fiscal 2013 primarily due to increased personnel and occupancy costs as a result of our acquisition of Enterasys in the second quarter of fiscal 2014.

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 increased by $12.6 million or 8.1% for the year-ended June 30, 2015 as compared to the corresponding period of fiscal 2014. The increase in sales and marketing expenses during fiscal 2015 was primarily due to $6.7 million of higher compensation, benefits and non-cash stock compensation, including $0.5 million of expense related to our executive transition

activity, $2.7 million in marketing expense, $1.8 million in facilities and $0.8 million in depreciation. All of these factors were primarily driven by the acquisition of Enterasys.

Sales and marketing expenses increased in fiscal 2014 as compared to fiscal 2013 primarily due to increased personnel costs as well as additional spending on additional sales and marketing programs, as a result of our acquisition of Enterasys in the second quarter of fiscal 2014.

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 $1.2 million or 2.9% for the year-ended June 30, 2015 as compared to the corresponding period of fiscal 2014. The increase in general and administrative expenses was primarily due to $1.1 million in higher personnel costs related to our executive transition activity, higher occupancy costs due to additional facilities in Salem, New Hampshire and Shannon, Ireland as a result of our acquisition of Enterasys, a $0.8 million increase in bad debt expense and $0.2 million in professional service fees. This increase was partial offset by $1.0 million in lower travel costs.

General and administrative expenses increased in fiscal 2014 as compared to fiscal 2013 primarily due to higher personnel and travel costs and higher occupancy costs as a result of our acquisition of Enterasys in the second quarter of fiscal 2014.

Acquisition and Integration Costs

As a result of our acquisition of Enterasys, we incurred $10.2 million and $25.7 million of acquisition and integration costs in fiscal 2015 and 2014, respectively. For fiscal 2015, the entire $10.2 million of expense was related to integration costs. The fiscal 2014 expense was related to $19.7 million of integration costs and the remaining $6.0 million expense was related to acquisition costs. The lower fiscal 2015 integration expenses was due to lower severance and termination costs and third party consulting fees. The Company expects to incur integration costs at a considerable lower rate for fiscal 2016.

Amortization of Intangibles

During fiscal 2015 and 2014, we recorded $17.9 million and $16.7 million, respectively, of amortization expenses primarily for certain intangibles related to the acquisition of Enterasys.

Restructuring Charge, Net of Reversal

During fiscal 2015, 2014 and 2013, we recorded restructuring charges, net of reversals, of $9.8 million, $0.5 million and $6.8 million, respectively.

Fiscal 2015 Restructuring

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, primarily in sales and marketing as well as research and development, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions. We have expensed all costs associated with this initiative. We expect to achieve approximately $40.0 million in operational savings on an annualized basis, beginning in the first quarter of fiscal 2016. As of June 30, 2015, we anticipate paying the remaining restructuring liabilities of $5.9 million related to the fiscal 2015 restructuring by the end of the second quarter of fiscal 2016. The restructuring liability is recorded in "Other accrued liabilities" on the consolidated balance sheet.

Fiscal 2013 Restructuring

During the second quarter of fiscal 2013, we reduced costs through targeted restructuring activities intended to reduce operating costs and realign our organization in the current competitive environment. As part of our restructuring efforts in the second quarter of fiscal 2013, we initiated a plan to reduce our worldwide headcount by 13%, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions. We have substantially expensed all costs associated with this initiative. As of June 30, 2015, there were no outstanding liabilities related to the fiscal 2013 restructuring.

Litigation Settlement (Income) Expense

During fiscal 2014, the Company received $0.1 million from the settlement of a property lease litigation matter.

During fiscal 2013, we recognized a litigation charge of $2.5 million related to a settlement agreement entered into with Enterasys prior to the acquisition.

Gain on Sale of Campus

During fiscal 2013, we completed the sale of our corporate campus and accompanying 16 acres of land in Santa Clara, California for net cash proceeds of $44.7 million of which, $2.0 million was received in fiscal 2012. We realized a gain of $11.5 million in connection with this transaction, yet recorded a tax loss of $24.6 million.

Interest Income

Interest income was $0.5 million, $0.8 million and $1.1 million in fiscal years 2015, 2014 and 2013, respectively, representing a decrease of $0.2 million in fiscal 2015 from fiscal 2014 and a decrease of $0.3 million in fiscal 2014 from fiscal 2013. The decrease in interest income in fiscal 2015 was due to a decrease in the investment balance to fund debt reduction. The decrease in interest income in fiscal 2014 was due to a decrease in our investment portfolio to fund a portion of the acquisition.

Interest Expense

We had $3.2 million and $2.1 million of interest expense for fiscal 2015 and 2014, respectively. Interest expense was immaterial for fiscal 2013. Interest expense in fiscal years 2015 and 2014 was primarily related to the Credit Facility that the Company entered into on October 31, 2013 to fund the acquisition of Enterasys.

Other (Expense) Income, net

Other (expense) income net was expense of $1.2 million, $1.6 million and $0.6 million in fiscal years 2015, 2014 and 2013, respectively. Other expense in all periods was primarily due to the revaluation of certain assets and liabilities denominated in foreign currencies into U.S. Dollars.

Provision for Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to the impact of state taxes, foreign operations which are generally taxed at lower statutory rates and the full valuation of our deferred tax assets in the U.S. and certain foreign jurisdictions. For the fiscal years ended June 30, 2015, 2014 and 2013, we recorded income tax provisions of $4.8 million, $4.2 million and $1.7 million, respectively. The effective tax rates for fiscal years ended June 30, 2015, 2014 and 2013 were 7.2%, 7.9% and 14.8%, respectively.

For the fiscal years ended June 30, 2015, 2014 and 2013 the majority of our tax provision relates to taxes on our foreign operations as well as state taxes due to the full valuation allowance on our U.S. and certain foreign deferred tax assets. In the fiscal year ended June 30, 2014, a portion of our provision resulted from the establishment of a U.S. deferred tax liability for amortizable goodwill resulting from the acquisition of Enterasys.

For a full reconciliation of our effective tax rate to the U.S. federal statutory rate of 35% and for further explanation of our provision for income taxes, see Note 9 to the consolidated financial statements.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 3 of Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period reported. By their nature, these estimates, assumptions and judgments are subject to an inherent degree of uncertainty. We base our estimates, assumptions and judgments on historical experience, market trends and other factors that are believed to be reasonable under the circumstances. Estimates, assumptions and judgments are reviewed on an ongoing basis and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results may differ from these estimates under different assumptions or conditions. We believe the critical accounting policies stated below, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We derive the majority of our revenue from sales of our networking equipment, with the remaining revenue generated from service fees relating to maintenance service contracts, professional services, and training for our products. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price of the product is fixed or determinable, and the collection of the sales proceeds is reasonably assured. In instances where any of the criteria for revenue recognition are not met, we defer revenue until all criteria have been met.

Product revenue from our value-added resellers, non-stocking distributors and end-user customers is recognized at the time of shipment, provided that all of the foregoing revenue recognition requirements have been satisfied. We generally do not grant return privileges, except for defective products during the warranty period, nor do we grant pricing credits. Accordingly, we

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recognize revenue upon transfer of title and risk of loss to the customer, which is generally upon shipment. We maintain estimated accruals and allowances for sales incentives and other programs that we may make available to our partners, based on historical experience or applicable contractual terms. Sales taxes collected from customers are excluded from revenues.

We also sell our products to distributors that stock inventory and sell to resellers. We defer recognition of revenue on all sales to our stocking distributors until the distributors have sold the products, as evidenced by sales data that the distributors provide to us. We grant stocking distributors certain price protection rights and the right to return a portion of unsold inventory for the purpose of stock rotation. The distributor-related deferred revenue and receivables are adjusted at the time of the stock rotation return or price reduction. We also provide stocking distributors with credits for changes in selling prices based on competitive conditions, and provide funding for our distributors and their resellers to perform marketing development activities. We maintain estimated accruals and allowances for these exposures based upon our contractual obligations. Our marketing development channel programs do not meet the criteria for recognizing the costs as marketing expenses and therefore these costs are accrued as a reduction to revenue in the same period that the products are sold.

Revenue from service contracts is deferred and recognized ratably over the contractual service period, which is typically from one to two years. Professional service revenue is recognized upon delivery or completion of performance.

Our networking products are tangible products that contain software and non-software components that function together to deliver the tangible product's essential functionality. Our sales arrangements may contain multiple deliverables comprised of our tangible products, standalone software licenses, and service offerings depending on the distribution sales channel through which the products are sold and the requirements of our customers. We recognize revenue for our multiple deliverable arrangements in accordance with the accounting standard for multiple deliverable revenue arrangements, which provides guidance on whether multiple deliverables exist, how deliverables in an arrangement should be separated, and how consideration should be allocated. The industry-specific software revenue recognition guidance does not apply to the sales of our tangible products. Software revenue guidance is applied to sales of our standalone software products, including software upgrades and software that is not essential to the functionality of the hardware with which it is sold.

Pursuant to the guidance of the accounting standard for multiple-deliverable revenue arrangements, we allocate the total arrangement consideration to each separable element of an arrangement based on the relative selling price of each element. We determine the standalone selling price for each element based on a selling price hierarchy. Under the selling price hierarchy, the selling price for each deliverable is based on our vendor-specific objective evidence ("VSOE") of selling price, which is determined by a substantial majority of our historical standalone sales transactions for a product or service falling within a reasonable range. If VSOE is not available due to a lack of standalone sales transactions or lack of pricing within a narrow range, then third party evidence (“TPE”), as determined by the standalone pricing of competitive vendor products in similar markets, is used. TPE typically is difficult to establish due to the proprietary differences of competitive products and difficulty in obtaining reliable competitive standalone pricing information. When neither VSOE nor TPE is available, we determine the best estimate of standalone selling price (“ESP”) for a product or service by considering several factors including, but not limited to, the 12-month historical median sales price, sales channels, geography, gross margin consistency, competitive product pricing, and product life cycle. In consideration of all relevant pricing factors, we apply management judgment to determine the best estimate of selling price through consultation with and formal approval by our management for all products and services for which neither VSOE nor TPE is available. Generally, the standalone selling price of services is determined using VSOE and the standalone selling price of all other deliverables is determined by using ESP. We regularly review VSOE, TPE and ESP for all of our products and services and maintain internal controls over the establishment and updates of these estimates.

Pursuant to the software revenue recognition accounting standard, we continue to recognize revenue for software using the residual method for our sales of standalone software products and other software that is not essential to the functionality of the hardware with which it is sold. After allocation of the relative selling price to each element of the multiple deliverable arrangement, we recognize revenue in accordance with our policies for product, software, and service revenue recognition.

Our total deferred product revenue from customers other than distributors was $6.1 million and $4.1 million as of June 30, 2015 and 2014, respectively. Our total deferred revenue for services, primarily from service contracts, was $87.4 million and $89.7 million as of June 30, 2015 and 2014, respectively. Service contracts typically range from one to two years. Shipping costs are included in cost of product revenues.

We provide an allowance for sales returns based on our historical returns, analysis of credit memo data and our return policies. The allowance for sales returns was $1.1 million and $2.7 million as of June 30, 2015 and 2014, respectively, for estimated future returns that were recorded as a reduction of our accounts receivable. If the historical data that we use to calculate the estimated sales returns and allowances does not properly reflect future levels of product returns, these estimates will be revised, thus resulting in an impact on future net revenue. We estimate and adjust this allowance at each balance sheet date.

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Goodwill

Goodwill is assessed for impairment annually during the fourth quarter of the fiscal year (April 1) or more frequently when an event occurs or circumstances change between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying value. We have determined that we have one reporting unit. To test goodwill for impairment, we first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, we then perform the two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. Under the two-step goodwill impairment test, we in the first step, compare the estimated fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value, no impairment loss is recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of the unit may be impaired. The amount, if any, of the impairment is then measured in the second step in which we determine the implied value of goodwill based on the allocation of the estimated fair value determined in the initial step to all assets and liabilities of the reporting unit.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2015 and determined there was no impairment as the fair value of the reporting unit exceeded its carrying value.

Share-based Payments

We use the Black-Scholes option-pricing model to determine the fair value of option grants other than option grants, with market, performance or service conditions or a combination of those conditions, options assumed as part of the Enterasys acquisition, and share purchase options under our Employee Stock Purchase Plan (“ESPP”) on the date of grant with the weighted average assumptions. We use the Monte-Carlo simulation model to determine the fair value and the derived service period of option grants, with market, performance or service conditions or combinations of those conditions, on the date of grant. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination behavior. The expected term of purchase options under our ESPP represents the contractual life of the ESPP purchase period. The risk-free rate based upon the estimated life of the option and ESPP award is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on both the implied volatilities from traded options on our stock and historical volatility on our stock. We do not currently pay cash dividends on our common stock and do not anticipate doing so in the foreseeable future. Accordingly, our expected dividend yield is zero. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. In fiscal 2015, our estimated forfeiture rates based on historical forfeiture experiences are 14% for executives and 12% for non-executive employees. We use the straight-line method for expense attribution, and we only recognize expense for those shares expected to vest.

Restructuring Charges

The Company recognizes liability for exit and disposal activities when the liability is incurred. A liability for post-employment benefits, including severance, is recorded upon attainment of certain criteria including when payment is probable, the amount is reasonably estimable, and the obligation relates to rights that have vested or accumulated. Facilities consolidation charges are calculated using estimates and are based upon the remaining future lease commitments for vacated facilities from the date of facility consolidation, net of estimated future sublease income. The estimated costs of vacating these leased facilities are based on market information and trend analysis. The Company continually evaluates the adequacy of the remaining liabilities under its restructuring initiatives. Although the Company believes that these estimates accurately reflect the costs of its restructuring plans, actual results may differ, thereby requiring the Company to record additional provision or reverse a portion of such provision.

Business Combinations

We allocate the purchase price of acquired companies 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.

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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.

