Report of Organizational Actions Affecting Basis of Securities

Part I Reporting Issuer

1 Issuer's name
Brocade Communications Systems, Inc.

2 Issuer's employer identification number (EIN)
77-0409517

3 Name of contact for additional information
Brocade Investor Relations

4 Telephone No. of contact
408-333-8000

5 Email address of contact
Investor-Relations@Brocade.com

6 Number and street (or P.O. box if mail is not delivered to street address) of contact
130 Holger Way

7 City, town, or post office, state, and Zip code of contact
San Jose, CA 95134

8 Date of action
2016

9 Classification and description
1.375% Convertible Senior Notes due 2020

10 CUSIP number
11 Serial number(s)
12 Ticker symbol
13 Account number(s)
1116214G1

Part II Organizational Action

Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ➤ See attachment.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ➤ See attachment.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ➤ See attachment.
Part II  Organizational Action (continued)

17  List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ►  See attachment.

18  Can any resulting loss be recognized? ►  See attachment.

19  Provide any other information necessary to implement the adjustment, such as the reportable tax year ►  See attachment.

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Sign Here

Signature ►  Jean Furter  Date ►  1-13-2017

Paid Preparer Use Only
Print/Type preparer's name  Preparer's signature  Date  Check □ if self-employed  PTIN
Firm's name ►  Firm's EIN ►
Firm's address ►  Phone no.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054
IRS guidance under Section 6045B provide that effective, January 1, 2016, if a company pays a cash dividend with respect to stock resulting in a conversion rate adjustment on a convertible debt instrument that is treated as a deemed distribution, an information return on Form 8937 must be filed with the IRS, or in lieu of filing, posted on the company’s public website.

The information contained in the Form 8937 and this attachment is intended to satisfy those requirements and is intended to provide a general summary of certain U.S. federal income tax consequences of the conversion rate adjustments. This information does not constitute tax advice and does not purport to take into account any holder’s specific circumstances. Holders are urged to consult their own tax advisors regarding U.S. tax consequences of the adjustments described herein and the impact to tax basis resulting from the adjustments.
Form 8937, Part II, Line 14

On January 14, 2015, Brocade Communications Systems, Inc., ("Brocade") issued 1.375% convertible senior unsecured notes due 2020 (the "Convertible Notes"). The terms of the Convertible Notes include anti-dilution protection that provides for an increase in the number of shares of the common stock issuance upon conversion.

Under the anti-dilution provision, Brocade made four adjustments to the conversion rate of the Convertible Notes as a result of making cash distributions in excess of $0.035 per share. The increase in the conversion rate resulted in a deemed distribution to its convertible debt holders under section 305(c) in the amounts listed below:

<table>
<thead>
<tr>
<th>Date of Adjustment</th>
<th>Conversion Rate Increase</th>
<th>Stock Price</th>
<th>Tax Basis Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mach 8, 2016</td>
<td>0.0619</td>
<td>$10.21</td>
<td>$0.6320</td>
</tr>
<tr>
<td>June 8, 2016</td>
<td>0.1395</td>
<td>$9.09</td>
<td>$1.2681</td>
</tr>
<tr>
<td>September 7, 2016</td>
<td>0.1411</td>
<td>$9.01</td>
<td>$1.2713</td>
</tr>
<tr>
<td>December 8, 2016</td>
<td>0.1024</td>
<td>$12.42</td>
<td>$1.2718</td>
</tr>
<tr>
<td>Total for 2016 calendar year</td>
<td></td>
<td></td>
<td>$4.4432</td>
</tr>
</tbody>
</table>

Form 8937, Part II, Line 15

For U.S. federal income tax purposes, Brocade expects the adjustments to the Convertible Notes to be treated as a taxable dividend distribution under section 305(c). As a result of the treatment of the adjustments as a dividend distribution, each holder’s tax basis in the Convertible Notes should increase by the amount shown above.

Holders should consult their tax advisors to determine the tax consequences of the adjustments to them.

Form 8937, Part II, Line 16

The tax basis adjustment was calculated using the formula:

\[ \text{Tax Basis Adjustment} = (\text{New Conversion Rate} - \text{Prior Conversion Rate}) \times \text{Market Value} \]
Brocade Communications Systems, Inc.
EIN 77-0409517
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
Debt Instrument: 1.375% convertible senior unsecured notes due 2020

The market value is the closing sales price of the common stock on the trading day immediately preceding the ex-dividend date.

Holders should consult their tax advisors to determine the tax consequences of the adjustments to them.

Form 8937, Part II, Line 17
Sections 301, 305(b), and 305(c).

Form 8937, Part II, Line 18
This is not a loss transaction.

Form 8937, Part II, Line 19
The reportable tax year for the conversion rate adjustments is 2016 for the calendar year taxpayer.