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

## FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended August 1, 2015**

**OR**

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

**For the transition period from to**

**Commission file number: 000-25601**

## Brocade Communications Systems, Inc.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **77-0409517** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**130 Holger Way**
**San Jose, CA 95134-1376**
**(408) 333-8000**
**(Address, including zip code, of principal executive offices and registrant's telephone number, including area code)**

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 ☐

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 (§232.405 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 ☐

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer ☒ | Accelerated filer o | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | 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 ☐ No x

The number of shares outstanding of the registrant's common stock as of August 28, 2015, was 414,598,479 shares.

**BROCADE COMMUNICATIONS SYSTEMS, INC.**

**FORM 10-Q**

**For the Quarter Ended August 1, 2015**

## TABLE OF CONTENTS

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements regarding future events and future results. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, statements regarding future revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, debt repayments, share repurchases, or other financial items; any statements of the plans, strategies, and objectives of management for future operations; any statements concerning expected development, performance, or market share relating to products or services; any statements regarding future economic conditions or performance; any statements regarding pending litigation, including claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Words such as "expects," "anticipates," "assumes," "targets," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "may," and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which Brocade operates, and the beliefs and assumptions of management. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under "Part II—Other Information, Item 1A. *Risk Factors*" and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Further, Brocade undertakes no obligation to revise or update any forward-looking statements for any reason.

**Additional Information**

ADX, Brocade, the B-wing symbol, MLX, and VDX are registered trademarks of Brocade Communications Systems, Inc., in the United States and/or in other countries. Other brands, products, or service names mentioned may be trademarks of Brocade or others.

## PART I — FINANCIAL INFORMATION

**Item 1. Financial Statements**

### BROCADE COMMUNICATIONS SYSTEMS, INC.
### CONDENSED CONSOLIDATED STATEMENTS OF INCOME
### (Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| | (In thousands, except per share amounts) | | | |
| Net revenues: | | | | |
| Product | $ 463,200 | $ 457,797 | $ 1,407,681 | $ 1,375,282 |
| Service | 88,619 | 87,667 | 266,952 | 271,627 |
| Total net revenues | 551,819 | 545,464 | 1,674,633 | 1,646,909 |
| Cost of revenues: | | | | |
| Product | 144,243 | 145,518 | 431,781 | 441,416 |
| Service | 35,672 | 38,233 | 109,056 | 116,818 |
| Total cost of revenues | 179,915 | 183,751 | 540,837 | 558,234 |
| Gross margin | 371,904 | 361,713 | 1,133,796 | 1,088,675 |
| Operating expenses: | | | | |
| Research and development | 85,072 | 84,152 | 262,173 | 261,862 |
| Sales and marketing | 144,883 | 137,262 | 428,199 | 409,524 |
| General and administrative | 20,422 | 22,140 | 65,815 | 63,395 |
| Amortization of intangible assets | 889 | 131 | 1,654 | 10,145 |
| Acquisition and integration costs | 789 | — | 3,133 | — |
| Restructuring, goodwill impairment, and other related costs (benefits) | — | 131 | (637) | 89,051 |
| Gain on sale of network adapter business | — | — | — | (4,884) |
| Total operating expenses | 252,055 | 243,816 | 760,337 | 829,093 |
| Income from operations | 119,849 | 117,897 | 373,459 | 259,582 |
| Interest expense | (9,778) | (9,176) | (45,754) | (27,606) |
| Interest and other income, net | 947 | 5,299 | 854 | 3,943 |
| Income before income tax | 111,018 | 114,020 | 328,559 | 235,919 |
| Income tax expense | 19,351 | 26,668 | 72,585 | 81,367 |
| Net income | $ 91,667 | $ 87,352 | $ 255,974 | $ 154,552 |
| Net income per share—basic | $ 0.22 | $ 0.20 | $ 0.61 | $ 0.35 |
| Net income per share—diluted | $ 0.21 | $ 0.20 | $ 0.59 | $ 0.34 |
| Shares used in per share calculation—basic | 417,299 | 432,448 | 422,184 | 436,396 |
| Shares used in per share calculation—diluted | 427,518 | 441,789 | 433,303 | 448,596 |
| | | | | |
| Cash dividends declared per share | $ 0.045 | $ 0.035 | $ 0.115 | $ 0.035 |

See accompanying Notes to Condensed Consolidated Financial Statements.

**BROCADE COMMUNICATIONS SYSTEMS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| | (In thousands) | | | |
| Net income | $ 91,667 | $ 87,352 | $ 255,974 | $ 154,552 |
| Other comprehensive income and loss, net of tax: | | | | |
| Unrealized gains (losses) on cash flow hedges: | | | | |
| Change in unrealized gains and losses | (414) | (155) | (2,332) | 14 |
| Net gains and losses reclassified into earnings | 831 | (218) | 2,544 | (217) |
| Net unrealized gains (losses) on cash flow hedges | 417 | (373) | 212 | (203) |
| Foreign currency translation adjustments | (492) | (191) | (5,781) | 284 |
| Total other comprehensive income (loss) | (75) | (564) | (5,569) | 81 |
| Total comprehensive income | $ 91,592 | $ 86,788 | $ 250,405 | $ 154,633 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

**BROCADE COMMUNICATIONS SYSTEMS, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**

| | August 1, 2015 | November 1, 2014 |
|---|---|---|
| | (In thousands, except par value) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,319,671 | $ 1,255,017 |
| Accounts receivable, net of allowances for doubtful accounts of $1,843 and $80 as of August 1, 2015, and November 1, 2014, respectively | 199,919 | 224,913 |
| Inventories | 40,496 | 38,718 |
| Deferred tax assets | 91,181 | 92,692 |
| Prepaid expenses and other current assets | 63,020 | 46,665 |
| Total current assets | 1,714,287 | 1,658,005 |
| Property and equipment, net | 440,343 | 445,433 |
| Goodwill | 1,617,136 | 1,567,723 |
| Intangible assets, net | 79,401 | 26,658 |
| Other assets | 52,898 | 35,856 |
| Total assets | $ 3,904,065 | $ 3,733,675 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 95,804 | $ 93,705 |
| Accrued employee compensation | 103,417 | 169,018 |
| Deferred revenue | 229,557 | 239,993 |
| Other accrued liabilities | 63,345 | 84,592 |
| Total current liabilities | 492,123 | 587,308 |
| Long-term debt, net of current portion | 791,630 | 595,450 |
| Non-current deferred revenue | 71,565 | 71,746 |
| Non-current income tax liability | 46,504 | 39,647 |
| Non-current deferred tax liabilities | 25,461 | 27,153 |
| Other non-current liabilities | 3,767 | 4,310 |
| Total liabilities | 1,431,050 | 1,325,614 |
| Commitments and contingencies (Note 9) | | |
| Stockholders' equity: | | |
| Preferred stock, $0.001 par value, 5,000 shares authorized, no shares issued and outstanding | — | — |
| Common stock, $0.001 par value, 800,000 shares authorized: | | |
| Issued and outstanding: 416,382 and 431,470 shares as of August 1, 2015, and November 1, 2014, respectively | 416 | 431 |
| Additional paid-in capital | 1,637,580 | 1,774,197 |
| Accumulated other comprehensive loss | (24,383) | (18,814) |
| Retained earnings | 859,402 | 652,247 |
| Total stockholders' equity | 2,473,015 | 2,408,061 |
| Total liabilities and stockholders' equity | $ 3,904,065 | $ 3,733,675 |

See accompanying Notes to Condensed Consolidated Financial Statements.