Impact of Recently Issued Accounting Standards

In May 2014, the FASB, jointly with the International Accounting Standards Board, issued Accounting Standard Update No. 2014-09 (Topic 606) - Revenue from Contracts with Customers ("ASU 2014-09"). This ASU's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligation in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance will require significantly expanded disclosures about revenue recognition. ASU 2014-09 is effective for annual reporting periods (including interim reporting periods within those annual periods) beginning after December 15, 2016. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard. The new standard will be effective for our fiscal 2019, with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt this ASU. We are currently evaluating the potential effect on its consolidated financial statements from adoption of this standard.

In November 2014, the FASB has issued ASU 2014-15, Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date of issuance of the entity’s financial statements and provide certain disclosures when there is substantial doubt about the entity’s ability to continue as a going concern. This guidance applies to all entities and is effective for annual periods beginning after December 15, 2015, and interim periods thereafter, with early adoption permitted. We are currently evaluating the potential effect on its consolidated financial statements from adoption of this standard.

In February 2015, the FASB issued ASU 2015-02 which provides consolidation guidance and changes the way reporting enterprises evaluate consolidation for limited partnerships, investment companies and similar entities, as well as variable interest entities. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2015. We do not believe adoption of this standard will have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 - Simplifying the Presentation of Debt Issuance Costs, 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. Early adoption is permitted. We do not believe adoption of this standard will have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, which requires entities to measure most inventory “at the lower of cost and net realizable value,” thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market (market in this context is defined as one of three different measures). The ASU will not apply to inventories that are measured by using either the last-in, first-out ("LIFO") method or the retail inventory method ("RIM"). The ASU is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein. Early application of the ASU is permitted. Upon transition, entities must disclose the nature of and reason for the accounting change. We do not believe adoption of this standard will have a material impact on our consolidated financial statements.

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Recently Adopted Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2013-11, Income Taxes (Topic 740)-Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). This ASU provides guidance regarding the presentation in the statement of financial position of an unrecognized tax benefit when a net operating loss carryforward or a tax credit carryforward exists. The ASU generally provides that an entity's unrecognized tax benefit, or a portion of its unrecognized tax benefit, should be presented in its financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 31, 2013. We adopted this standard prospectively in the first quarter of the fiscal year ending June 30, 2015, its adoption did not have a material impact on our consolidated financial statements.

Liquidity and Capital Resources

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

	June 30, 2015	June 30, 2014
Cash and cash equivalent	$76,225	$73,190
Short-term investments	—	32,692
Total cash and investments	$76,225	$105,882
Working capital	$2,564	$56,548

As of June 30, 2015, our principal sources of liquidity consisted of cash and cash equivalents of $76.2 million, accounts receivable, net of $92.7 million and availability of borrowings from the Revolving Facility of $20.6 million as of June 30, 2015. 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 $76.2 million of cash and cash equivalents at June 30, 2015, 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.

The Senior Secured Credit Facilities, as amended, contain financial covenants that require us to maintain a minimum Consolidated Fixed Charge Coverage Ratio and Consolidated Quick Ratio and a maximum Consolidated Leverage Ratio and several other financial and non-financial covenants and restrictions that limit our ability to incur additional indebtedness, create liens upon any of our property, merge, consolidate or sell all or substantially all of our assets, etc.

The Senior Secured Credit Facilities, as amended, also include 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 Senior Secured Credit Facilities, as amended, may be accelerated upon certain events of default. We believe we are in compliance and expect to remain in compliance with the covenants of the Senior Secured Credit Facilities, 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):

	Fiscal Year Ended		
	June 30, 2015	June 30, 2014	June 30, 2013
Net cash provided by (used in) operating activities	$37,423	$(26,843)	$32,237
Net cash provided by (used in) investing activities	$21,598	$(126,189)	$16,480
Net cash (used in) provided by financing activities	$(52,470)	$129,580	$(7,391)
Foreign currency effect on cash	$(3,516)	$839	$(119)

Net increase (decrease) in cash and cash equivalents	$3,035	$(22,613)	$41,207

Cash, cash equivalents and short-term investments were $76.2 million at June 30, 2015, representing a decrease of $29.7 million from $105.9 million at June 30, 2014. Cash and cash equivalents increased primarily due to cash provided by operations of $37.4 million and cash provided by investing activities of $21.6 million offset by cash used in financing activities of $52.5 million and foreign currency impact of $3.5 million.

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Cash provided by operating activities was $37.4 million compared to cash used in operating activities of $26.8 million in fiscal 2014, an increase of $64.3 million during the year ended June 30, 2015. The current year's net loss of $71.6 million was primarily offset by non-cash expenses such as amortization of intangibles, stock-based compensation, and depreciation. Decreases in accounts receivables and increases in deferred revenue were also factors contributing to the cash provided by operating activities for the year ended June 30, 2015.

Cash flow provided by investing activities of $21.6 million, was mainly due to proceeds from sales and maturities of investments of $32.4 million offset by capital expenditures of $7.2 million and purchase of non-marketable equity investments of $3.0 million.

Cash flow used in financing activities was $52.5 million due to the repayment of debt of $78.7 million and borrowings of $24.0 million on the Revolving Facility for working capital requirements.

Contractual Obligations

The following summarizes our contractual obligations at June 30, 2015, 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 Five Years
Contractual Obligations:					
Debt obligations	$66,875	11,375	$39,813	$15,687	$—
Interest on debt obligations	5,651	2,406	3,037	208	—
Non-cancelable inventory purchase commitments	69,863	69,863	—	—	—
Non-cancelable operating lease obligations	64,417	10,948	18,579	17,170	17,720
Other liabilities	650	195	390	65	—
Total contractual cash obligations	$207,456	$94,787	$61,819	$33,130	$17,720

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 $69.9 million as of June 30, 2015, an increase of $5.2 million from $64.7 million as of June 30, 2014.

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

Other liabilities include the Company's commitments towards debt related fees and specific arrangements other than inventory.

The amounts in the table above exclude income tax liabilities related to uncertain tax positions as existing tax attributes of the Company are available to offset any potential income tax obligations.

We did not have any material commitments for capital expenditures as of June 30, 2015.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2015.

Capital Resources and Financial Condition

As of June 30, 2015, we had $76.2 million in cash and cash equivalents. We believe that our current cash, cash equivalents, cash available from future operations along with the availability of borrowings from the Revolving Facility will enable us to meet our working capital requirements for at least the next 12 months.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

The primary objective of our investment activities is to preserve principal while at the same time maximize the income we receive from our investments without significantly increasing risk. Some of the securities that we have invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. To minimize this risk, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including commercial paper, other non-government debt securities and money market funds.

The valuation of our investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact its valuation include changes to credit ratings of the securities, discount rates and ongoing strength and quality of market credit and liquidity.

If the current market conditions deteriorate further, or the anticipated recovery in market values does not occur, we may be required to record impairment charges in future quarters.

The following table presents the amounts of our cash equivalents, short-term investments and marketable securities that are subject to market risk by range of expected maturity and weighted-average interest rates as of June 30, 2014. This table does not include money market funds as those funds are generally not consider subject to market risk We did not have any short-term investments or marketable securities as of June 30, 2015. (dollars in thousands)

	Maturing in Three months or less	Three months to one year	Greater than one year	Total	Fair Value
June 30, 2014					
Short-term investments	$—	$23,598	$9,094	$32,692	$33,259
Weighted average interest rate	— %	0.91 %	0.72 %		

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 Senior Secured Credit Facilities, as amended, that we entered into on October 31, 2013. Our debt and Senior Secured Credit Facilities, as amended, are fully described in the Note 3 of our Notes to the Consolidated Financial Statements. At June 30, 2015 we had $66.9 million of debt outstanding, all of which was from our Senior Secured Credit Facilities, as amended. Through the end of our fiscal year, the average daily outstanding amount was $94.3 million with a low of $66.9 million and a high of $121.6 million. The fair value of the debt outstanding at June 30, 2015 was $66.9 million. If there were an increase in the interest rates of 0.5% and 1.0% the annualized increase in interest expense on the June 30, 2015 outstanding balance would be $84,000 and $167,000 respectively. Conversely if there was a decrease in interest rates of 0.5% and 1.0% the annualized interest rate on the outstanding balance at June 30, 2015 would decrease by $84,000 and $167,000 respectively.

Exchange Rate Sensitivity

Currently, majority of all of our sales and our expenses are denominated in United States Dollars and, as a result, we have not experienced significant foreign exchange gains and losses to date. While we conduct 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 Income (Expense). 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. At June 30, 2015, we did not have any forward foreign currency contracts.

Foreign currency transaction gains and losses from operations were a loss of $1.0 million, $1.5 million and $0.9 million in fiscal years 2015, 2014 and 2013, respectively.

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Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Extreme Networks, Inc.:

We have audited the accompanying consolidated balance sheets of Extreme Networks, Inc. and subsidiaries (the Company) as of June 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2015. We also have audited the Company's internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting under item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Extreme Networks, Inc. and subsidiaries as of June 30, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Extreme Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on criteria established in Internal

Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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/s/ KPMG LLP
Santa Clara, California
September 14, 2015

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EXTREME NETWORKS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2015	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$76,225	$73,190
Short-term investments	—	32,692
Accounts receivable, net of allowances of $2,396 at June 30, 2015 and $3,618 at June 30, 2014	92,737	124,664
Inventories	58,014	57,109
Deferred income taxes	760	1,058
Prepaid expenses and other current assets	10,258	14,143
Total current assets	237,994	302,856
Property and equipment, net	39,862	46,554
Intangible assets, net	52,132	87,459
Goodwill	70,877	70,877
Other assets, net	27,795	18,686
Total assets	$428,660	$526,432
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$11,375	$29,688
Accounts payable	40,135	37,308
Accrued compensation and benefits	25,195	26,677
Accrued warranty	8,676	7,551
Deferred revenue, net	76,551	74,735
Deferred distributors revenue, net of cost of sales to distributors	40,875	31,992
Other accrued liabilities	32,623	38,357
Total current liabilities	235,430	246,308
Deferred revenue, less current portion	23,231	22,942
Long-term debt, less current portion	55,500	91,875
Deferred income taxes	2,979	1,264
Other long-term liabilities	7,285	7,331
Commitments and contingencies (Note 5)		
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; 100,284,106 shares issued and outstanding at June 30, 2015 and 96,980,214 shares issued and outstanding at June 30, 2014	100	97
Additional paid-in-capital	865,282	845,267
Accumulated other comprehensive income	(1,291)	(439)
Accumulated deficit	(759,856)	(688,213)
Total stockholders' equity	104,235	156,712
Total liabilities and stockholders' equity	$428,660	$526,432

See accompanying notes to consolidated financial statements.

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

	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Net revenues:			
Product	$418,046	$411,761	$239,955
Service	134,894	107,793	59,388
Total net revenues	552,940	519,554	299,343
Cost of revenues:			
Product	225,018	213,673	115,862
Service	48,185	38,552	20,855
Total cost of revenues	273,203	252,225	136,717
Gross profit:			
Product	193,028	198,088	124,093
Service	86,709	69,241	38,533
Total gross profit	279,737	267,329	162,626
Operating expenses:			
Research and development	93,447	77,146	40,521
Sales and marketing	169,299	156,666	87,202
General and administrative	42,092	40,912	26,725
Acquisition and integration costs	10,205	25,716	—
Restructuring charge, net of reversals	9,819	510	6,836
Amortization of intangibles	17,869	16,711	—
Litigation settlement (income) expense	—	(100)	2,029
Gain on sale of facilities	—	—	(11,539)
Total operating expenses	342,731	317,561	151,774
Operating (loss) income	(62,994)	(50,232)	10,852
Interest income	541	751	1,070
Interest expense	(3,177)	(2,085)	—
Other (expense) income, net	(1,206)	(1,555)	(571)
(Loss) Income before income taxes	(66,836)	(53,121)	11,351
Provision for income taxes	4,807	4,189	1,678
Net (loss) income	$(71,643)	$(57,310)	$9,673
Basic and diluted net (loss) income per share:			
Net (loss) income per share – basic	$(0.72)	$(0.60)	$0.10
Net (loss) income per share – diluted	$(0.72)	$(0.60)	$0.10
Shares used in per share calculation – basic	99,000	95,515	93,954
Shares used in per share calculation – diluted	99,000	95,515	95,044

See accompanying notes to consolidated financial statements.

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EXTREME NETWORKS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)

	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Net (loss) income:	$(71,643)	$(57,310)	$9,673
Other comprehensive income, net of tax:			
Available for sale securities:			
Change in unrealized (loss) gain on available for sale securities, net of taxes	(26)	136	(327)
Reclassification of adjustment for realized net gains on available for sale securities included in net (loss) income	—	158	—
Net change in unrealized gain (loss) on available for sale securities, net of taxes	(26)	294	(327)
Net change in net foreign currency translation adjustment	(826)	644	(189)
Other comprehensive (loss) income	(852)	938	(516)
Total comprehensive (loss) income	$(72,495)	$(56,372)	$9,157

See accompanying notes to consolidated financial statements.