**BROCADE COMMUNICATIONS SYSTEMS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | Nine Months Ended | |
|---|---|---|
| | August 1, 2015 | August 2, 2014 |
| | (In thousands) | |
| **Cash flows from operating activities:** | | |
| Net income | $ 255,974 | $ 154,552 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Excess tax benefits from stock-based compensation | (41,981) | (37,698) |
| Depreciation and amortization | 62,569 | 80,370 |
| Loss on disposal of property and equipment | 1,620 | 3,330 |
| Gain on sale of network adapter business | — | (4,884) |
| Net gain on sale of non-marketable equity investment | — | (5,242) |
| Amortization of debt issuance costs and debt discount | 9,443 | 856 |
| Write-off of debt discount and debt issuance costs related to lenders that did not participate in refinancing | 4,808 | — |
| Provision for doubtful accounts receivable and sales allowances | 7,189 | 5,520 |
| Non-cash stock-based compensation expense | 64,594 | 61,214 |
| Goodwill impairment charge | — | 83,382 |
| Changes in assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 17,959 | 52,261 |
| Inventories | (1,778) | 4,757 |
| Prepaid expenses and other assets | (20,854) | (4,796) |
| Deferred tax assets | 531 | 47 |
| Accounts payable | 2,266 | (4,409) |
| Accrued employee compensation | (94,852) | (38,136) |
| Deferred revenue | (14,220) | (4,020) |
| Other accrued liabilities | 16,478 | 48,178 |
| Restructuring liabilities | (2,514) | (11,538) |
| Net cash provided by operating activities | 267,232 | 383,744 |
| **Cash flows from investing activities:** | | |
| Purchases of non-marketable equity and debt investments | (2,150) | (223) |
| Proceeds from sale of non-marketable equity investment | 1,489 | 10,748 |
| Purchases of property and equipment | (53,142) | (41,175) |
| Purchase of intangible assets | (7,750) | — |
| Net cash paid in connection with acquisitions | (95,452) | — |
| Proceeds from collection of note receivable | 250 | 250 |
| Proceeds from sale of network adapter business | — | 9,995 |
| Net cash used in investing activities | (156,755) | (20,405) |

**BROCADE COMMUNICATIONS SYSTEMS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—Continued**
**(Unaudited)**

| | Nine Months Ended | |
|---|---|---|
| | August 1, 2015 | August 2, 2014 |
| | (In thousands) | |
| **Cash flows from financing activities:** | | |
| Payment of principal related to senior secured notes | (300,000) | — |
| Payment of debt issuance costs | (1,718) | — |
| Payment of principal related to capital leases | (1,677) | (2,382) |
| Common stock repurchases | (312,601) | (302,560) |
| Proceeds from issuance of common stock | 51,345 | 81,293 |
| Payment of cash dividends to stockholders | (48,819) | (15,270) |
| Proceeds from convertible notes | 565,656 | — |
| Purchase of convertible hedge | (86,135) | — |
| Proceeds from issuance of warrants | 51,175 | — |
| Excess tax benefits from stock-based compensation | 41,981 | 37,698 |
| Net cash used in financing activities | (40,793) | (201,221) |
| Effect of exchange rate fluctuations on cash and cash equivalents | (5,030) | 272 |
| Net increase in cash and cash equivalents | 64,654 | 162,390 |
| Cash and cash equivalents, beginning of period | 1,255,017 | 986,997 |
| Cash and cash equivalents, end of period | $ 1,319,671 | $ 1,149,387 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid for interest | $ 29,560 | $ 34,625 |
| Cash paid for income taxes | $ 35,372 | $ 20,941 |
| **Supplemental schedule of non-cash investing activities:** | | |
| Settlement of debt investment in relation to acquisition | $ 150 | $ — |

See accompanying Notes to Condensed Consolidated Financial Statements.

**BROCADE COMMUNICATIONS SYSTEMS, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## 1. Basis of Presentation

Brocade Communications Systems, Inc. (“Brocade” or the “Company”) has prepared the accompanying Condensed Consolidated Financial Statements pursuant to the rules and regulations of the United States (“U.S.”) Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Balance Sheet as of November 1, 2014, was derived from the Company’s audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended November 1, 2014.

The accompanying Condensed Consolidated Financial Statements are unaudited but, in the opinion of the Company’s management, reflect all adjustments—including normal recurring adjustments—that management considers necessary for a fair presentation of these Condensed Consolidated Financial Statements. The results for the interim periods presented are not necessarily indicative of the results for the full fiscal year or any other future period.

The Company’s fiscal year is a 52- or 53-week period ending on the last Saturday in October or the first Saturday in November, respectively. Fiscal year 2015 is a 52-week fiscal year and fiscal year 2014 was a 53-week fiscal year. The second quarter of fiscal year 2014 was a 14-week quarter, which was one week longer than a typical quarter.

The Condensed Consolidated Financial Statements include the accounts of Brocade and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

*Use of Estimates in Preparation of Condensed Consolidated Financial Statements*

The preparation of condensed consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and judgments that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, revenue recognition, sales allowances and programs, allowance for doubtful accounts, stock-based compensation, purchase price allocations, warranty obligations, inventory valuation and purchase commitments, restructuring costs, incentive compensation, facilities lease losses, impairment of goodwill and intangible assets, litigation, and income taxes. Actual results may differ materially from these estimates.

## 2. Summary of Significant Accounting Policies

There have been no material changes in the Company’s significant accounting policies for the nine months ended August 1, 2015, as compared to the significant accounting policies disclosed in Brocade’s Annual Report on Form 10-K for the fiscal year ended November 1, 2014.

*New Accounting Pronouncements or Updates Recently Adopted*

In March 2013, the Financial Accounting Standards Board (“FASB”) issued an update to Accounting Standards Codification (“ASC”) 830, *Foreign Currency Matters: Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. Under this update, an entity is required to release any cumulative translation adjustment into net income when the entity ceases to have a controlling financial interest resulting from the complete, or substantially complete, liquidation of a subsidiary or group of assets within a foreign entity. This update should be applied prospectively. The Company adopted this update in the first quarter of fiscal year 2015. There was no material impact on the Company’s financial position, results of operations, or cash flows.

In June 2015, the FASB issued an update to the Accounting Standards Codification (the “Codification”), *Technical Corrections and Improvements*. This update includes various amendments to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification. This update is not intended to change U.S. GAAP. The Company adopted this update in the third quarter of fiscal year 2015. There was no material impact on the Company’s financial position, results of operations, or cash flows.