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EXTREME NETWORKS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock					
	Shares	Amount	Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balances at June 30, 2012	133,965	$ 134	$ 970,609	$ (861)	$ (640,576)	$ 179,640
Net income	—	—	—	—	9,673	9,673
Other comprehensive loss, net	—	—	—	(516)	—	(516)
Exercise of options to purchase common stock	2,045	2	6,137	—	—	6,139
Issuance of common stock under employee stock purchase plan	605	1	1,699	—	—	1,700
Issuance of restricted stock, net of repurchases	712	1	(751)	—	—	(750)
Repurchase of common stock	(4,069)	(4)	(14,475)	—	—	(14,479)
Share-based payments	—	—	7,738	—	—	7,738
Retirement of treasury shares	(39,632)	(40)	(149,626)	—	—	—
Balances at June 30, 2013	93,626	$ 94	$ 821,331	$ (1,377)	$ (630,903)	189,145
Net loss	—	—	—	—	(57,310)	(57,310)
Other comprehensive income, net	—	—	—	938	—	938
Exercise of options to purchase common stock	1,791	2	6,436	—	—	6,438
Issuance of common stock under employee stock purchase plan	762	—	3,166	—	—	3,166
Issuance of restricted stock	801	1	(1,588)	—	—	(1,587)
Share-based payments			15,922	—	—	15,922
Balances at June 30, 2014	96,980	$ 97	$ 845,267	$ (439)	$ (688,213)	$ 156,712
Net loss	—	—	—	—	(71,643)	(71,643)
Other comprehensive income, net	—	—	—	(852)	—	(852)
Exercise of options to purchase common stock	447	—	1,392	—	—	1,392
Issuance of common stock under employee stock purchase plan	1,138	2	3,578	—	—	3,580
Issuance of restricted stock	1,719	1	(2,756)	—	—	(2,755)
Share-based payments	—	—	17,801	—	—	17,801
Balances at June 30, 2015	100,284	$ 100	$ 865,282	$ (1,291)	$ (759,856)	$ 104,235

See accompanying notes to consolidated financial statements.

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EXTREME NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Cash flows from operating activities:			
Net (loss) income	$(71,643)	$(57,310)	$9,673
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Decrease in accrued investment income	197	923	1,600
Depreciation	12,832	10,628	4,543
Amortization of intangible assets	35,951	28,771	1,488
Allowance for doubtful accounts and sales returns	4,246	2,366	(173)
Deferred income taxes	1,871	(61)	(35)
Stock-based compensation	17,801	15,922	7,353
Loss (gain) on disposition of long lived assets, net	1,298	2,226	(11,285)
Non-cash interest expense	247	173	—
Unrealized (gain)/loss on foreign exchange transactions	(1,290)	405	291
Changes in operating assets and liabilities, net			
Accounts receivable	27,681	(56,116)	(6,304)
Inventories	(904)	(7,280)	10,442
Prepaid expenses and other assets	(2,240)	2,288	1,877
Accounts payable	2,827	(4,234)	7,726
Accrued compensation and benefits	(1,482)	(570)	95
Accrued warranty	1,125	3,385	425
Deferred revenue, net	2,104	18,689	2,127
Deferred revenue, net of cost of sales to distributors	8,883	13,537	2,069
Other long-term liabilities	(2,081)	(585)	325
Net cash provided by (used in) operating activities	37,423	(26,843)	32,237
Cash flows provided by (used in) investing activities:			
Capital expenditures	(7,205)	(22,373)	(12,737)
Acquisition, net of cash acquired	—	(180,000)	—
Purchases of investments	—	(9,045)	(57,712)
Purchases of non-marketable equity investments	(3,000)	—	—
Proceeds from maturities of investments and marketable securities	23,321	28,722	16,367
Proceeds from sales of investments and marketable securities	9,051	56,594	28,528
Purchases of intangible assets	(569)	(87)	(625)
Proceeds from sales of facilities	—	—	42,659
Net cash provided by (used in) investing activities	21,598	(126,189)	16,480
Cash flows (used in) provided by financing activities:			
Borrowings under Revolving Facility	24,000	83,000	—
Borrowings under Term Loan	—	65,000	—
Repayment of debt	(78,688)	(26,437)	—
Proceeds from issuance of common stock, net	2,218	8,017	7,084
Repurchase of common stock	—	—	(14,475)
Net cash (used in) provided by financing activities	(52,470)	129,580	(7,391)

Foreign currency effect on cash	(3,516)	839	(119)
Net increase (decrease) in cash and cash equivalents	3,035	(22,613)	41,207
Cash and cash equivalents at beginning of period	73,190	95,803	54,596
Cash and cash equivalents at end of period	$76,225	$73,190	$95,803
Supplemental disclosure of cash flow information:			
Interest paid	$2,361	$1,852	$—
Cash paid for taxes, net	$1,582	$2,864	$1,534
Non-cash investing activities:			
Unpaid capital expenditures	$316	$310	$7,001

See accompanying notes to the consolidated financial statements.

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EXTREME NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Basis of Presentation
Extreme Networks, Inc. (“Extreme Networks” or “the Company”) is a leading provider of network infrastructure equipment and markets its products primarily to business, governmental, health care, service provider, and educational customers with a focus on large corporate enterprises and metropolitan service providers on a global basis. The Company conducts its sales and marketing activities on a worldwide basis through distributors, resellers and the Company’s field sales organization. Extreme Networks was incorporated in California in 1996 and reincorporated in Delaware in 1999.
Fiscal Year
The Company uses a fiscal calendar year ending on June 30. All references herein to "fiscal 2015" or "2015"; “fiscal 2014” or “2014”; "fiscal 2013" or "2013" represent the fiscal years ending June 30, 2015, 2014 and 2013, respectively .
Principles of Consolidation
The consolidated financial statements include the accounts of Extreme Networks 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.
Certain balances included in the consolidated balance sheets and consolidated statements of cash flows related to deferred income taxes and restructuring liabilities for prior periods have been reclassified to conform to the current period presentation. Specifically, in the consolidated balance sheet, restructuring liabilities which was presented separately has been included in other accrued liabilities while deferred income taxes, which was part of Other long-term liabilities, is now presented separately. In the consolidated statement of cash flows, the changes in operating assets and liabilities for Other long-term liabilities includes the changes in restructuring liabilities and other accrued liabilities which were previously disclosed separately.
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 materially from these estimates.
2. Business Combinations
On October 31, 2013 (the “Acquisition Date”), the Company completed the acquisition of Enterasys Networks, Inc. ("Enterasys"), a privately held provider of wired and wireless network infrastructure and security solutions, for $180.0 million, net of cash acquired. The Company also assumed outstanding options and restricted stock units of Enterasys at the Acquisition Date, all of which were unvested.
The acquisition has been accounted for using the acquisition method of accounting. The purchase price allocation as of the Acquisition Date is set forth in the table below and reflects various fair value estimates. These estimates were determined through established and generally accepted valuation techniques, including work performed by third-party valuation specialists. All valuations were considered finalized as of September 30, 2014.
The following table below summarizes the allocation as of September 30, 2014 of the tangible and identifiable intangible assets acquired and liabilities assumed:

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EXTREME NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	September 30, 2014
Cash	$7,397
Receivables	23,271
Inventory	33,662
Other current assets	7,374
Property and equipment	21,293
Identifiable intangible assets	108,900
In-process research and development	3,000
Deferred tax assets	9
Other assets	7,343
Goodwill	70,877
Current liabilities	(81,535)
Other long-term liabilities	(14,194)
Total purchase price allocation	$187,397
Less: Cash acquired from acquisition	(7,397)
Total purchase price consideration, net of cash acquired	$180,000

There were no adjustments to the allocation of assets acquired or liabilities assumed from June 30, 2014 through the time the Company finalized the allocation as of September 30, 2014.

The fair value of the acquired intangible assets were estimated using an income approach. Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To calculate fair value, the Company used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believes that the level and timing of cash flows appropriately reflect market participant assumptions. Cash flows were assumed to extend through the remaining economic useful life of each class of intangible asset.

The fair value of the acquired deferred revenue was estimated using the cost build-up approach. The cost build-up approach determines fair value using estimates of the costs required to provide the contracted deliverables plus an assumed profit. The total costs including the assumed profit were adjusted to present value using a discount rate considered appropriate. The resulting fair value approximates the amount that the Company would be required to pay a third party to assume the obligation. The fair value of the deferred revenue obligation is affected most significantly by the estimated costs required to support the obligation, but is also affected by the assumed profit and the discount rate.

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	3	$45,000
Customer relationships	3	37,000
Maintenance contracts	5	17,000
Trademarks	3	2,500
Order backlog	1	7,400
Total identifiable intangible assets	3	$108,900

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

The Company had an indefinite-lived asset of $3.0 million as of the Acquisition Date which represents the fair value of in-process research and development activities. The Company completed the research and development efforts in the fourth quarter of fiscal 2014 and has determined that the asset is an identifiable intangible asset with an estimated useful life of three years. The results of operations of Enterasys are included in the consolidated results of operations beginning October 31, 2013. For the year ended June 30, 2014, $227.7 million of revenue and $13.5 million of operating income from Enterasys are included in the consolidated statement of operations. The Company incurred $6.0 million of acquisition-related expenses for the year ended June 30, 2014. Such acquisition-related costs are included in "Acquisition and integration costs" on the consolidated statement of operations. The costs, which the Company expensed as incurred, consist primarily of professional fees payable to financial and legal advisors.

3. Summary of Significant Accounting Policies

Revenue Recognition

The Company's revenue is primarily derived from sales of networking products, which are tangible products containing software and non-software components that function together to deliver the tangible product's essential functionality. In addition to tangible products, the Company's sales arrangements may include other deliverables such as standalone software licenses, or service offerings. For multiple deliverable arrangements, the Company recognizes revenue in accordance with the accounting standard for multiple deliverable revenue arrangements, which provides guidance on whether multiple deliverables exist, how deliverables in an arrangement should be separated, and how consideration should be allocated. Software revenue recognition guidance is applied to the sales of the Company's standalone software products, including software upgrades and software that is not essential to the functionality of the hardware with which it is sold.

Pursuant to the guidance of the accounting standard for multiple deliverable revenue arrangements, when the Company's sales arrangements contain multiple elements, such as products, software licenses, maintenance agreements, or professional services, the Company determines the standalone selling price for each element based on a selling price hierarchy. The application of the multiple deliverable revenue accounting standard does not change the units of accounting for the Company's multiple element arrangements. Under the selling price hierarchy, the selling price for each deliverable is based on the Company's vendor-specific objective evidence (“VSOE”), which is determined by a substantial majority of the Company's historical standalone sales transactions for a product or service falling within a narrow range. If VSOE is not available due to a lack of standalone sales transactions or lack of pricing within a narrow range, then third party evidence (“TPE”), as determined by the standalone pricing of competitive vendor products in similar markets, is used, if available. TPE typically is difficult to establish due to the proprietary differences of competitive products and difficulty in obtaining reliable competitive standalone pricing information. When neither VSOE nor TPE is available, the Company determines its best estimate of standalone selling price (“ESP”) for a product or service and does so by considering several factors including, but not limited to, the 12-month historical median sales price, sales channel, geography, gross margin objective, competitive product pricing, and product life cycle. In consideration of all relevant pricing factors, the Company applies management judgment to determine the Company's best estimate of selling price through consultation with and formal approval by the Company's management for all products and services for which neither VSOE nor TPE is available. Generally the standalone selling price of services is determined using VSOE and the standalone selling price of other deliverables is determined by using ESP. The Company regularly reviews VSOE, TPE and ESP for all of its products and services and maintains internal controls over the establishment and updates of these estimates.

Pursuant to the software revenue recognition accounting standard, the Company continues to recognize revenue for software using the residual method for its sale of standalone software products, including optional software upgrades and other software that is not essential to the functionality of the hardware with which it is sold. After allocation of the relative selling price to each element of the arrangement, the Company recognizes revenue in accordance with the Company's policies for product, software, and service revenue recognition.

The Company derives the majority of its revenue from sales of its networking equipment, with the remaining revenue generated from service fees relating to maintenance service contracts, professional services, and training for its products. The Company generally recognizes product revenue from its value-added resellers, non-stocking distributors and end-user customers at the time of shipment, provided that persuasive evidence of an arrangement exists, delivery has occurred, the price of the product is fixed or determinable, and collection of the sales proceeds is reasonably assured. In instances where the criteria for revenue recognition are not met, revenue is deferred until all criteria have been met. As of June 30, 2015 and 2014, the Company’s total deferred product revenue from customers other than distributors was $6.1 million and $4.1 million, respectively. As of June 30, 2015 and 2014, the Company’s total deferred revenue for services, primarily from service contracts, was $87.4 million and $89.7 million, respectively. Sales taxes collected from customers are excluded from revenues.

The Company sells its products and maintenance service contracts to partners in two distribution channels, or tiers. The first tier consists of a limited number of independent distributors that stock its products and sell primarily to resellers. The Company defers recognition of revenue on all sales to its stocking distributors until the distributors sell the product, as evidenced by "sales-out" reports that the distributors provide. The Company grants these distributors the right to return a portion of unsold inventory for the purpose of stock rotation and certain price protection rights. The distributor-related deferred revenue and receivables are adjusted at the time of the stock rotation return or price reduction. The Company also provides distributors with credits for changes in selling prices based on competitive conditions, and allows distributors to participate in cooperative marketing programs. The Company maintains estimated accruals and allowances for these exposures based upon the Company's historical experience. In connection with cooperative advertising programs, if the Company does not meet the criteria for recognizing the expense as marketing expense the costs are recorded as a reduction to revenue in the same period that the related revenue is recorded.

The second tier of the distribution channel consists of a non-stocking distributors and value-added resellers that sell directly to end-users. For product sales to non-stocking distributors and value-added resellers, the Company does not grant return privileges, except for defective products during the warranty period, nor does the Company grant pricing credits. Accordingly, the Company recognizes revenue upon transfer of title and risk of loss or damage, generally upon shipment. In connection with cooperative advertising programs and certain price protection rights that may occur under contractual arrangements with its resellers, if the Company does not meet the criteria for recognizing the expense as marketing expense, the costs are recorded as a reduction to revenue in the same period that the related revenue is recorded.

Allowance for Sales Returns

The Company provides an allowance for sales returns based on its historical returns, analysis of credit memo data and its return policies. The allowance for sales returns is as a reduction of our accounts receivable. If the historical data that the Company uses to calculate the estimated sales returns and allowances does not properly reflect future levels of product returns, these estimates will be revised, thus resulting in an impact on future net revenue. The Company estimates and adjusts this allowance at each balance sheet date.

The following table is a summary of our allowance for sales returns (in thousands).

Description	Balance at beginning of period	Additions	(Deductions)	Balance at end of period
Year Ended June 30, 2015:				
Allowance for sales returns	$2,700	3,306	(4,926)	$1,080
Year Ended June 30, 2014:				
Allowance for sales returns	777	3,063	(1,140)	$2,700
Year Ended June 30, 2013:				
Allowance for sales returns	$1,262	$130	$ (615)	$777

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts which reflects its best estimate of potentially uncollectible trade receivables. The allowance is based on both specific and general reserves. The Company continually monitors and evaluates the collectability of its trade receivables based on a combination of factors. It records specific allowances for bad debts in general and administrative expense when it becomes aware of a specific customer's inability to meet its financial obligation to the Company, such as in the case of bankruptcy filings or deterioration of financial position. Estimates are used in determining the allowances for all other customers based on factors such as current trends in the length of time the receivables are past due and historical collection experience. The Company mitigates some collection risk by requiring most of its customers in the Asia-Pacific region, excluding Japan and Australia, to pay cash in advance or secure letters of credit when placing an order with the Company.

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The following table is a summary of the allowance for doubtful accounts (in thousands).

Description	Balance at beginning of period	Charges to bad debt expenses	(Deductions) (1)	Balance at end of period
Year Ended June 30, 2015:				
Allowance for doubtful accounts	$918	940	(542)	$1,316
Year Ended June 30, 2014:				
Allowance for doubtful accounts	475	468	(25)	$918
Year Ended June 30, 2013:				
Allowance for doubtful accounts	$384	$312	$(221)	$475

(1) Uncollectible accounts written off, net of recoveries

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:

	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 net revenue

The following table sets forth major customers accounting for 10% or more of our accounts receivable balance.

	As of June 30, 2015	June 30, 2014
Westcon Group Inc.	27 %	19 %
Tech Data Corporation	*	13 %

* Less than 10% of accounts receivable

Inventory Valuation

The Company's inventory balance as of June 30, 2015 and 2014 was $58.0 million and $57.1 million, respectively. 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.

The following is a summary of our inventory by category (in thousands).

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	June 30	
	2015	2014
Finished goods	$55,301	$56,298
Raw materials	2,713	811
Total Inventory	$58,014	$57,109

Cash Equivalents, Short-Term Investments and Marketable Securities
The following is a summary of Cash and Available-for-Sale Securities (in thousands)

	June 30	
	2015	2014
Cash	$71,455	$72,623
Cash equivalents	4,770	567
Short-term investments	—	32,692
Total available-for-sale	$4,770	$33,259
Total cash and available for sale securities	$76,225	$105,882

Available-for-Sale Securities
The following is a summary of available-for-sale securities (in thousands):

	Amortized Cost	Fair Value	Unrealized Holding Gains	Unrealized Holding Losses
June 30, 2015				
Money market funds	$4,770	$4,770	$—	$—
Classified as:				
Cash equivalents	$4,770	$4,770	$—	$—
June 30, 2014				
Money market funds	$567	$567	$—	$—
U.S. corporate debt securities	32,578	32,692	114	—
	$33,145	$33,259	$114	$—
Classified as:				
Cash equivalents	$567	$567	$—	$—
Short-term investments	32,578	32,692	114	—
	$33,145	$33,259	$114	$—

The Company did not have any available-for sale investments in debt securities at June 30, 2015.
The amortized cost and estimated fair value of available-for-sale investments in debt securities at June 30, 2014, by contractual maturity, were as follows (in thousands):

	Amortized Cost	Fair Value
Due in 1 year or less	$23,512	$23,598
Due in 1-2 years	6,049	6,070
Due in 2-5 years	3,017	3,024
Total investments in available for sale debt securities	$32,578	$32,692

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

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as Short-term Investments. Investments with maturities of greater than one year at balance sheet date are classified as Marketable Securities. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, the Company diversifies its investments by limiting its holdings with any individual issuer.

Investments include available-for-sale investment-grade debt securities that the Company carries at fair value. The Company accumulates unrealized gains and losses on the Company's available-for-sale debt securities, net of tax, in accumulated other comprehensive income in the stockholders' equity section of its balance sheets. Such an unrealized gain or loss does not reduce net income for the applicable accounting period. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) the Company intends to sell the instrument, (2) it is more likely than not that the Company will be required to sell the instrument before recovery of its amortized cost basis, or (3) the Company does not expect to recover the entire amortized cost basis of the instrument (that is, a credit loss exists). If the Company intends to sell or it is more likely than not that the Company will be required to sell the available-for-sale debt instrument before recovery of its amortized cost basis, the Company recognizes an other-than-temporary impairment in earnings equal to the entire difference between the debt instruments' amortized cost basis and its fair value. For available-for-sale debt instruments that are considered other-than-temporarily impaired due to the existence of a credit loss, if the Company does not intend to sell and it is not more likely than not that the Company will be required to sell the instrument before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), the Company separates the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the debt instrument's amortized cost basis and the present value of its expected future cash flows. The remaining difference between the debt instrument's fair value and the present value of future expected cash flows is due to factors that are not credit related and is recognized in other comprehensive income.

The Company determines the basis of the cost of a security sold or the amount reclassified out of accumulated other comprehensive income into earnings using the specific identification method. Realized gains or losses recognized on the sale of investments were not significant for fiscal 2015, 2014 or 2013. As of June 30, 2015, the Company did not hold any investment securities. As of June 30, 2014, there were two out of 18 investment securities that had unrealized losses for less than 12 months. For investments that were in an unrealized loss position as of June 30, 2014, the Company recorded an other-than-temporary impairment loss of $158,000 during the year ended June 30, 2014.

Fair Value of Financial Instruments

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):

June 30, 2015	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Money market funds	$4,770	$—	$—	$4,770

Investment in non-marketable equities	—	—	3,000	3,000
Total	$4,770	$—	$3,000	$7,770

June 30, 2014	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Money market funds	$567	$—	$—	$567
Corporate notes/bonds	—	32,692	—	32,692
Foreign currency forward contracts	—	21	—	21
Total	$567	$32,713	$—	$32,280

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 during the fiscal years 2015 or 2014.

The fair value of the borrowings under the credit facility is estimated based on valuations provided by alternative pricing sources supported by observable inputs which is considered Level 2. The carrying amount and estimated fair value of the Company’s total long-term indebtedness, including current portion was $66.9 million and $121.6 million as of June 30, 2015 and 2014, respectively.

Level 3 investments: the Company reflects a non-marketable equity investment as Level 3 in the fair value hierarchy as it is based on unobservable inputs that market participants would use in pricing this asset due to the absence of recent comparable market transactions and inherent lack of liquidity. During the third quarter of fiscal 2015, the Company obtained a $3.0 million equity interest in a company that operates in the enterprise software platform industry. The Company has not entered into any other transactions with the entity that are considered significant to the Company’s consolidated financial statements.

Significant inputs and assumptions were used in management’s estimate of the enterprise value used to calculate the present value of the asset. Significant changes in any Level 3 input or assumption would result in increases or decreases to fair value measurements for this asset.

There were no transfers of assets or liabilities between Level 3 and either Level 1 or Level 2 during the fiscal years 2015 or 2014.

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 fiscal years 2015 or 2014.

Long-Lived Assets

Long-lived assets include (a) property and equipment, (b) goodwill and intangible assets, and (c) other assets. Property and equipment, goodwill and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets or asset groups may not be recoverable. If such facts and circumstances exist, the Company assesses the recoverability of these assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. The Company reduces the carrying value of service inventory to net realizable value based on expected quantities needed to satisfy contractual service requirements of customers.

(a) Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of one to four years are used for computer equipment and software. Estimated useful lives of three to seven years are used for office equipment, furniture and fixtures. Depreciation and amortization of leasehold improvements is computed using the lesser of the useful life or lease terms (ranging from two to ten years). Property and equipment consist of the following (in thousands):

	June 30, 2015	June 30, 2014

Computer equipment	$32,753	$27,319
Purchased software	5,425	10,859
Office equipment, furniture and fixtures	10,908	28,813
Leasehold improvements	24,293	29,029
	73,379	96,020
Less: accumulated depreciation and amortization	(33,517)	(49,466)
Property and equipment, net	$39,862	$46,554

During the year ended June 30, 2014, there was an increase in property and equipment of $1.2 million for asset retirement obligations recorded from the acquisition of Enterasys.

(b) Goodwill and Intangibles

As part of the acquisition of Enterasys, the Company acquired $70.9 million in goodwill which has been allocated to the Company's only reportable segment, the development and marketing of network infrastructure equipment.

The following table reflects the changes in the carrying amount of goodwill (in thousands):

	June 30, 2015	June 30, 2014
Balance at beginning of period	$70,877	$—
Acquisition of Enterasys (Note 2)	—	70,877
Balance at end of period	$70,877	$70,877

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

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2015				
Developed technology	1.2 years	$48,000	$ 28,194	$19,806
Customer relationships	1.3 years	37,000	20,556	16,444
Maintenance contracts	3.3 years	17,000	5,667	11,333
Trademarks	1.3 years	2,500	1,389	1,111
Order backlog	0.3 years	7,400	6,967	433
License Agreements	10.2 years	10,924	8,620	2,304
Other Intangibles	3.8 years	2,684	1,983	701
		$125,508	$ 73,376	$52,132

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2014				
Developed technology	2.2 years	$48,000	$11,028	$36,972
Customer relationships	2.3 years	37,000	8,222	28,778
Maintenance contracts	4.3 years	17,000	2,267	14,733
Trademarks	2.3 years	2,500	555	1,945
Order backlog	1.3 years	7,400	5,667	1,733
License Agreements	11.2 years	10,447	8,141	2,306
Other Intangibles	4.8 years	2,547	1,555	992
		$124,894	$37,435	$87,459

Amortization expense was $35.9 million, $28.8 million and $1.5 million in fiscal years 2015, 2014 and 2013, respectively. Of the total amount recognized, $17.2 million, $11.9 million and $1.5 million is included in "Cost of revenues for products" on the consolidated statements of operations in fiscal years 2015, 2014 and 2013, respectively, while the remainder of the amortization expense is included in "Amortization of intangibles" on the consolidated statement of operations. The amortization expense for developed technology, patents, license agreements and other intangibles is recognized in "Cost of revenues for products" on the consolidated statement of operations. The estimated future amortization expense to be recorded for each of the next five years is as follows (in thousands):

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For the fiscal year ending:	
2016	$32,412
2017	13,254
2018	3,724
2019	1,457
2020	324
Thereafter,	961
Total	$52,132

(c) Other Assets

Other assets primarily consists of service inventory and long term deposits. The Company holds service inventory to support customers who have purchased service contracts with a hardware replacement element, as well as to support our warranty program. See Inventory Valuation above in this footnote for additional information. The Company held service inventory of $18.1 million and $11.4 million as of June 30, 2015 and 2014, respectively.

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 as of June 30, 2015 and 2014, respectively, (in thousands):

	June 30, 2015	June 30, 2014
Deferred services	$87,441	$89,657
Deferred product and other revenue	12,341	8,020
Total deferred revenue	99,782	97,677
Less: current portion	76,551	74,735
Non-current deferred revenue, net	$23,231	$22,942

The Company offers for sale to its customers, renewable support arrangements, including extended warranty contracts that range generally 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):

	Year Ended	
	June 30, 2015	June 30, 2014
Balance beginning of period	$89,657	$38,003
Assumed from acquisition	—	35,879
New support arrangements	119,906	113,412
Recognition of support revenue	(122,122)	(97,637)
Balance end of period	87,441	89,657
Less: current portion	64,210	66,715
Non-current deferred revenue	$23,231	$22,942

Deferred Distributors Revenue, Net of Cost of Sales to Distributors

At the time of shipment to distributors, the Company records a trade receivable at the contractual discount to list selling price since there is a legally enforceable obligation from the distributor to pay on a current basis for product delivered. The Company relieves inventory for the carrying value of goods shipped since legal title has passed to the distributor, and the Company records deferred revenue and deferred cost of sales in "Deferred distributors revenue, net of cost of sales to distributors" in the liability section of its consolidated balance sheets. Deferred distributors revenue, net of cost of sales to distributors effectively represents the gross margin on the sale to the distributor; however, the amount of gross margin the Company recognizes in future periods will frequently be less than the originally recorded deferred distributors revenue, net of cost of sales to distributors as a result of price concessions negotiated at time of sell-through to end customers. The Company sells each item in its product catalog to all of its distributors worldwide at contractually discounted prices. However, distributors resell the Company's products to end customers at a very broad range of individually negotiated price points based on customer, product, quantity, geography, and other

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competitive conditions which results in the Company remitting back to the distributors a portion of their original purchase price after the resale transaction is completed. Thus, a portion of the deferred revenue balance represents a portion of distributors’ original purchase price that will be remitted back to the distributors in the future. The wide range and variability of negotiated price credits granted to distributors does not allow the Company to accurately estimate the portion of the balance in the deferred revenue that will be remitted to the distributors. Therefore, the Company does not reduce deferred revenue by anticipated future price credits; instead, price credits are recorded against revenue when incurred, which is generally at the time the distributor sells the product.
The following table summarizes deferred distributors revenue, net of cost of sales to distributors as of June 30, 2015 and 2014, respectively (in thousands):

	Year Ended	
	June 30, 2015	June 30, 2014
Deferred distributors revenue	$53,366	$40,715
Deferred cost of sales to distributors	(12,491)	(8,723)
Total deferred distributors revenue, net of cost of sales to distributors	$40,875	$31,992

Debt
The Company's debt is comprised of the following:

	Year Ended	
	June 30, 2015	June 30, 2014
Current portion of long-term debt:		
Term Loan	$11,375	$5,688
Revolving Facility	—	24,000
Current portion of long-term debt	$11,375	$29,688
Long-term debt, less current portion:		
Term Loan	$45,500	$56,875
Revolving Facility	10,000	35,000
Total long-term debt, less current portion	$55,500	$91,875
Total debt	$66,875	$121,563

The Company's debt repayment schedule by period is as follows (in thousands):

For the fiscal year ending:	
2016	$11,375
2017	17,875
2018	21,938
2019	15,687
Total	$66,875

On October 31, 2013, the Company entered into a credit agreement which provides for a $60 million five-year Revolving Facility and a $65 million five-year Term Loan (together the “Senior Secured Credit Facilities”). The Company used the proceeds from the Term Loan and also drew $35 million of the Revolving Facility for the purchase of all of the issued and outstanding capital stock of Enterasys.
In the fourth quarter of fiscal 2015, the Company amended the Senior Secured Credit Facilities. The amendment, among other items, reduced the lenders commitment by $10.0 million to a total of $115.0 million. The amended commitment provides for a $50 million five-year Revolving Facility. Borrowings under the Senior Secured Credit Facilities, as amended, bear interest, at the Company's election, at a rate per annum equal to an agreed to applicable margin plus (a) the higher of the prime rate in effect on such day or the federal funds effective rate in effect on such

day plus 0.75% or (b) an adjusted Libor rate. In addition, the Company is required to pay a commitment fee of between 0.375% and 0.50% quarterly (currently 0.50%) on the unused portion of the Revolving Facility, also based on the Company’s Consolidated Leverage Ratio. Principal installments are payable on the Term Loan in varying percentages quarterly starting December 31, 2013 and to the extent not previously paid, all outstanding balances are to be paid at maturity. If not repaid before maturity, the draws on the Revolving Facility shall be repaid on the original maturity date. The Senior Secured Credit Facilities, as amended, are secured by substantially all of the Company’s assets and are jointly and severally guaranteed by the Company and certain of its subsidiaries.