*Recent Accounting Pronouncements or Updates That Are Not Yet Effective*

In April 2014, the FASB issued an update to ASC 205, *Presentation of Financial Statements*, and ASC 360, *Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under this update, a discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. Only those disposals of components of an entity that represent a strategic shift that has, or will have, a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. This update should be applied prospectively and will be adopted by the Company in the first quarter of fiscal year 2016. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued. The Company does not expect the adoption of this update to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued an update to ASC 606, *Revenue from Contracts with Customers*, that will supersede virtually all existing revenue guidance. Under this update, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. As such, an entity will need to use more judgment and make more estimates than under the current guidance. This update should be applied retrospectively, either to each prior reporting period presented in the financial statements, or only to the most current reporting period presented in the financial statements with a cumulative effect adjustment recorded in the retained earnings. In August 2015, the FASB issued an update to defer the effective date of this update by one year. This update becomes effective and will be adopted by the Company in the first quarter of fiscal year 2019. Early adoption is not permitted for reporting periods before the first quarter of fiscal year 2018. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In April 2015, the FASB issued an update to ASC 835, *Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. Under this update, debt issuance costs related to a debt liability are required to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this update. This update is effective for the Company in the first quarter of fiscal year 2017, with early adoption permitted. This update should be applied retrospectively to all prior periods presented in the financial statements and will be early adopted by the Company in the first quarter of fiscal year 2016. The Company does not expect the adoption of this update to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued an update to ASC 350, *Intangibles—Goodwill and Other—Internal-Use Software: Customer's Accounting for Fees Paid in Cloud Computing Arrangement*. This update provides guidance on the accounting for fees paid in a cloud computing arrangement if the arrangement was determined to include a software license. This update will not change U.S. GAAP for a customer's accounting for service contracts. This update may be applied either prospectively or retrospectively and will be adopted by the Company in the first quarter of fiscal year 2017. Early adoption is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In July 2015, the FASB issued an update to ASC 330, *Inventory: Simplifying the Measurement of Inventory*. Under this update, subsequent measurement of inventory is based on the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and disposal. This update does not apply to inventory that is measured using last-in, first-out or the retail inventory method. This update should be applied prospectively and will be adopted by the Company in the first quarter of fiscal year 2018. Early adoption is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

*Concentrations*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. Cash and cash equivalents are primarily maintained at five major financial institutions. Deposits held with banks may be redeemed upon demand and may exceed the amount of insurance provided on such deposits.

A majority of the Company's accounts receivable balance is derived from sales to original equipment manufacturer ("OEM") partners in the computer storage and server industry. As of August 1, 2015, two customers individually accounted for 13% and 12% of total accounts receivable, for a combined total of 25% of total accounts receivable, and no other customers individually accounted for more than 10% of total accounts receivable. As of November 1, 2014, three customers individually accounted for 15%, 12%, and 11% of total accounts receivable, for a combined total of 38% of total accounts receivable. The Company performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable balances. The Company has established reserves for credit losses, sales allowances, and other allowances.

For the three months ended August 1, 2015, three customers individually accounted for 16%, 15%, and 12% of the Company's total net revenues for a combined total of 43% of total net revenues. For the three months ended August 2, 2014, three customers individually accounted for 21%, 16%, and 11% of the Company's total net revenues for a combined total of 48% of total net revenues.

The Company currently relies on single and limited sources for multiple key components used in the manufacture of its products. Additionally, the Company relies on multiple contract manufacturers ("CMs") for the production of its products. Although the Company uses standard parts and components for its products where possible, the Company's CMs currently purchase, on the Company's behalf, several key components used in the manufacture of products from single or limited supplier sources.

## 3. Acquisitions and Divestitures

*Acquisitions*

In March 2015, the Company completed its acquisition of two businesses to strengthen its software networking portfolio. The total aggregate purchase price of the acquisitions was $96.1 million, consisting of $95.6 million in cash consideration, which is gross of $0.1 million of cash acquired as part of the acquisitions, and $0.5 million in non-cash consideration. Direct acquisition costs for the three months ended August 1, 2015, were immaterial, and the Company recorded direct acquisition costs of $1.5 million for the nine months ended August 1, 2015. In addition, for the three and nine months ended August 1, 2015, the Company recorded integration costs of $0.8 million and $1.7 million, respectively. These costs were expensed as incurred and are presented in the Company's Condensed Consolidated Statements of Income for the three and nine months ended August 1, 2015, as "Acquisition and integration costs."

The results of operations for both acquisitions are included in the Company's Condensed Consolidated Statements of Income from the respective dates of acquisition. The Company does not consider these acquisitions to be significant, individually or in the aggregate, to its results of operations or financial position. Therefore, the Company is not presenting pro-forma financial information of combined operations.

In connection with these acquisitions, the Company allocated the total purchase consideration to the net assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the acquisition dates. The Company determined the fair value of the intangible assets acquired primarily using the income approach and the market approach with the assistance of a valuation firm. Estimates and assumptions with respect to the determination of the fair value of the intangible assets acquired include, but are not limited to, forecasted revenues, discount rates, and comparable market transactions.

The following table summarizes the initial allocation of the total aggregate purchase price based on the estimated fair values of the assets acquired and liabilities assumed (in thousands):

| | | |
|---|---|---|
| **Assets acquired:** | | |
| Cash | $ | 161 |
| Accounts receivable | | 154 |
| Property and equipment, net | | 1,479 |
| Identifiable intangible assets: | | |
| Core/developed technology | | 28,450 |
| Customer relationships | | 22,030 |
| Patents with broader applications | | 1,040 |
| Trade name | | 500 |
| Non-compete agreements | | 240 |
| Total identifiable intangible assets | | 52,260 |
| Goodwill [1] | | 49,396 |
| Other assets | | 86 |
| Total assets acquired | | 103,536 |
| **Liabilities assumed:** | | |
| Deferred revenue | | (3,603) |
| Deferred tax liabilities | | (3,048) |
| Other accrued liabilities | | (795) |
| Total liabilities assumed | | (7,446) |
| Net assets acquired | $ | 96,090 |

(1) The goodwill recognized primarily represents potential synergies from combining operations of the acquired businesses and the Company, as well as intangible assets that do not qualify for separate recognition. The total amount of goodwill that is expected to be deductible for tax purposes is $38.1 million.

The allocation of the total aggregate purchase price reflects various preliminary estimates and analyses and is subject to change during the purchase price allocation period as additional information in relation to the fair values of the Company's identifiable intangible assets and deferred tax liabilities becomes available. Additional information that existed as of the acquisition date may become known to the Company during the remainder of the acquisitions' measurement periods. This period is not to exceed 12 months from the relevant acquisition date. Adjustments in the allocation of the purchase price may be retroactively applied to the period in which the respective acquisitions occurred. During the three months ended August 1, 2015, the Company recorded immaterial adjustments to the fair value of assets acquired and liabilities assumed in connection with these acquisitions.

In conjunction with the acquisitions, the Company granted restricted stock unit ("RSU") awards and cash awards to transferring or continuing employees of the acquired businesses. These awards require the employees to continue providing services to the Company for the duration of the vesting or payout periods.

For certain employees, the Company granted RSUs with an aggregate fair value of $6.4 million at the grant date, with RSUs vesting approximately every six months for a total vesting period of approximately two years. The RSUs will be accounted for as stock-based compensation expense and reported, as applicable, within "Cost of revenues," "Research and development," "Sales and marketing," and "General and administrative" on the Company's Condensed Consolidated Statements of Income. For the three and nine months ended August 1, 2015, the Company recognized $0.9 million and $1.1 million, respectively, of stock-based compensation expense related to these RSU awards.

For certain other employees, the Company will pay a total aggregate amount of $10.3 million as cash awards for their services. The cash awards are paid out in annual installments over a total period of four years. The cash awards will be accounted for as employees' compensation expense and reported within "Research and development" on the Company's Condensed Consolidated Statements of Income. For the three and nine months ended August 1, 2015, the Company recognized $1.6 million and $2.0 million, respectively, of compensation expense related to these cash awards.

For one of the acquisitions, the Company held an existing equity interest in the business at an acquisition-date fair value of $0.4 million. The Company used a market approach based on comparable recent investments into this acquired business to estimate the acquisition-date fair value of the existing equity interest. No gain or loss was recognized as a result of remeasuring the existing equity interest, as the cost of the existing equity interest approximated its fair value.