The Senior Secured Credit Facilities, as amended contain financial covenants that require the Company to maintain a minimum Consolidated Fixed Charge Coverage Ratio and a Consolidated Quick Ratio and a maximum Consolidated Leverage Ratio as well as several other financial and non-financial covenants and restrictions that limit the Company’s ability to incur additional indebtedness, create liens upon any of its property, merge, consolidate or sell all or substantially all of its assets, etc. These covenants, which are described more fully in the Senior Secured Credit Facilities, as amended, (incorporated herein by reference on Form 8-K) to which reference is made for a complete statement of the covenants, are subject to certain exceptions. The Company is in compliance with its covenants.

The Senior Secured Credit Facilities, 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 the Company is false or misleading in any material respect, certain insolvency or receivership events affecting the Company 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 the Company. The amounts outstanding under the Senior Secured Credit Facilities, as amended, may be accelerated upon certain events of default.

Financing costs incurred in connection with obtaining long-term financing are deferred and amortized over the term of the related indebtedness or credit agreement. The Company incurred $1.3 million of financing costs related to the initial Senior Secured Credit Facilities during the year ended June 30, 2014. During the year ended June 30, 2015, in conjunction with the amending of the Senior Secured Credit Facilities noted above, the Company incurred an additional $0.5 million of costs. Amortization of deferred financing costs is included in "Interest expense" in the consolidated statements of operations, totaled $0.4 million and $0.2 million in fiscal years 2015 and 2014, respectively.

The Company had $0.9 million of outstanding letters of credit as of June 30, 2015 and 2014.

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. In the past, we had experienced such errors in connection with products and product updates. 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 fiscal years 2015 and 2014:

	Year ended	
	June 30, 2015	June 30, 2014
Balance beginning of period	$7,551	$3,296

Assumed from acquisition	—	3,702
New warranties issued	8,822	6,225
Warranty expenditures	(7,697)	(5,672)
Balance end of period	$8,676	$7,551

In the normal course of business to facilitate sales of its products, 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 claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. It is not possible to estimate the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material impact on its operating results or financial position.

Other Accrued Liabilities

The following are the components of other accrued liabilities (in thousands):

	June 30, 2015	June 30, 2014
Accrued general and administrative costs	$1,204	$4,018
Restructuring	5,854	322
Other accrued liabilities	25,565	34,017
Total	$32,623	$38,357

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 expenses were $0.5 million, $0.5 million and $0.2 million in fiscal years 2015, 2014 and 2013, respectively.

4. Recently Issued Accounting Pronouncements

In May 2014, the FASB, jointly with the International Accounting Standards Board, issued Accounting Standard Update No. 2014-09 (Topic 606) - Revenue from Contracts with Customers ("ASU 2014-09"). This ASU's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligation in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance will require significantly expanded disclosures about revenue recognition. ASU 2014-09 is effective for annual reporting periods (including interim reporting periods within those annual periods) beginning after December 15, 2016. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard. The new standard will be effective for the Company’s fiscal 2019, with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt this ASU. The Company is currently evaluating the potential effect on its consolidated financial statements from adoption of this standard.

In November 2014, the FASB has issued ASU 2014-15, Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date of issuance of the entity’s financial statements and provide certain disclosures when there is substantial doubt about the entity’s ability to continue as a going concern. This guidance applies to all entities and is effective for annual periods beginning after December 15, 2015, and interim periods thereafter, with early adoption permitted. The Company does not believe adoption of this standard will have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02 which provides consolidation guidance and changes the way reporting enterprises evaluate consolidation for limited partnerships, investment companies and similar entities, as well as variable interest entities. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2015. The Company does not believe adoption of this standard will have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, which requires entities to measure most inventory “at the lower of cost and net realizable value,” thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market (market in this context is defined as one of three different measures). The ASU will not apply to inventories that are measured by using either the last-in, first-out ("LIFO") method or the retail inventory method ("RIM"). The ASU is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein. Early application of the ASU is permitted. Upon transition, entities must disclose the nature of and reason for the accounting change. The Company does not believe adoption of this standard will have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 - Simplifying the Presentation of Debt Issuance Costs, 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. Early adoption is permitted. The Company does not believe adoption of this standard will have a material impact on its consolidated financial statements.

Recently adopted accounting pronouncements

In July 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2013-11, Income Taxes (Topic 740)-Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“ASU 2013-11”). This ASU provides guidance regarding the presentation in the statement of financial position of an unrecognized tax benefit when a net operating loss carryforward or a tax credit carryforward exists. The ASU generally provides that an entity's unrecognized tax benefit, or a portion of its unrecognized tax benefit, should be presented in its financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 31, 2013. The Company adopted this standard prospectively in the first quarter of its fiscal year ending June 30, 2015, its adoption did not have a material impact on the consolidated financial statements.

5. Commitments, Contingencies and Leases

Leases

The Company currently leases its current headquarters, research and development facilities and office spaces for its various United States and international operations. Certain leases contain rent escalation clauses and renewal options. As part of the Company’s existing leased facilities, the Company has received lease incentives which take the form of a fixed allowance towards lease improvements on the respective facility. The Company used the allowance to make leasehold improvements which are being depreciated over the useful life of the assets or the lease term, whichever is shorter. The offsetting lease incentives liability is being amortized on a straight-line basis over the term of the lease as an offset to rent expense.

Future annual minimum lease payments under all non-cancelable operating leases having initial or remaining lease terms in excess of one year at June 30, 2015 were as follows (in thousands):

	Future Lease Payments
Fiscal 2016	$10,948
Fiscal 2017	9,626
Fiscal 2018	8,953
Fiscal 2019	8,652
Fiscal 2020	8,518
Thereafter	17,720
Total minimum payments	$64,417

Rent expense was $11.1 million, $10.2 million and $5.9 million in fiscal years 2015, 2014 and 2013, respectively.

Purchase Commitments

The Company currently has arrangements with contract manufacturers and suppliers for the manufacture of its products. The arrangements allow them to procure long lead-time component inventory based upon a rolling production forecast provided by the Company. The Company is obligated to the purchase of long lead-time component inventory that its contract manufacturer procures in accordance with the forecast, unless the Company gives notice of order cancellation outside of applicable component lead-times. As of June 30, 2015, the Company had non-cancelable commitments to purchase $69.9 million of such inventory, which will be received and consumed during the first half of fiscal 2016.

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.

Intellectual Property Litigation

Net Navigation Systems, LLC

On April 23, 2014, Net Navigation Systems, LLC (“Net Navigation”) filed a complaint against Extreme Networks, Inc. in the Eastern District of Texas. In the Complaint, the plaintiff asserts infringement of U.S. Patent No. 6,625,122 (“the ’122 Patent”), entitled “Selection of Data for Network Transmission,” which issued on September 23, 2003. Although somewhat vague, the Complaint identifies the following products as accused of infringing the ‘122 Patent: “Networking products capable of providing priority to different data flows based on bandwidth.” The Complaint also states that Extreme has infringed by “making, selling, and causing its customers to use networking products capable of providing priority to different data flows based on bandwidth, such as, without limitation, the Black Diamond X8 and the Black Diamond 8000 Series of switches and routers.” The Complaint also asserts infringement of U.S. Patent No. 6,434,145 (“the ’145 Patent”), entitled “Processing of Network Data by Parallel Processing Channels,” which issued on August 13, 2002. Again, although somewhat vague, the Complaint states that Extreme has infringed by “making, using, importing, selling, and/or offering for sale in the United States, including within this judicial district, networking products that use parallel processing channels, such as, without limitation, the Black Diamond X8 and the Black Diamond 8000 Series of switches and routers.” Net Navigation, a non-practicing entity, sought injunctive relief as well as monetary damages, cost, expenses and attorney fees, although the complaint sought no quantified amount. On April 9, 2015, a confidential settlement agreement was reached between Extreme and Net Navigation (the “Settlement Agreement”). The Settlement Agreement required Extreme pay an immaterial amount in return for IP rights to the Net Navigation portfolio. The Net Navigation suit against the Company was formally dismissed on April 5, 2015, as required by the Settlement Agreement.

Selene Communication Technologies, LLC

On April 7, 2014, Selene Communication Technologies, LLC (“Selene”), filed a complaint in the US District Court for the District of Delaware against Extreme and Enterasys asserting a cause of action for infringement of United States Patent No. 7,143,444 (the “444 Patent”). Selene also sued a number of other technology companies including Cisco for infringement of the 444 Patent. Selene, a non-practicing entity, sought injunctive relief as well as monetary damages, costs, expenses and attorney fees, although the complaint sought no quantified amount. The Company denied the claims. The Company is a member of RPX Corporation’s (“RPX”) network of clients, who procure patent risk management services from RPX. On September 30, 2014, RPX signed an agreement on behalf of its members (including Extreme) with Selene to resolve the litigation cases against its members by Selene and to obtain a license for all RPX members to the 444 Patent and its foreign counterparts. As a result, a release agreement was finalized on November 19, 2014 and the litigation was dismissed in US District court for the District of Delaware on November 20, 2014.

Wetro LAN LLC

On Mar 23, 2015, Wetro LAN LLC (Wetro), a non-practicing entity, filed a complaint against Extreme in the Eastern District of Texas asserting infringement of United States Patent No. 6,795,918 (the “918 Patent”). Wetro alleges that Extreme “makes, uses, provides, offers for sale, and sells their product entitled Extreme Networks- Altitude 4700 Series Access Points and similarly situated wireless routers” and thereby has infringed the '918 Patent. Wetro filed suit against a number of other technology companies in January and February 2015 for infringement of the "918 patent. On June 29, 2015, RPX signed an agreement on behalf of its members (including Extreme) with Wetro to resolve the litigation cases against its members by Wetro and to obtain a license for all RPX members to the '918 Patent and its foreign counterparts. As a result, a release agreement between Wetro and Extreme has been executed and the matter was dismissed on August 5, 2015.

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Unify U.S. Holdings, Inc. (formerly known as Enterprise Networks Holdings, Inc.)

On or about April 8, 2015, the Company filed a lawsuit against Unify U.S. Holdings, Inc. (formerly known as Enterprise Networks Holdings, Inc.) ("Seller") for breach of, and indemnification by Seller under, the purchase agreement, between Seller and Company, for Company's purchase of Enterasys Networks, Inc. and its subsidiaries (the "Purchase Agreement"). The complaint alleged numerous claims for indemnification resulting from Seller's violations of certain clauses in the Purchase Agreement and Seller's failure to make accurate and proper disclosures as required by the Purchase Agreement. The Company was compelled to file this action to perfect and preserve the Company's right to indemnification by Seller under the Purchase Agreement. Although the Company's complaint did not quantify the amount being sought, the complaint sought, among other things, monetary damages, costs, expenses and attorney fees in connection with each of the claims (the "Unify Indemnification Suit"). The Unify Indemnification Suit was settled by the parties on June 18, 2015, providing for Seller to defend Extreme for certain matters under certain conditions.

Commonwealth of Kentucky

On or about February 3, 2014, a class action lawsuit was filed in the Commonwealth of Kentucky against Enterasys Networks, Inc. and two other defendants. The complaint alleges that Enterasys and its subcontractor, TJL Information Technologies, Inc., d.b.a. Unbridled Information Technologies ("Subcontractor"), violated Kentucky's wage and hour laws and failed to pay the prevailing wage in violation of the Kentucky State Prevailing Wage Act (the "Act") on various public works projects for a number of Kentucky government agencies since January 2010. Plaintiffs also allege common law actions for quantum merit and unjust enrichment and they seek monetary damages, costs, expenses and attorney fees, although there was no quantified amount identified. One of the defendants, Integrated Facility Systems, LLC ("IFS"), has filed a cross-claim against Enterasys. The Company denies the claims and has filed answers to both the complaint and cross-claim on April 16, 2014. In addition, Company filed a cross-claim for indemnity against IFS and the Subcontractor. This litigation is in the early stages of discovery. Furthermore, as set forth above, the Company made a claim for indemnification to Unify U.S. Holdings, Inc. (formerly known as Enterprise Networks Holdings, Inc.) ("Seller"), which claim arises pursuant to the stock purchase agreement between Seller and Extreme in connection with Extreme's purchase of Enterasys (the "Unify Indemnification Suit"). The Unify Indemnification Suit was subsequently settled by Extreme and Seller on June 18, 2015. Given the preliminary nature of the lawsuit, it is premature to assess the likelihood of a particular outcome.

2002 - 2009 ICMS Tax Assessment Matters

The State of Sao Paolo (Brazil) denied Enterasys Networks do Brazil Ltda. the use of certain credits derived from the State of Espirito Santo under the terms of the FUNDAP scheme for the tax years of 2002 through 2009. Enterasys' 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. The value of the ICMS tax credits that were disallowed by the Sao Paolo Tax Administration is approximately BR 3,443,914 (or approximately US $1.5 million), plus interest and penalties (that are currently estimated to be approximately US $9.0 million). On January 10, 2014, Enterasys filed a lawsuit to overturn or reduce the assessment, which lawsuit remains on-going. As part of this lawsuit, Enterasys 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 appellant court further ruled on or about January 28, 2015 that no cash deposit (or guarantee) need be made by Enterasys.

Given the preliminary nature of the lawsuit, it is premature to assess the likelihood of a particular final outcome. Based on the currently available information, the Company believes the ultimate outcome of this audit will not have material adverse effect on the Company's financial position or overall results of operations. The range of the potential total tax liability related to these matters is estimated to be from US $0 million to US $9.0 million, of which the Company believes US $4.3 million is the best estimate within the range and has recorded an accrual as of the Acquisition Date of Enterasys as such matter relates to the period before the acquisition.

Extreme made a demand on April 11, 2014 for a defense from, and indemnification by, Seller of these 2002-2009 ICMS Tax Assessment matters. Seller agreed to assume the defense of these 2002-2009 ICMS Tax Assessment Matters 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 Extreme in this matter and to indemnify Extreme for losses related thereto subject to certain conditions.

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 and California 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 directors and officers' insurance coverage is uncertain. As of June 30, 2015, the Company had no outstanding indemnification claims.

6. Stockholders' Equity

Preferred Stock

In April 2001, in connection with the entering into of the Company's Rights Agreement, the Company authorized the issuance of preferred stock. The preferred stock may be issued from time to time in one or more series. The Board of Directors is authorized to provide for the rights, preferences and privileges of the shares of each series and any qualifications, limitations or restrictions on these shares. As of June 30, 2015, no shares of preferred stock were outstanding.

Stockholders' Rights Agreement

On November 27, 2012, the Company's Board of Directors adopted an Amended and Restated Rights Agreement (the "Restated Rights Plan"), between Extreme Networks and Computershare Inc. (Successor-in-interest to Computershare Shareholder Services LLC) as the rights agent (the "Rights Agent"). The Restated Rights Plan governs the terms of each right ("Right") that has been issued with respect to each share of Common Stock of Extreme Networks. Each Right initially represents the right to purchase one one-thousandth of a share of Series A Preferred Stock of Extreme Networks. The Restated Rights Plan replaces in its entirety the Rights Agreement, dated as of April 27, 2001, as amended on June 30, 2010 and April 26, 2011 between Extreme Networks and Mellon Investor Services LLC (the "Prior Rights Plan"). The Board reviewed the necessity of the provision of the Prior Rights Plan adopted to preserve the value of Extreme Networks' deferred tax assets, including its net operating loss carry forwards, with respect to its ability to fully use its tax benefits to offset future income may be limited if it experiences an "ownership change" for purposes of Section 382 of the Internal Revenue Code of 1986 as a result of ordinary buying and selling of Extreme Networks' common stock. Following its review, the Board decided it was necessary and in the best interests of Extreme Networks and its stockholders to enter into the Restated Rights Plan. The Restated Rights Plan incorporates the Prior Rights Plan and the amendments thereto into a single agreement and extended the term of the Prior Rights Plan to April 30, 2013. The Company's stockholders voted to extend the term of the Restated Rights Plan from April 30, 2013 to April 30, 2014 at our 2012 Annual Meeting of Stockholders, and the Restated Rights Plan was amended effective April 30, 2013 to reflect the extension of the term. The Board of Directors have unanimously approved an amendment to the Rights Plan effective April 30, 2014 to extend the Rights Plan through May 31, 2015, subject to ratification by a majority of the stockholders at the next annual meeting of the stockholders on November 12, 2014. The Board of Directors have unanimously approved an amendment to the Rights Plan effective May 14, 2015 to extend the Rights Plan through May 31, 2016, subject to ratification by a majority of the stockholders at the next annual meeting of the stockholders expected to be held on November 12, 2015.

Shares Reserved for Issuance

The following are shares reserved for issuance (in thousands):

	June 30, 2015
2014 Employee stock purchase plan	12,000
Employee stock options and stock awards outstanding	15,273
Employee stock options and stock awards available for grant	5,450
Total shares reserved for issuance	32,723

7. Employee Benefit Plans (including Share-based Compensation)

As of June 30, 2015, the Company has the following share-based compensation plans:

2013 Equity Incentive Plan

The 2013 Equity Incentive Plan (the “2013 Plan”) was approved by stockholders on November 20, 2013. The 2013 Plan replaces the 2005 Equity Incentive Plan (the "2005 Plan").

Under the 2013 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, and other share-based or cash-based awards to employees and consultants. The 2013 Plan also authorizes the grant of awards of stock options, stock appreciation rights, restricted stock and restricted stock units to non-employee members of the Board of Directors and deferred compensation awards to officers, directors and certain management or highly compensated employees. The 2013 Plan authorizes the issuance of 9,000,000 shares of the Company’s common stock. In addition, up to 12,709,153 shares subject to stock options and awards available for issuance under the 2005 Plan may be transferred to the 2013 Stock Plan and would be added to the number of shares available for future grant under the 2013 Plan. The 2013 Plan includes provisions upon the granting of certain awards defined by the 2013 Plan as Full Value Awards in which the shares available for grant under the 2013 Plan are decremented 1.5 shares for each such award granted. Upon forfeiture or cancellation of unvested awards, the same ratio is applied in returning shares to the 2013 Plan for future issuance as was applied upon granting. As of June 30, 2015, total options and awards to acquire 5,308,134 shares were outstanding under the 2013 Plan and 5,449,673 shares are available for grant under the 2013 Plan. Options granted under this plan have a contractual term of seven years.

Enterasys 2013 Stock Plan

Pursuant to the acquisition of Enterasys on October 31, 2013, the Company assumed the Enterasys 2013 Stock Plan (the "Enterasys Plan"). As of June 30, 2015, total options and awards to acquire 3,405,182 shares were outstanding under the Enterasys Plan. Options granted under this plan have a contractual term of seven years. If a participant terminates employment prior to the vesting dates, the non-vested shares will be forfeited and retired in the Enterasys Plan. No future grants may be made from the Enterasys Plan.

2005 Equity Incentive Plan

The 2005 Plan was adopted by the Company's Board of Directors on October 20, 2005, and approved by stockholders on December 2, 2005. The 2005 Plan replaced the Amended 1996 Stock Option Plan (the "1996 Plan"), the 2000 Non-statutory Stock Option Plan and the 2001 Non-statutory Stock Option Plan. The 2005 Plan includes provisions upon the granting of certain awards defined by the 2005 Plan as Full Value Awards in which the shares available for grant under the 2005 Plan are decremented 1.5 shares for each such award granted. Upon forfeiture or cancellation of unvested awards, the same ratio is applied in returning shares to the 2005 Plan for future issuance as was applied upon granting. Effective November 20, 2013, the 2005 Plan was replaced with the 2013 Plan, and, as of June 30, 2015, total options and awards to acquire 6,425,165 shares were outstanding under the 2005 Plan. No future grants may be made from the 2005 Plan, however, outstanding options and awards forfeited or canceled may be transferred to the 2013 Plan until December 2, 2015, at which time, no further shares may be transferred. To date there have been 3,948,781 shares transferred to the 2013 Plan.

Amended 1996 Stock Option Plan

The 1996 Plan was originally adopted in September 1996, and provided for the grant of options for common stock to eligible participants. Effective December 2, 2005, the 1996 Plan was terminated, and, as of June 30, 2015, options to acquire 134,313 shares remain outstanding under the 1996 Plan. No future grants may be made from the 1996 Plan.

As of June 30, 2015, the Company has the following shares available for issuance from the share-based compensation plans (in thousands):

	2005 Plan	2013 Plan	Total
Shares available at June 30, 2014	—	8,762	8,762
Granted	—	(7,060)	(7,060)
Canceled	1,537	2,211	3,748
Transferred	(1,537)	1,537	—
Shares available at June 30, 2015	—	5,450	5,450

The following table summarizes stock option activity under all plans:

	Number of Shares (000's)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($ 000's)
Options outstanding at June 30, 2013	9,145	$3.66		
Granted	6,347	$5.15		
Exercised	(1,792)	$3.59		
Canceled	(1,968)	$5.01		
Options outstanding at June 30, 2014	11,732	$4.26		
Granted	2,176	$3.36		
Exercised	(447)	$3.12		
Canceled	(2,857)	$4.60		
Options outstanding at June 30, 2015	10,604	$4.03	3.79	$410
Exercisable at June 30, 2015	6,905	$3.95	2.29	$227
Vested and expected to vest at June 30, 2015	10,159	$4.02	3.67	$389

Included in the options granted above for the year ended June 30, 2014 are 4.2 million options, assumed in connection with the acquisition of Enterasys on October 31, 2013, with an exercise price of $5.30.

The following table summarizes significant ranges of outstanding and exercisable options at June 30, 2015:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding (000's)	Weighted-Average Remaining Contractual Life (In years)	Weighted-Average Exercise Price	Number Exercisable (000's)	Weighted-Average Exercise Price
$1.69 – $3.03	1,368	7.79	$2.39	351	$2.04
$3.17 – $3.17	376	2.98	$2.96	294	$2.97
$3.25 – $3.53	1,649	0.26	$3.17	1,623	$3.14
$3.54 – $3.87	1,128	3.20	$3.41	812	$0.38
$4.03 – $4.25	1,105	3.57	$3.63	809	$3.66
$4.26 – $5.26	1,200	2.24	$4.21	1,065	$4.21
$5.30 – $5.30	559	4.17	$5.04	272	$4.86
$5.36 – $6.44	2,489	4.62	$5.30	1,397	$5.30
$6.48 – $6.48	655	4.32	$5.67	247	$5.67
$6.96 – $6.96	75	5.17	$6.15	34	$6.15
$1.69 – $6.96	10,604	3.79	$4.03	6,905	$3.95

The total intrinsic value of options exercised in fiscal years 2015, 2014 and 2013 was $0.4 million, $4.1 million and $1.1 million, respectively. The fair value of options vested in fiscal years 2015, 2014 and 2013 was $1.4 million, $2.9 million and $1.5 million, respectively.

Stock Awards

Stock awards may be granted under the 2013 Plan on terms approved by the Board of Directors. Stock awards generally provide for the issuance of restricted stock which vests over a fixed period. During fiscal 2015, the Company began expensing restricted stock units with market and or performance based conditions to senior executive officers that had been granted during fiscal 2015. The Company recognizes compensation expense on the awards over the vesting period based on an intrinsic value as of the date of grant.

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The following table summarizes stock award activity:

	Number of Shares (000's)	Weighted-Average Grant-Date Fair Value
Non-vested stock outstanding at June 30, 2012	1,078	$ 2.35
Granted	3,220	$ 3.49
Vested	(939)	$ 3.38
Canceled	(673)	$ 3.44
Non-vested stock outstanding at June 30, 2013	2,686	$ 3.09
Granted	5,193	$ 5.50
Vested	(1,062)	$ 3.77
Canceled	(817)	$ 3.65
Non-vested stock outstanding at June 30, 2014	6,000	$ 4.98
Granted	3,256	$ 2.89
Vested	(2,542)	$ 5.05
Canceled	(2,117)	$ 3.96
Non-vested stock outstanding at June 30, 2015	4,597	$ 3.82

Included in the restricted stock units granted above for the year ended June 30, 2014 are 2.7 million restricted stock units assumed in connection with the acquisition of Enterasys on October 31, 2013, with an acquisition-date fair value of $5.30.

2014 Employee Stock Purchase Plan

In August 27, 2014, the Board of Directors approved the adoption of Extreme Network's 2014 Employee Stock Purchase Plan (the "2014 ESPP"). On November 12, 2014, the stockholders approved the 2014 ESPP with the maximum number of shares of common stock that may be issued under the plan of 12,000,000 shares. The 2014 ESPP replaces the 1999 ESPP. The 2014 ESPP allows eligible employees to acquire shares of the Company's common stock through periodic payroll deductions of up to 15% of total compensation. No more than 1,000,000 shares may be issued on any purchase date. Each purchase period has a maximum duration of 6 months. The 2014 Plan will have offerings periods of 24 months, commonly referred to as "look back periods". The price at which the common stock may be purchased is 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period or on the last day of the respective purchase period. Through June 30, 2015, there have been no shares issued under the 2014 ESPP.

1999 Employee Stock Purchase Plan

In January 1999, the Board of Directors approved the adoption of Extreme Network's 1999 Employee Stock Purchase Plan (the "1999 ESPP"). On December 2, 2005, the stockholders approved an amendment to the 1999 ESPP to increase the maximum number of shares of common stock that may be issued under the plan by 5,000,000 to a total of 12,000,000 shares. The 1999 ESPP was replaced by the 2014 ESPP. The 1999 ESPP allowed eligible employees to acquire shares of the Company's common stock through periodic payroll deductions of up to 15% of total compensation. The price at which the common stock could be purchased was 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period or on the last day of the respective purchase period. Through June 30, 2015, 11,933,618 shares were purchased under the 1999 ESPP. All remaining shares available under the 1999 Plan have been retired.