*Divestitures*

On January 17, 2014, the Company completed the sale of its network adapter business to QLogic Corporation as part of the Company's business strategy to focus development on a portfolio of high-performance networking hardware and software-based products and services.

The net carrying amount of the network adapter business' assets and liabilities at the time of the divestiture was $5.1 million, consisting primarily of associated goodwill of $4.1 million. The sale resulted in a gain of $4.9 million in the nine months ended August 2, 2014, which is presented in the Company's Condensed Consolidated Statements of Income as "Gain on sale of network adapter business."

**4. Goodwill and Intangible Assets**

The following table presents a summary of the net carrying value of the Company's intangible assets (in thousands):

| | August 1, 2015 | November 1, 2014 |
|---|---|---|
| **Indefinite-lived intangible assets** | | |
| Goodwill | $ 1,617,136 | $ 1,567,723 |
| In-process research and development ("IPR&D") (1) | 15,110 | 15,110 |
| **Finite-lived intangible assets** | | |
| Total intangible assets subject to amortization (2), (3) | 64,291 | 11,548 |
| Total intangible assets | $ 1,696,537 | $ 1,594,381 |

(1) Acquired IPR&D is an intangible asset accounted for as an indefinite-lived asset until the completion or abandonment of the associated research and development effort. If the research and development effort associated with the IPR&D is successfully completed, then the IPR&D intangible asset will be amortized over its estimated useful life to be determined at the date the effort is completed. The development effort on the IPR&D intangible asset is expected to be completed by the first quarter of fiscal year 2016.

(2) During the nine months ended August 1, 2015, the Company purchased a perpetual, non-exclusive license to certain patents for $7.8 million.

(3) During the nine months ended August 1, 2015, the Company acquired $52.3 million of intangible assets related to the Company's acquisition of two businesses. See Note 3, "Acquisitions and Divestitures," of the Notes to Condensed Consolidated Financial Statements.

The Company conducts the IPR&D impairment test annually, as of the first day of the second fiscal quarter, and whenever events occur or facts and circumstances indicate that it is more likely than not that the IPR&D is impaired. For the annual IPR&D impairment test, the Company elects the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the IPR&D assets is less than the carrying amount. If, after assessing the totality of events and circumstances, the Company determines that it is more likely than not that the fair value of the IPR&D assets is less than the carrying amount, then the Company conducts a quantitative analysis to determine the fair value of the IPR&D assets. If the carrying amount of the IPR&D assets exceeds the fair value, then the Company recognizes an impairment loss equal to the difference.

Based on the results of the annual IPR&D impairment analysis performed during the second fiscal quarter of 2015, the Company determined that no impairment needed to be recorded. As of August 1, 2015, no new events or circumstances had arisen since the annual IPR&D impairment analysis performed during the second quarter of fiscal year 2015 that indicated that the fair value of the IPR&D assets may be less than the current carrying amount.

The following table summarizes goodwill activity by reportable segment for the nine months ended August 1, 2015 (in thousands):

| | SAN Products | Internet Protocol ("IP") Networking Products | Global Services | Total |
|---|---|---|---|---|
| **Balance at November 1, 2014** | | | | |
| Goodwill | $ 176,346 | $ 1,365,175 | $ 155,416 | $ 1,696,937 |
| Accumulated impairment losses | — | (129,214) | — | (129,214) |
| | 176,346 | 1,235,961 | 155,416 | 1,567,723 |
| Acquisitions [1] | — | 49,458 | — | 49,458 |
| Purchase accounting adjustments during the nine months ended August 1, 2015 | — | (62) | — | (62) |
| Tax and other adjustments during the nine months ended August 1, 2015 [2] | (20) | — | — | (20) |
| Translation adjustments during the nine months ended August 1, 2015 | — | 37 | — | 37 |
| **Balance at August 1, 2015** | | | | |
| Goodwill | 176,326 | 1,414,608 | 155,416 | 1,746,350 |
| Accumulated impairment losses | — | (129,214) | — | (129,214) |
| | $ 176,326 | $ 1,285,394 | $ 155,416 | $ 1,617,136 |

(1) The goodwill acquired relates to the Company's acquisition of two businesses, which is gross of the adjustments recorded during the purchase price allocation period. See Note 3, "Acquisitions and Divestitures," of the Notes to Condensed Consolidated Financial Statements.

(2) The goodwill adjustments during the nine months ended August 1, 2015, were primarily a result of tax benefits from the exercise of stock awards of acquired companies.

The Company conducts the goodwill impairment test annually, as of the first day of the second fiscal quarter, and whenever events occur or facts and circumstances indicate it is more likely than not that the fair value of a reporting unit has fallen below its carrying amount. For the annual goodwill impairment test, the Company uses the income approach, the market approach, or a combination thereof to determine each reporting unit's fair value. The income approach provides an estimate of fair value based on discounted expected future cash flows ("DCF"). The market approach provides an estimate of fair value, applying various observable market-based multiples to the reporting unit's operating results and then applying an appropriate control premium. For the fiscal year 2015 annual goodwill impairment test, the Company used a combination of the income approach and the market approach, weighted equally, to estimate each reporting unit's fair value.

Determining the fair value of a reporting unit requires judgment and involves the use of significant estimates and assumptions. The Company based its fair value estimates on assumptions it believes to be reasonable, but these estimates and assumptions are inherently uncertain. Estimates and assumptions with respect to the determination of the fair value of its reporting units using the income approach include, among other inputs:

- The Company's operating forecasts;
- The Company's forecasted revenue growth rates; and
- Risk-commensurate discount rates and costs of capital.

The Company's estimates of revenues and costs are based on historical data, various internal estimates, and a variety of external sources, and are developed as part of the Company's regular long-range planning process. The control premium used in market or combined approaches is determined by considering control premiums offered as part of the acquisitions that have occurred in market segments that are comparable with the Company's reporting units.

Based on the results of the annual goodwill impairment analysis performed during the second fiscal quarter of 2015, the Company determined that no impairment needed to be recorded. As of August 1, 2015, no new events or circumstances had arisen since the annual goodwill impairment analysis performed during the second quarter of fiscal year 2015 that indicated that the fair values of the reporting units may be less than their current carrying amounts.

The Company acquired certain finite-lived intangible assets as part of its two acquisitions in March 2015 (see Note 3, "Acquisitions and Divestitures," of the Notes to Condensed Consolidated Financial Statements). The acquired finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company did not incur costs to renew or extend the term of any acquired finite-lived intangible assets during the nine months ended August 1, 2015. The following table presents the fair values and weighted-average useful lives of the acquired finite-lived intangible assets (in thousands, except for weighted-average useful life):

| | Fair Value | Weighted-Average Useful Life (in years) |
|---|---|---|
| Trade name | $ 500 | 6.00 |
| Core/developed technology | 28,450 | 4.04 |
| Customer relationships | 22,030 | 7.93 |
| Non-compete agreements | 240 | 2.00 |
| Patents with broader applications [1] | 1,040 | 15.00 |
| Total intangible assets | $ 52,260 | 5.91 |

(1) These are patents acquired by the Company as part of an acquisition during the three months ended May 2, 2015. The potential use of these patents extends beyond their use in the core/developed technology acquired in the acquisition.