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

	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Cost of product revenue	$1,067	$836	$428
Cost of service revenue	1,068	895	292
Research and development	5,365	4,111	2,461
Sales and marketing	5,170	6,430	1,032
General and administrative	5,131	3,650	3,140
Total share-based compensation expense	$17,801	$15,922	$7,353

During the year ended June 30, 2015, in conjunction with executive transition activity, the Company recognized $0.4 million of expense related to accelerated vesting of stock grants.
The amount of stock based compensation expense capitalized in inventory has been immaterial for each of the periods presented. As of June 30, 2015, there was $5.6 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of approximately 2.2 years. As of June 30, 2015, there were $11.4 million in unrecognized compensation costs related to non-vested stock awards. This cost is expected to be recognized over a weighted-average period of approximately 1.8 years
The weighted-average grant-date per share fair value of options granted in fiscal years 2015, 2014 and 2013, was $1.75, $2.36 and $1.74, respectively. The weighted-average estimated per share fair value of shares purchased under the 1999 ESPP in fiscal years 2015, 2014 and 2013, was $0.90, $1.64 and $0.88, respectively.
The average fair-value and the average derived service period on the grant-date for the performance-based option awards with market conditions, granted in fiscal 2015, was $1.21 and 1.9 years respectively. The average fair-value and the average derived service period on the grant-date for the performance-based option awards with market conditions, granted in fiscal 2013, was $1.53 and 2.5 years respectively.
The Company uses the straight-line method for expense attribution, and the Company estimates forfeitures and only recognizes expense for those shares expected to vest. The Company’s estimated forfeiture rate in fiscal 2015 based on the Company’s historical forfeiture experience is 12% for non-executives and 14% for executives.
The fair value of each stock option grant under the Company's 2013 Plan and 2005 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 grants, with performance and or 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 is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on a blended rate of the implied volatilities from traded options on the Company’s stock and historical volatility on the Company’s stock.
The fair value of each share purchase option under the Company's 2014 ESPP and 1999 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 2014 ESPP and the 1999 ESPP represents the term of the offering period of each option. The risk-free rate is based upon the estimated life and is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on a blended rate of the implied volatilities from traded options and historical volatility on the Company’s stock.

	Stock Option Plans	Employee Stock Purchase Plans
	Year Ended	Year Ended

	June 30, 2015		June 30, 2014		June 30, 2013		June 30, 2015		June 30, 2014		June 30, 2013	
Expected life	4.23 years		4.40 years		4.58 years		0.66 years		0.25 years		0.25 years	
Risk-free interest rate	1.17	%	1.24	%	0.74	%	0.10	%	0.08	%	0.07	%
Volatility	50	%	56	%	64	%	59	%	58	%	49	%
Dividend yield	0	%	0	%	0	%	0	%	0	%	0	%

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EXTREME NETWORKS, INC.
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401(k) Plan
The Company provides a tax-qualified employee savings and retirement plan, commonly known as a 401(k) plan (the "Plan"), which covers the Company's eligible employees. Pursuant to the Plan, employees may elect to reduce their current compensation up to the IRS annual contribution limit of $18,000 for calendar year 2015. Employees age 50 or over may elect to contribute an additional $6,000. The amount contributed to the Plan is on a pre-tax basis.
The Company provides for discretionary matching contributions as determined by the Board of Directors for each calendar year. All matching contributions vest immediately. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors each year. During the year ended June 30, 2014, eligible employees from Enterasys were also added to the Plan as of the acquisition date. The program is to match $0.50 for every Dollar contributed by the employee up to the first 2.5% of pay. The Company's matching contributions to the Plan totaled $1.1 million, $0.8 million and $0.5 million, for fiscal years 2015, 2014 and 2013, respectively. No discretionary contributions were made in fiscal years 2015, 2014 or 2013.
8. Common Stock Repurchases and Retirement
Retirement of Treasury Stock
On September 5, 2012, the Company retired 39,631,836 shares of treasury stock. The retired shares had a carrying value of $149.7 million, and the Company reduced additional paid-in capital by $149.7 million upon the formal retirement of the shares. The retired shares are now included in the Company's authorized but unissued shares.
Common Stock Repurchases
On September 28, 2012, the Company's Board of Directors approved a share repurchase program for a maximum of $75 million which may be purchased over a three year period in the open market or in privately negotiated transactions. All repurchased shares will be retired and included in the Company's authorized but unissued shares. During the year ended June 30, 2013, the Company repurchased 4.1 million shares of common stock at a total cost of $14.5 million. No shares were repurchased during the years ended June 30, 2015 or 2014.
9. Income Taxes
Income before income taxes is as follows (in thousands):

	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Domestic	$(72,176)	$(70,321)	$14,692
Foreign	5,340	17,200	(3,341)
Total	$(66,836)	$(53,121)	$11,351

The provision for income taxes for fiscal years 2015, 2014 and 2013 consisted of the following (in thousands):

	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Current:			
Federal	$476	$22	$225
State	13	329	140
Foreign	2,447	2,987	1,163
Total current	2,936	3,338	1,528
Deferred:			
Federal	1,507	1,632	15
State	103	76	—
Foreign	261	(857)	135
Total deferred	1,871	851	150
Provision for income taxes	$4,807	$4,189	$1,678

The difference between the provision for income taxes and the amount computed by applying the federal statutory income tax rate (35 percent) to income before taxes is explained below (in thousands):

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	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Tax at federal statutory rate	$(23,392)	$(18,592)	$3,973
State income tax, net of federal benefit	13	329	105
Change in valuation allowance	24,105	20,729	(3,687)
Foreign earnings taxed at other than U.S. rates	(1,113)	(346)	498
Deferred compensation	2,298	348	845
Goodwill amortization	1,690	1,097	—
Other	1,206	624	(56)
Provision for income taxes	$4,807	$4,189	$1,678

Significant components of the Company’s deferred tax assets are as follows (in thousands):

	June 30, 2015	June 30, 2014	June 30, 2013
Deferred tax assets:			
Net operating loss carry-forwards	$114,151	$97,630	$85,276
Tax credit carry-forwards	30,824	30,019	28,882
Depreciation	—	129	—
Intangible amortization	17,978	6,061	—
Deferred revenue (net)	7,811	10,540	9,710
Warrant amortization	1,355	2,723	3,991
Inventory write-downs	6,048	3,265	2,759
Other allowances and accruals	8,645	6,380	3,658
Stock based compensation	6,783	6,257	2,973
Other	5,902	10,772	5,741
Total deferred tax assets	199,497	173,776	142,990
Valuation allowance	(197,576)	(172,475)	(142,023)
Total net deferred tax assets	1,921	1,301	967
Deferred tax liabilities:			
Depreciation	(707)	—	(388)
Goodwill amortization	(2,787)	(1,097)	—
Brazilian foreign exchange gain	—	(2,670)	—
Deferred tax liability on foreign withholdings	(194)	(167)	(134)
Total deferred tax liabilities	(3,688)	(3,934)	(522)
Net deferred tax assets (liabilities)	$(1,767)	$(2,633)	$445
Recorded as:			
Net current deferred tax assets	$760	$1,058	$386
Net non-current deferred tax assets	452	230	294
Net current deferred tax liabilities	—	(2,657)	(235)
Net non-current deferred tax liabilities	(2,979)	(1,264)	—
Net deferred tax assets (liabilities)	$(1,767)	$(2,633)	$445

The Company's global valuation allowance increased by $25.1 million in the fiscal year ended June 30, 2015 and $30.5 million in the fiscal year ended June 30, 2014. The Company has provided a full valuation allowance against all of its U.S. federal and state deferred tax assets, as well as valuation allowances against non-U.S. deferred tax assets in Australia, Brazil, Japan and Singapore. The valuation allowance is determined by assessing both negative and positive available evidence to assess whether it is more likely than not that the deferred tax assets will be recoverable. 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 the Company's business provides sufficient negative evidence to require a full valuation allowance against its U.S. federal and state net deferred tax assets. The valuation allowance is evaluated periodically and can be reversed partially or in full if business results and the economic environment have sufficiently improved to support realization of the Company's deferred tax assets.

As of June 30, 2015, the Company had net operating loss carry-forwards for U.S. federal and state tax purposes of $330.6 million and $169.6 million, respectively, of which $38.6 million and $36.0 million, respectively, represent deductions from share-based compensation for which a benefit would be recorded in additional paid-in capital when realized. As of June 30, 2015, the Company also had foreign net operating loss carry-forwards in Ireland, Australia, Japan and Singapore of $53.1 million, $9.8 million, $0.3 million, and $1.4 million, respectively. As of June 30, 2015, the Company also had federal and state tax credit carry-forwards of $20.3 million and $16.2 million, respectively. These credit carry-forwards consist of research and development tax credits as well as foreign tax credits with a small portion representing Alternative Minimum Tax Credits. The U.S. federal net operating loss carry-forwards of $330.6 million will begin to expire in the fiscal year ending June 30, 2021 and state net operating losses of $169.6 million will begin to expire in the fiscal year ending June 30, 2016, if not utilized. The foreign net operating losses can generally be carried forward indefinitely. Federal research and development tax credits of $20.3 million will expire beginning in fiscal 2019, if not utilized and foreign tax credits of $7.0 million will expire beginning in fiscal 2021. North Carolina state research and development tax credits of $0.9 million will expire beginning in the fiscal year ending June 30, 2024, if not utilized. California state research and development tax credits of $15.3 million do not expire and can be carried forward indefinitely.

As of March 31, 2015, the Company performed an Internal Revenue Code section 382 analysis with respect to its net operating loss and credit carry-forwards to determine whether a potential ownership change had occurred that would place a limitation on the annual utilization of tax attributes. It was determined that no ownership change had occurred during the fiscal year ended June 30, 2015, however, it is possible a subsequent ownership change could limit the utilization of the Company's tax attributes.

As of June 30, 2015, the Company intends to indefinitely reinvest the earnings of approximately $9.3 million of certain foreign corporations. The unrecognized deferred tax liability associated with these earnings is approximately $0.3 million.

The Company conducts business globally and as a result, most of its subsidiaries file income tax returns in various domestic and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world. Its major tax jurisdictions are the U.S., Ireland, Brazil, India, California, New Hampshire and North Carolina. The Company is not currently under examination by any federal, state or foreign tax authority with respect to income taxes. The Company recently settled an income tax examination of one of its subsidiaries with the Italian tax authorities. The tax reserves were adjusted appropriately to reflect this settlement.

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.

During the fiscal year ended June 30, 2014, the Company acquired the stock of Enterasys Networks, Inc. and as such they became a wholly owned subsidiary of Extreme Networks. With respect to this acquisition, the Company made an election under Internal Revenue Code section 338(h)(10) to treat the acquisition as an asset purchase from a tax perspective. Under this election the tax basis of all assets is effectively reset to that of fair market value and therefore the transaction did not result in the recording of an opening net deferred tax position as the Company's tax basis in the acquired assets equaled its book basis.

As of June 30, 2015, the Company had $11.4 million of unrecognized tax benefits. If fully recognized in the future, there would be no impact to the effective tax rate, and $11.4 million would result in adjustments to deferred tax assets and corresponding adjustments to the valuation allowance. The Company does not reasonably expect the amount of unrealized tax benefits to decrease during the next twelve months.

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EXTREME NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows (in thousands):

Balance at June 30, 2012	$25,746
Decrease related to prior year tax positions	(14,966)
Increase related to prior year tax positions	45
Increase related to current year tax positions	270
Lapse of statute of limitations	(197)
Balance at June 30, 2013	$10,898
Decrease related to prior year tax positions	—
Increase related to prior year tax positions	415
Increase related to current year tax positions	464
Lapse of statute of limitations	(177)
Balance at June 30, 2014	$11,600
Decrease related to prior year tax positions	(225)
Increase related to prior year tax positions	288
Increase related to current year tax positions	254
Lapse of statute of limitations	(158)
Settlements with tax authorities	(400)
Balance at June 30, 2015	$11,359

Estimated interest and penalties related to the underpayment of income taxes are classified as a component of tax expense in the consolidated statement of operations and totaled less than $0.1 million for each of the fiscal years 2015, 2014 and 2013. Accrued interest and penalties were less than $0.1 million for each of the fiscal years 2015, 2014 and 2013.

10. Disclosure about Segments of an Enterprise and Geographic Areas

We conduct business globally and are primarily managed on a geographic theater basis. Our chief operating decision maker ("CODM"), who is our CEO, reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. We have one business activity and there are no segment managers who are held accountable for operations, operating results, and plans for levels, components, or types of products or services below the consolidated unit level.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the CODM with respect to the allocation of resources and performance.

The Company operates in one segment, the development and marketing of network infrastructure equipment. Revenue is attributed to a geographical area based on the location of the customers. The Company operates in three geographic theaters: 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 and Japan.

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EXTREME NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company attributes revenues to geographic regions based on the customer's ship-to location. Information regarding geographic areas is as follows (in thousands):

Net Revenues:	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Americas:			
United States	$238,748	$211,734	$101,790
Other	31,931	45,790	33,584
Total Americas	270,679	257,524	135,374
EMEA	223,368	202,555	112,812
APAC	58,893	59,475	51,157
Total net revenues	$552,940	$519,554	$299,343

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

Long-lived Assets:	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Americas	$87,071	$104,447	$36,263
EMEA	29,610	45,237	—
APAC	3,108	4,073	—
Total long-lived assets	$119,789	$153,757	$36,263

11. Net (Loss) Income Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period, less shares subject to repurchase, and excludes any dilutive effects of options, warrants and unvested restricted stock. Dilutive earnings per share is calculated by dividing net income 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. The following table presents the calculation of basic and diluted net (loss) income per share (in thousands, except per share data):

	Year Ended June 30, 2015	June 30, 2014	June 30, 2013
Net (loss) income	$(71,643)	$(57,310)	$9,673
Weighted-average shares used in per share calculation – basic	99,000	95,515	93,954
Incremental shares using the treasury stock method:			
Stock options	—	—	385
Unvested restricted awards	—	—	600
Employee Stock Purchase Plan	—	—	105
Weighted -average share used in per share calculation – diluted	99,000	95,515	95,044
Net (loss) income per share – basic	$(0.72)	$(0.60)	$0.10
Net (loss) income per share – diluted	$(0.72)	$(0.60)	$0.10

Potentially dilutive common shares from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding restricted stock units, and the assumed issuance of common stock under the ESPP. Weighted stock options outstanding with an exercise price higher than the Company's average stock price for the periods presented are excluded from the calculation of diluted net income per share since the effect of including them would have been anti-dilutive due to the net income position of the Company during the periods presented. For fiscal years 2015, 2014, 2013, the Company excluded 7.6 million, 4.1 million and 6.7 million outstanding weighted average stock options and awards, respectively, from the calculation of diluted earnings per common share because they would have been anti-dilutive.