Intangible assets other than goodwill are amortized on a straight-line basis over the following estimated remaining useful lives, unless the Company has determined these lives to be indefinite. The Company did not incur costs to renew or extend the term of any recognized intangible assets during the nine months ended August 1, 2015. The following tables present details of the Company's finite-lived intangible assets (in thousands, except for weighted-average remaining useful life):

| August 1, 2015 | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Weighted-Average Remaining Useful Life (in years) |
|---|---|---|---|---|
| Trade name | $ 1,090 | $ 360 | $ 730 | 4.50 |
| Core/developed technology | 40,530 | 7,007 | 33,523 | 3.70 |
| Patent portfolio license [1] | 7,750 | 570 | 7,180 | 17.99 |
| Customer relationships | 23,110 | 1,735 | 21,375 | 7.42 |
| Non-compete agreements | 1,050 | 584 | 466 | 1.42 |
| Patents with broader applications | 1,040 | 23 | 1,017 | 14.63 |
| Total intangible assets | $ 74,570 | $ 10,279 | $ 64,291 | 6.70 |

| November 1, 2014 | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Weighted-Average Remaining Useful Life (in years) |
|---|---|---|---|---|
| Trade name | $ 590 | $ 227 | $ 363 | 3.00 |
| Core/developed technology | 12,080 | 1,964 | 10,116 | 4.30 |
| Customer relationships | 1,080 | 427 | 653 | 3.01 |
| Non-compete agreements | 810 | 394 | 416 | 2.01 |
| Total intangible assets | $ 14,560 | $ 3,012 | $ 11,548 | 4.10 |

(1) The patent portfolio license was assigned an estimated useful life that reflects the Company's consumption of the expected defensive benefits related to this license to certain patents. The method of amortization for the patent portfolio license reflects the Company's estimate of the pattern in which these expected defensive benefits will be used by the Company and is primarily due to a mix of expiration patterns of the individual patents included in the license.

The following table presents the amortization of finite-lived intangible assets included in the Condensed Consolidated Statements of Income (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| Cost of revenues | $ 2,548 | $ 552 | $ 5,043 | $ 7,410 |
| Research and development | 889 | 131 | 1,654 | 10,145 |
| General and administrative [(1)] | 280 | — | 570 | — |
| Total | $ 3,717 | $ 683 | $ 7,267 | $ 17,555 |

(1) The amortization is related to the $7.8 million of perpetual, non-exclusive license to certain patents purchased during the nine months ended August 1, 2015.

The following table presents the estimated future amortization of finite-lived intangible assets as of August 1, 2015 (in thousands):

| Fiscal Year | Estimated Future Amortization |
|---|---|
| 2015 (remaining three months) | $ 3,778 |
| 2016 | 14,774 |
| 2017 | 14,305 |
| 2018 | 9,785 |
| 2019 | 6,259 |
| Thereafter | 15,390 |
| Total | $ 64,291 |

## 5. Balance Sheet Details

The following tables provide details of selected balance sheet items (in thousands):

| | August 1, 2015 | November 1, 2014 |
|---|---|---|
| **Inventories:** | | |
| Raw materials | $ 14,473 | $ 10,491 |
| Finished goods | 26,023 | 28,227 |
| Inventories | $ 40,496 | $ 38,718 |

| | August 1, 2015 | November 1, 2014 |
|---|---|---|
| **Property and equipment, net:** | | |
| Gross property and equipment | | |
| Computer equipment | $ 14,537 | $ 13,679 |
| Software | 66,275 | 62,919 |
| Engineering and other equipment [1] | 401,585 | 383,412 |
| Furniture and fixtures [1] | 30,711 | 29,053 |
| Leasehold improvements | 30,943 | 23,607 |
| Land and building | 385,451 | 384,659 |
| Total gross property and equipment | 929,502 | 897,329 |
| Less: Accumulated depreciation and amortization [1], [2] | (489,159) | (451,896) |
| Property and equipment, net | $ 440,343 | $ 445,433 |

(1) Engineering and other equipment, furniture and fixtures, and accumulated depreciation and amortization include the following amounts under capital leases as of August 1, 2015, and November 1, 2014, respectively (in thousands):

| | August 1, 2015 | November 1, 2014 |
|---|---|---|
| Cost | $ 11,925 | $ 11,925 |
| Accumulated depreciation | (8,591) | (7,209) |
| Property and equipment, net, under capital leases | $ 3,334 | $ 4,716 |

(2) The following table presents the depreciation of property and equipment included on the Condensed Consolidated Statements of Income (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| Depreciation expense | $ 18,605 | $ 19,761 | $ 55,302 | $ 62,815 |

**6. Fair Value Measurements**

The Company applies fair value measurements to both financial and non-financial assets and liabilities. The Company does not have any non-financial assets and liabilities that are required to be measured at fair value on a recurring basis as of August 1, 2015.

The fair value accounting guidance permits companies to elect fair value measurement for many financial instruments and certain other items that are not required to be accounted for at fair value. The Company did not elect to measure any eligible financial instruments or other assets at fair value as of August 1, 2015, and November 1, 2014.

*Fair Value Hierarchy*

The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

During the nine months ended August 1, 2015, the Company had no transfers between levels of the fair value hierarchy of its assets and liabilities measured at fair value.

Assets and liabilities measured and recorded at fair value on a recurring basis as of August 1, 2015, were as follows (in thousands):

| | Balance as of August 1, 2015 | Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Assets:** | | | | |
| Money market funds (1) | $ 1,072,526 | $ 1,072,526 | $ — | $ — |
| Derivative assets | 1,332 | — | 1,332 | — |
| Total assets measured at fair value | $ 1,073,858 | $ 1,072,526 | $ 1,332 | $ — |
| **Liabilities:** | | | | |
| Derivative liabilities | $ 1,832 | $ — | $ 1,832 | $ — |
| Total liabilities measured at fair value | $ 1,832 | $ — | $ 1,832 | $ — |

(1) Money market funds are reported within "Cash and cash equivalents" on the Condensed Consolidated Balance Sheets.

Assets and liabilities measured and recorded at fair value on a recurring basis as of November 1, 2014, were as follows (in thousands):

| | Balance as of November 1, 2014 | Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Assets:** | | | | |
| Money market funds (1) | $ 1,009,283 | $ 1,009,283 | $ — | $ — |
| Derivative assets | 99 | — | 99 | — |
| Total assets measured at fair value | $ 1,009,382 | $ 1,009,283 | $ 99 | $ — |
| **Liabilities:** | | | | |
| Derivative liabilities | $ 1,937 | $ — | $ 1,937 | $ — |
| Total liabilities measured at fair value | $ 1,937 | $ — | $ 1,937 | $ — |

(1) Money market funds are reported within "Cash and cash equivalents" on the Condensed Consolidated Balance Sheets.

## 7. Restructuring and Other Related Costs

The following table provides details of the Company's restructuring and other charges (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| Goodwill impairment | $ — | $ — | $ — | $ 83,382 |
| Severance and benefits | — | — | — | (1,788) |
| Lease loss reserve and related costs (benefits) | — | 131 | (637) | 7,457 |
| Restructuring, goodwill impairment, and other related costs (benefits) | $ — | $ 131 | $ (637) | $ 89,051 |

The following table provides a reconciliation of the Company's beginning and ending restructuring liability balances (in thousands):

| | Fiscal 2013 Fourth Quarter Restructuring Plan | | | Other Restructuring Plans | |
|---|---|---|---|---|---|
| | Severance and Benefits | Contract Terminations and Other | Lease Loss Reserve and Related Costs | Lease Loss Reserve and Related Costs | Total |
| Restructuring liabilities at November 1, 2014 | $ 171 | $ 42 | $ 3,949 | $ 994 | $ 5,156 |
| Restructuring and other charges | — | — | (520) | (117) | (637) |
| Cash payments | — | (42) | (1,240) | (335) | (1,617) |
| Other adjustments, net | (27) | — | — | — | (27) |
| Translation adjustment | (34) | — | (200) | — | (234) |
| Restructuring liabilities at August 1, 2015 | $ 110 | $ — | $ 1,989 | $ 542 | $ 2,641 |
| | | | | | |
| Current restructuring liabilities at August 1, 2015 | $ 110 | $ — | $ 742 | $ 393 | $ 1,245 |
| Non-current restructuring liabilities at August 1, 2015 | $ — | $ — | $ 1,247 | $ 149 | $ 1,396 |

*Fiscal 2013 Fourth Quarter Restructuring Plan*

During the fiscal year ended October 26, 2013, and the first quarter of fiscal year 2014, the Company restructured certain business operations and reduced the Company's operating expense structure. The restructuring plan was approved by the Company's management and communicated to the Company's employees in September 2013. The restructuring plan included a workforce reduction of approximately 250 employees, primarily in the engineering, sales, and marketing organizations, as well as the cancellation of certain nonrecurring engineering agreements and exits from certain leased facilities. The Company substantially completed the restructuring plan by the end of the first quarter of fiscal year 2014.

*Other Restructuring Plans*

The Company also recorded charges related to estimated facilities lease losses, net of expected sublease income, due to consolidation of real estate space as a result of acquisitions.

Cash payments for facilities that are part of the Company's lease loss reserve are expected to be paid over the respective lease terms through fiscal year 2021.

*General*

The Company reevaluates its estimates and assumptions on a quarterly basis and makes adjustments to the restructuring liabilities balance if necessary. During the nine months ended August 1, 2015, the Company reversed approximately $0.6 million of charges related to estimated facilities lease losses primarily due to favorable changes in expected sublease terms and other related assumptions.

The restructuring and other related charges are included in "Restructuring, goodwill impairment, and other related costs (benefits)" on the Condensed Consolidated Statements of Income.

**8. Borrowings**

The following table provides details of the Company's long-term debt (in thousands, except years and percentages):

| | Maturity | Stated Annual Interest Rate | August 1, 2015 Amount | August 1, 2015 Effective Interest Rate | November 1, 2014 Amount | November 1, 2014 Effective Interest Rate |
|---|---|---|---|---|---|---|
| **Convertible Senior Unsecured Notes** | | | | | | |
| 2020 Convertible Notes | 2020 | 1.375% | $ 575,000 | 4.98% | $ — | —% |
| **Senior Unsecured Notes:** | | | | | | |
| 2023 Notes | 2023 | 4.625% | 300,000 | 4.83% | 300,000 | 4.83% |
| **Senior Secured Notes:** | | | | | | |
| 2020 Notes | 2015 | 6.875% | — | 8.39% | 300,000 | 7.26% |
| Capital lease obligations | 2016 | 4.630% | 440 | 4.63% | 2,115 | 5.37% |
| Total long-term debt | | | 875,440 | | 602,115 | |
| **Less:** | | | | | | |
| Unamortized discount | | | 83,378 | | 4,839 | |
| Current portion of long-term debt | | | 432 | | 1,826 | |
| Long-term debt, net of current portion | | | $ 791,630 | | $ 595,450 | |

*Convertible Senior Unsecured Notes*

On January 14, 2015, the Company issued $575.0 million aggregate principal amount of 1.375% convertible senior unsecured notes due 2020 (the "2020 Convertible Notes") pursuant to an indenture, dated as of January 14, 2015, between the Company and Wells Fargo Bank, National Association, as the trustee (the "Offering"). Net of an original issue discount, the Company received $565.7 million in proceeds from the Offering. Concurrently with the closing of the Offering, the Company called for redemption its outstanding 6.875% senior secured notes due 2020 (the "2020 Notes") and irrevocably deposited a portion of the net proceeds from the Offering with the trustee to discharge the 2020 Indenture as described below under "*Senior Secured Notes.*"

The 2020 Convertible Notes bear interest payable semi-annually on January 1 and July 1 of each year, beginning on July 1, 2015. No payments were made toward the principal of the 2020 Convertible Notes during the nine months ended August 1, 2015.

The Company separately accounts for the liability and equity components of the 2020 Convertible Notes. The fair value of the liability component, used in the allocation between the liability and equity components as of the date of issuance, was based on the present value of cash flows using a discount rate of 4.57%, the Company's borrowing rate for a similar debt instrument without the conversion feature. The carrying values of the liability and equity components of the 2020 Convertible Notes are as follows (in thousands):

| | August 1, 2015 |
|---|---|
| Principal | $ 575,000 |
| Less: Unamortized discount of the liability component | 80,410 |
| Net carrying amount of liability component | $ 494,590 |
| Carrying amount of equity component | $ 74,495 |

As of August 1, 2015, the remaining period of amortization for the discount is 4.42 years. During the three months ended August 1, 2015, the amount of interest cost recognized for amortization of the discount and for the contractual interest coupon in relation to the 2020 Convertible Notes was $4.0 million and $2.0 million, respectively. During the nine months ended August 1, 2015, the amount of interest cost recognized for amortization of the discount and for the contractual interest coupon in relation to the 2020 Convertible Notes was $8.8 million and $4.3 million, respectively. No interest cost was recognized in relation to the 2020 Convertible Notes during the three and nine months ended August 2, 2014.

As of August 1, 2015, the fair value of the 2020 Convertible Notes was approximately $564.2 million, which was estimated based on broker trading prices.

The 2020 Convertible Notes mature on January 1, 2020, unless repurchased or converted in accordance with their terms prior to such date. The 2020 Convertible Notes are not callable prior to their maturity. The 2020 Convertible Notes are convertible, under the circumstances described below. The initial conversion rate is 62.7746 shares of common stock per $1,000 principal amount of the notes, which is equal to 36.1 million shares at an initial conversion price of approximately $15.93 per share.

The 2020 Convertible Notes contain provisions where the conversion rate is adjusted upon the occurrence of certain events, including if the Company pays a regular, quarterly cash dividend in an amount greater than $0.035 per share. During the third fiscal quarter of 2015, the Board of Directors of the Company declared and paid a cash dividend in the amount of $0.045 per share. Accordingly, as of June 8, 2015, the conversion rate was adjusted to a rate of 62.8255 shares of common stock per $1,000 principal amount of the notes, which is equal to 36.1 million shares at a conversion price of approximately $15.92 per share. However, because the adjustment resulted in a change to the conversion rate of less than 1%, as is allowed by the terms of the indenture governing the 2020 Convertible Notes, the Company elected to defer the administration and noteholder notification of such adjustment until the occurrence of (i) a subsequent adjustment to the conversion rate that results in a cumulative adjustment of at least 1% of the current conversion rate, (ii) the conversion of any 2020 Convertible Note, or (iii) certain other events requiring the adjustment to be made under the indenture governing the 2020 Convertible Notes.

Holders of the 2020 Convertible Notes may convert all or a portion of their notes prior to the close of business on the business day immediately preceding September 1, 2019, in multiples of $1,000 principal amount, only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending on May 2, 2015 (and only during such fiscal quarter), if the last reported sale price of common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the notes on each applicable trading day;
- During the five-business-day period after any 10 consecutive trading day period in which the trading price per $1,000 principal amount of the notes for each trading day of that 10 consecutive trading day period was less than 98% of the product of the last reported sale price of common stock and the conversion rate of the notes on each such trading day; or
- Upon the occurrence of certain corporate events as specified in the terms of the indenture governing the 2020 Convertible Notes.