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 Assets, Net" at fair value. Changes in the fair value of derivatives are recognized in earnings as "Other Income (Expense)". 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.

At June 30, 2015, the Company did not have any derivative instruments outstanding. At June 30, 2014, forward foreign currency contracts had a notional principal amount of $7.6 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.

Foreign currency transaction gains and losses from operations were a loss of $1.0 million. $1.5 million and $0.9 million in fiscal years 2015, 2014 and 2013, respectively.

13. Restructuring Charges

As of June 30, 2015, restructuring liabilities were $5.9 million and consisted of obligations for termination benefits only. The restructuring liability is recorded in "Other accrued liabilities" in the consolidated balance sheets. During fiscal years 2015, 2014 and 2013, the Company recorded a restructuring charges, net of $9.8 million, $0.5 million and $6.8 million, respectively.

Fiscal 2015 Restructuring

During the fourth quarter of fiscal 2015, we reduced 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, primarily in sales and marketing, as well as research and development, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions. We have expensed all costs associated with this initiative. We are expecting to achieve approximately $40.0 million in operational savings on an annualized basis, beginning in the first quarter of fiscal 2016. As of June 30, 2015, the Company had restructuring liabilities of $5.9 million related to the fiscal 2015 restructuring, which it anticipates paying by the end of the second quarter of fiscal 2016.

Fiscal 2013 Restructuring

During the second quarter of fiscal 2013, the Company further reduced costs through targeted restructuring activities intended to reduce operating costs and realign its organization in the current competitive environment. As part of its restructuring efforts in the second quarter, the Company initiated a plan to reduce its worldwide headcount by 13%, consolidate specific global administrative functions, and shift certain operating costs to lower cost regions, among other actions. There are no outstanding liabilities as of June 30, 2015.

Restructuring liabilities consist of (in thousands):

	Contract Termination	Termination Benefits	Other	Total
Balance at June 30, 2012	$93	$359	$11	$463
Period charges	113	6,293	719	7,125
Period reversals	(2)	(287)	—	(289)
Period payments	(204)	(5,148)	(481)	(5,833)
Balance at June 30, 2013	$—	$1,217	$249	$1,466
Period charges	628	119	86	833
Period reversals	(11)	(309)	(4)	(324)
Addition from acquisition	(20)	—	—	(20)

Period payments	(275)	(1,027)	(331)	(1,633)
Balance at June 30, 2014	$ 322	$ —	$ —	$ 322
Period charges		9,694	125	9,819
Period payments	(322)	(3,957)	(8)	(4,287)
Balance at June 30, 2015	$ —	$ 5,737	$ 117	$ 5,854

14. Technology Agreements

On July 16, 2013, the Company entered into a confidential Patent License and Settlement Agreement (“License Agreement”) with Chrimar Systems Inc. The agreement provides for a non-exclusive, irrevocable, perpetual, non-transferable, and non-assignable, fully-paid-up worldwide royalty-bearing license to certain patents and a release of claims based on any prior infringement of such patents. Total fees for the grant of the license under the License Agreement was $1.4 million. The Company had capitalized $1.2 million related to such patents in fiscal 2012 based on a probable estimated value and recorded a charge of $0.3 million based on the estimated probable loss. The $1.2 million was recorded as intangible assets, net and continues to be amortized over the remaining life of the patents.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 Chief Executive Officer and Chief Financial Officer, 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 Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2015.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further because of changes in conditions, the effectiveness of internal control may vary over time.

We assessed the effectiveness of our internal control over financial reporting as of June 30, 2015. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013).

Based on our assessment using those criteria, we concluded that, as of June 30, 2015 our internal control over financial reporting is effective.

Our independent registered public accounting firm, KPMG LLP, has audited the financial statements included in this Annual Report on Form 10-K and has issued its report on our internal control over financial reporting as of June 30, 2015.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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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.

Item 9B. Other Information

None.

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PART III

Certain information required by Part III is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for our 2015 Annual Meeting of Stockholders (the “Proxy Statement”) not later than 120 days after the end of the fiscal year covered by this report, and certain information therein is incorporated in this report by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this section is incorporated by reference from the information in the section entitled “Proposal 1 – Election of Directors” in the Proxy Statement. The required information concerning our executive officers is contained in the section entitled “Executive Officers of the Registrant” in Part I, Item 1 of this Form 10-K.

Item 405 of Regulation S-K calls for disclosure of any known late filing or failure by an insider to file a report required by Section 16 of the Exchange Act. This disclosure is contained in the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement and is incorporated herein by reference.

Information with respect to Item 406 of Regulation S-K is incorporated by reference to the information contained in the section captioned “Code of Ethics and Corporate Governance Materials” in the Proxy Statement.

Item 11. Executive Compensation

The information required by this section is incorporated by reference from the information in the sections entitled “Directors’ Compensation”, “Executive Compensation and Other Matters” and “Report of the Compensation Committee” in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this section is incorporated by reference from the information in the section entitled “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

The information required by this section regarding securities authorized for issuance under equity compensation plans is incorporated by reference from the information in the section entitled “Equity Compensation Plan Information” in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this section is incorporated by reference from the information in the section titled “Certain Relationships and Related Transactions” in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this section is incorporated by reference from the information in the section titled “Principal Accountant Fees and Services” in the Proxy Statement.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this Form 10-K:

(1) Financial Statements:

Reference is made to the Index to Consolidated Financial Statements of Extreme Networks, Inc. under Item 8 in Part II of this Form 10-K.

(2) Financial Statement Schedules:

All required schedules are omitted because either they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) Exhibits:

Incorporated herein by reference is a list of the Exhibits contained in the Exhibit Index.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on September 14, 2015.

EXTREME NETWORKS, INC.
(Registrant)

By: /s/ KENNETH AROLA
Kenneth Arola
Executive Vice President, Chief Financial Officer, (Principal Accounting Officer)
September 14, 2015

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kenneth Arola, his true and lawful attorneys-in-fact, with full power of substitution, for him in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/s/ JOHN H. KISPERT
John H. Kispert
Chairman of the Board
August 26, 2015

/s/ EDWARD B. MEYERCORD III
Edward B. Meyercord III
President and Chief Executive Officer, Director
(Principal Executive Officer)
August 26, 2015

/s/ KENNETH AROLA
Kenneth Arola
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)

/s/ CHARLES CARINALLI
Charles Carinalli
Director
August 26, 2015

/s/ RANDI PAIKOFF FEIGIN
Randi Paikoff Feigin
Director
August 26, 2015

/s/ EDWARD H. KENNEDY
Edward H. Kennedy
Director
August 26, 2015

/s/ RAJ KHANNA
Raj Khanna
Director
August 26, 2015

/s/ JOHN C. SHOEMAKER
John C. Shoemaker
Director
August 26, 2015

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EXHIBIT INDEX

The exhibits listed below are required by Item 601 of Regulation S-K. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K has been identified.

Exhibit Number	Description of Document	Incorporated by Reference Form	Filing Date	Number	Filed Herewith
2.1	Stock Purchase Agreement, dated September 12, 2013 between Enterprise Network Holdings, Inc. and Extreme Networks, Inc.	8-K	9/13/2013	2.1	
3.1	Amended and Restated Certificate of Incorporation of Extreme Networks, Inc.	8-K	12/17/2010	3.2	
3.2	Amended and Restated Bylaws of Extreme Networks, Inc.	8-K	3/31/2011	3.1	
3.3	Certificate of Designation, Preferences and Rights of the Terms of the Series A Preferred Stock	10-K	9/26/2001	3.7	
4.1	Amended and Restated Rights Agreement dated April 26, 2012 between Extreme Networks, Inc. and Computershare Shareowner Services LLC.	8-K	4/30/2012	4.1	
4.2	Amendment No. 2 to the Amended and Restated Rights Agreement effective April 30, 2014.	8-K	5/20/2014	4.1	
4.3	Amendment No. 3 to the Amended and Restated Rights Agreement effective May 14, 2015.	8-K	5/19/2014	4.1	
10.1	Form of Indemnification Agreement for directors and officers.	8-K	10/24/2011	99.1	
10.2*	Amended 1996 Stock Option Plan and forms of agreements thereunder.	S-1	2/5/1999	10.2	
10.3*	1999 Employee Stock Purchase Plan.	S-1	2/5/1999	10.3	
10.4*	2000 Nonstatutory Stock Option Plan.	10-K	9/24/2000	10.7	
10.5*	2001 Nonstatutory Stock Option Plan.	Schedule TO	10/31/2001	(d)(9)	
10.6*	Extreme Networks, Inc. 2005 Equity Incentive Plan.	8-K	10/23/2009	99.3	
10.7*	Form of Restricted Stock Units Agreement Under the 2005 Equity Incentive Plan.	10-Q	11/7/2008	10.22	
10.8	Lease Agreement by and between RDU Center III LLC and Extreme Networks, Inc. dated October 15, 2012.	8-K	10/19/2012	10.1	
10.9	First Amendment to Lease Agreement by and between RDU Center III LLC and Extreme Networks, Inc. dated December 31, 2012.	8-K	1/7/2013	10.1	
10.10	Office Space Lease Agreement by and between W3 Ridge Rio Robles Property LLC and Extreme Networks, Inc., dated December 31, 2012.	8-K	1/7/2013	10.2	
10.11*	Offer Letter, dated April 25, 2013, between Extreme Networks, Inc. and Charles Berger.	8-K	5/1/2013	10.1	
10.12*	Offer Letter, dated July 19, 2013, between Extreme Networks, Inc. and Ed Carney.	8-K	7/29/2013	10.1	
10.13*	Release of Claims, dated August 20, 2013, between Extreme Networks, Inc. and David Ginsburg.	8-K	8/23/2013	10.1	

10.14	Credit Agreement, dated as of October 31, 2013, among Extreme Networks Inc., as borrower, Silicon Valley Bank, as administrative agent and collateral agent, Bank of America, N.A. and PNC Bank, National Association as co-syndication agents and the lenders party thereto.	8-K	11/1/2013	10.1
10.15*	Offer Letter executed November 1, 2013, between Extreme Networks, Inc. and Chris Crowell.	8-K	11/7/2013	10.1

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Exhibit Number	Description of Document	Incorporated by Reference Form	Filing Date	Number	Filed Herewith
10.16*	Separation Agreement and General Release of Claims executed November 1, 2013 between Extreme Networks, Inc. and Nancy Shemwell.	8-K	11/7/2013	10.2	
10.17	Enterasys Networks, Inc. 2013 Stock Plan.	S-8	11/22/2013	99.1	
10.18	Extreme Networks, Inc. 2013 Stock Plan.				X
10.19	Extreme Networks, Inc. Executive Change in Control Severance Plan Amended and Restated February 12, 2014.	10-Q	5/7/2014	10.1	
10.20	Agreement to Participate in the Extreme Networks, Inc. Executive Change in Control Severance Plan as Amended and Restated February 12, 2014.	10-Q	5/7/2014	10.2	
10.21*	Offer Letter executed May 2, 2014, between Extreme Networks, Inc. and Ken Arola.	8-K	5/8/2014	10.1	
10.22*	Separation and Transition Agreement and General Release of Claims, dated May 19, 2014, by and between Extreme Networks, Inc. and John Kurtzweil.	8-K	5/23/2014	10.1	
10.23*	Separation Agreement and General Release of Claims, dated May 21, 2014, by and between Extreme Networks, Inc. and Christopher Crowell.	8-K	5/23/2014	10.2	
10.24*	Offer Letter executed September 29, 2014, between Extreme Networks, Inc. and Jeffrey White.	8-K	10/2/2014	10.1	
10.25	Second Amendment to the Credit Agreement dated November 18, 2014, among Extreme Networks, Inc., a Delaware Corporation, the Lenders party thereto and Silicon Valley Bank, as the Issuing Lender and Swingline Lender and Administrative Agent.	8-K	11/20/2014	10	
10.26*	Extreme Networks, Inc. 2014 Employee Stock Purchase Plan	S-8	1/12/2015	99.1	
10.27*	Market-performance based restricted stock units agreement	10-Q	1/30/2015	99.1	
10.28*	Release of Claims, executed April 29, 2015, between Extreme Networks, Inc. and Charles W. Berger.	8-K	4/29/2015	10.1	
10.29*	Offer Letter, executed April 30, 2015, between Extreme Networks, Inc. and Edward B. Meyercord.	8-K	4/30/2015	10.1	
10.30*	Release of Claims, executed May 1, 2015, between Extreme Networks, Inc. and Edward Carney.	8-K	4/30/2015	10.2	
10.31	Third Amendment to the Credit Agreement and First Amendment to Guarantee and Collateral Agreement dated June 26, 2015, among Extreme Networks, Inc., a Delaware Corporation, the Lenders party thereto and Silicon Valley Bank, as the Issuing Lender and Swingline Lender and Administrative Agent.	8-K	6/30/2015	10.1	
21.1	Subsidiaries of Registrant.				X
23.1					X

	Consent of KPMG LLP, Independent Registered Public Accounting Firm.	
24.1	Power of Attorney (see the signature page of this Form 10-K).	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

Table of Contents

Exhibit Number	Description of Document	Incorporated by Reference Form	Filing Date	Number	Filed Herewith
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 or board of directors contract or compensatory 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 liability under these sections.