On or after September 1, 2019, to the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their notes regardless of the foregoing conditions.

As of August 1, 2015, the circumstances for conversion had not been triggered, and the 2020 Convertible Notes were not convertible. The if-converted value of the 2020 Convertible Notes as of August 1, 2015, did not exceed the principal amount of the 2020 Convertible Notes.

If a fundamental change, as specified in the terms of the indenture governing the 2020 Convertible Notes, occurs prior to the maturity date, holders of the notes may require the Company to repurchase the 2020 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2020 Convertible Notes repurchased, plus accrued and unpaid interest, if any, up to the repurchase date. As of August 1, 2015, a fundamental change had not occurred and the 2020 Convertible Notes were not re-purchasable.

*Convertible Note Hedge and Warrants Related to the Convertible Senior Unsecured Notes*

In connection with the issuance of the 2020 Convertible Notes, the Company entered into convertible note hedge transactions with certain financial institutions (the “counterparties”) with respect to its common stock. Upon conversion of the 2020 Convertible Notes, the convertible note hedge transactions give the Company the right to acquire from the counterparties, subject to anti-dilution adjustments substantially similar to those in the 2020 Convertible Notes, initially approximately 36.1 million shares of common stock at an initial strike price of $15.93 per share. Because a dividend in an amount greater than $0.035 per share was declared and paid effective in the third fiscal quarter of 2015, the strike price under the convertible note hedge transactions was adjusted to approximately $15.92 per share. The convertible note hedge transactions are expected generally to reduce the potential common stock dilution, and/or offset potential cash payments in excess of the principal amount of converted notes, upon conversion of the notes in the event that the market price per share of the Company’s common stock, as measured under the terms of the convertible note hedge transactions, is greater than the strike price of the convertible note hedge transactions. The convertible note hedge transactions will be terminated on the maturity date of the 2020 Convertible Notes or earlier under certain circumstances. The $86.1 million cost of the convertible note hedge transactions has been accounted for as an equity transaction.

Separately from the convertible note hedge transactions, the Company entered into warrant transactions with the counterparties, pursuant to which the Company sold warrants to the counterparties to acquire, subject to customary anti-dilution adjustments, up to 36.1 million shares in the aggregate at an initial strike price of $20.65 per share. The primary reason the Company entered into these warrant transactions was to partially offset the cost of the convertible note hedge transactions. The warrants mature over 60 trading days, commencing on April 1, 2020, and are exercisable solely on the maturity dates. The warrants are subject to net share settlement; however, the Company may elect to cash settle the warrants. The Company received gross proceeds of $51.2 million from the warrant transactions, which have been accounted for as an equity transaction.

Under the terms of the warrants, the strike price and number of shares to be acquired by the holders of the warrants are adjusted if the Company pays a regular, quarterly cash dividend in an amount greater than $0.035 per share. Accordingly, the terms of the warrants were adjusted to reflect the payment of a cash dividend in the amount of $0.045 per share during the third fiscal quarter of 2015, and, as of June 8, 2015, the holders of the warrants have the right to acquire up to approximately 36.1 million shares of the Company’s common stock at a strike price of approximately $20.63 per share.

See Note 15, “Net Income per Share,” of the Notes to Condensed Consolidated Financial Statements for further discussion of the dilutive impact of the 2020 Convertible Notes and the convertible note hedge and warrant transactions.

*Senior Unsecured Notes*

In January 2013, the Company issued 4.625% senior unsecured notes in the aggregate principal amount of $300.0 million due 2023 (the “2023 Notes”) pursuant to an indenture, dated as of January 22, 2013 (the “2023 Indenture”), between the Company, certain domestic subsidiaries of the Company that have guaranteed the Company’s obligations under the 2023 Notes, and Wells Fargo Bank, National Association, as the trustee. The guarantees of the 2023 Notes were released upon the termination of the Senior Secured Credit Facility and discharge of the 2020 Indenture, and, as a result, the Company has ceased presenting condensed consolidated financial statements for the parent company, the former subsidiary guarantors, and non-guarantor subsidiaries effective in the first fiscal quarter of 2015. See Note 16, “Guarantor and Non-Guarantor Subsidiaries,” of the Notes to Condensed Consolidated Financial Statements.

The 2023 Notes bear interest payable semi-annually on January 15 and July 15 of each year. No payments were made toward the principal of the 2023 Notes during the nine months ended August 1, 2015.

As of August 1, 2015, and November 1, 2014, the fair value of the 2023 Notes was approximately $299.3 million and $292.4 million, respectively, which was estimated based on broker trading prices.

On or after January 15, 2018, the Company may redeem all or part of the 2023 Notes at the redemption prices set forth in the 2023 Indenture, plus accrued and unpaid interest, if any, up to the redemption date. At any time prior to January 15, 2018, the Company may redeem all or a part of the 2023 Notes at a price equal to 100% of the principal amount of the 2023 Notes, plus an applicable premium and accrued and unpaid interest, if any, up to the redemption date. In addition, at any time prior to January 15, 2016, the Company may redeem up to 35% of the principal amount of the 2023 Notes, using the net cash proceeds of one or more sales of the Company’s capital stock, at a redemption price equal to 104.625% of the principal amount of the 2023 Notes redeemed, plus accrued and unpaid interest, if any, up to the redemption date.

If the Company experiences a specified change of control triggering event, it must offer to repurchase the 2023 Notes at a repurchase price equal to 101% of the principal amount of the 2023 Notes repurchased, plus accrued and unpaid interest, if any, up to the repurchase date.

The 2023 Indenture contains covenants that, among other things, restrict the ability of the Company and its subsidiaries to:

- Incur certain liens and enter into certain sale-leaseback transactions;
- Create, assume, incur, or guarantee additional indebtedness of the Company’s subsidiaries without such subsidiary guaranteeing the 2023 Notes on a pari passu basis; and
- Enter into certain consolidation or merger transactions, or convey, transfer, or lease all or substantially all of the Company’s or its subsidiaries’ assets.

These covenants are subject to a number of limitations and exceptions as set forth in the 2023 Indenture. The 2023 Indenture also includes customary events of default, including cross-defaults to other debt of the Company and its subsidiaries.

*Senior Secured Notes*

In January 2010, the Company issued $300.0 million in aggregate principal amount of the 2020 Notes pursuant to an indenture, dated as of January 20, 2010, between the Company, certain domestic subsidiaries of the Company that have guaranteed the Company's obligations under the 2020 Notes, and Wells Fargo Bank, National Association, as the trustee (the "2020 Indenture"). Interest on the 2020 Notes was payable semi-annually on January 15 and July 15 of each year. The Company's obligations under the 2020 Notes were previously guaranteed by certain of the Company's domestic subsidiaries and secured by a lien on substantially all of the Company's and the subsidiary guarantors' assets. However, all guarantees were released upon the discharge of the 2020 Indenture, and, as a result, the Company has ceased presenting condensed consolidated financial statements for the parent company, the former subsidiary guarantors, and non-guarantor subsidiaries effective in the first fiscal quarter of 2015. See Note 16, "Guarantor and Non-Guarantor Subsidiaries," of the Notes to Condensed Consolidated Financial Statements.

On January 14, 2015, the Company called the 2020 Notes for redemption at a redemption price equal to 103.438% of the principal amount of the 2020 Notes, and irrevocably deposited $322.2 million with the trustee for the 2020 Notes to discharge the 2020 Indenture. As a result of the deposit and discharge, the guarantees provided by certain of the Company's domestic subsidiaries, and the liens granted by the Company and the subsidiary guarantors to secure their obligations with respect to the 2020 Notes, were released as of the date of the deposit. The amount deposited with the trustee included $300.0 million to repay the principal amount of the 2020 Notes, $10.3 million representing the difference between the redemption price and the principal amount of the 2020 Notes ("Call Premium"), $10.3 million for accrued interest through January 15, 2015, and $1.6 million of unpaid interest payable up to the redemption date of February 13, 2015. The trustee redeemed the 2020 Notes on February 13, 2015, using the deposited amount, extinguishing the Company's $300.0 million liability in relation to the principal amount of the 2020 Notes.

In accordance with the applicable accounting guidance for debt modification and extinguishment, and for interest costs accounting, the Company expensed the Call Premium, remaining debt issuance costs, and remaining original issue discount relating to the 2020 Notes in the first quarter of fiscal year 2015, which totaled $20.4 million. The Company reported this expense within "Interest expense" on the Condensed Consolidated Statements of Income for the nine months ended August 1, 2015.

As of November 1, 2014, the fair value of the 2020 Notes was approximately $312.5 million, which was estimated based on broker trading prices.

*Senior Secured Credit Facility*

In October 2008, the Company entered into a credit agreement for (i) a five-year, $1,100.0 million term loan facility and (ii) a five-year, $125.0 million revolving credit facility, which includes a $25.0 million swing line loan sub-facility and a $25.0 million letter of credit sub-facility ("Senior Secured Credit Facility"). The credit agreement was subsequently amended in January 2010, June 2011, January 2013, October 2013, and April 2014, to, among other things, remove and update certain covenants, reduce interest rates on the term loan facility, reduce interest rates and fees on the revolving credit facility, and extend the maturity date of the revolving credit facility to January 7, 2015. There were no principal amounts or commitments outstanding under the term loan facility and the revolving credit facility as of either August 1, 2015, or November 1, 2014.

On January 9, 2015, the Company terminated the Senior Secured Credit Facility.

*Debt Maturities*

As of August 1, 2015, the Company's aggregate debt maturities based on outstanding principal were as follows (in thousands):

| **Fiscal Year** | | **Principal Balances** |
|---|---|---|
| 2015 (remaining three months) | $ | 149 |
| 2016 | | 291 |
| 2017 | | — |
| 2018 | | — |
| 2019 | | — |
| Thereafter | | 875,000 |
| Total | $ | 875,440 |

## 9. Commitments and Contingencies

*Product Warranties*

The Company's accrued liability for estimated future warranty costs is included in "Other accrued liabilities" in the accompanying Condensed Consolidated Balance Sheets. The following table summarizes the activity related to the Company's accrued liability for estimated future warranty costs during the nine months ended August 1, 2015, and August 2, 2014, respectively (in thousands):

| | Accrued Warranty | |
|---|---|---|
| | Nine Months Ended | |
| | August 1, 2015 | August 2, 2014 |
| Beginning balance | $ 7,486 | $ 8,632 |
| Liabilities accrued for warranties issued during the period | 3,059 | 3,498 |
| Warranty claims paid and used during the period | (3,221) | (4,063) |
| Changes in liability for pre-existing warranties during the period | (125) | (368) |
| Ending balance | $ 7,199 | $ 7,699 |

In addition, the Company has defense and indemnification clauses contained within its various customer contracts. As such, the Company indemnifies the parties to whom it sells its products with respect to the Company's products, alone or potentially in combination with others, infringing upon any patents, trademarks, copyrights, or trade secrets, as well as against bodily injury or damage to real or tangible personal property caused by a defective Company product. As of August 1, 2015, there have been no known events or circumstances that have resulted in a material customer contract-related indemnification liability to the Company.

*Manufacturing and Purchase Commitments*

Brocade has manufacturing arrangements with its CMs under which Brocade provides product forecasts and places purchase orders in advance of the scheduled delivery of products to Brocade's customers. The required lead time for placing orders with the CMs depends on the specific product. Brocade issues purchase orders, and the CMs then generate invoices based on prices and payment terms mutually agreed upon and set forth in those purchase orders. Although the purchase orders Brocade places with its CMs are cancellable, the terms of the agreements require Brocade to purchase all inventory components not returnable, usable by, or sold to other customers of the CMs. In addition, Brocade has an arrangement with one of its CMs on the level of factory capacity that can be used by the Company. Under this arrangement, the Company receives a credit for exceeding the planned factory capacity and, conversely, is required to pay additional fees for not meeting the plan.

As of August 1, 2015, the Company's aggregate commitment to its CMs for inventory components used in the manufacture of Brocade products was $207.2 million, which the Company expects to utilize during future normal ongoing operations, net of a purchase commitments reserve of $1.7 million, which is reported within "Other accrued liabilities" on the Condensed Consolidated Balance Sheet as of August 1, 2015. The Company's purchase commitments reserve reflects the Company's estimate of purchase commitments it does not expect to utilize in normal ongoing operations.

*Income Taxes*

The Company is subject to several ongoing income tax audits and has received notices of proposed adjustments or assessments from certain tax authorities. For additional discussion, see Note 13, "Income Taxes," of the Notes to Condensed Consolidated Financial Statements. The Company believes it has adequate reserves for all open tax years.

*Legal Proceedings*

From time to time, the Company is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including claims of alleged infringement of patents and/or other intellectual property rights and commercial and employment contract disputes. While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already accrued by the Company.

**10. Derivative Instruments and Hedging Activities**

In the normal course of business, the Company is exposed to fluctuations in interest rates and the exchange rates associated with foreign currencies. The Company's primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk. The Company currently does not manage its exposure to credit risk by entering into derivative instruments. However, the Company manages its exposure to credit risk through its investment policies. As part of these investment policies, the Company generally enters into transactions with high-credit quality counterparties and, by policy, limits the amount of credit exposure to any one counterparty based on its analysis of that counterparty's relative credit standing.

The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which a counterparty's obligations exceed the Company's obligations with that counterparty.

*Foreign Currency Exchange Rate Risk*

A majority of the Company's revenue, expense, and capital purchasing activities are transacted in U.S. dollars. However, the Company is exposed to foreign currency exchange rate risk inherent in conducting business globally in numerous currencies. The Company is primarily exposed to foreign currency fluctuations related to operating expenses denominated in currencies other than the U.S. dollar, of which the most significant to its operations for the three and nine months ended August 1, 2015, and August 2, 2014, were the British pound, the euro, the Indian rupee, the Chinese yuan, the Singapore dollar, the Japanese yen, and the Swiss franc. The Company has established a foreign currency risk management program to protect against the volatility of future cash flows caused by changes in foreign currency exchange rates. This program reduces, but does not eliminate, the impact of foreign currency exchange rate movements.

The Company utilizes a rolling hedge strategy for the majority of its foreign currency derivative instruments with cash flow hedge accounting designation that hedges exposures to the variability in the U.S. dollar equivalent of anticipated non-U.S.-dollar-denominated cash flows. The Company's foreign currency risk management program includes foreign currency derivatives with a cash flow hedge accounting designation that utilizes foreign currency forward and option contracts to hedge exposures to the variability in the U.S. dollar equivalent of anticipated non-U.S.-dollar-denominated cash flows. These instruments generally have a maturity of less than 15 months. For these derivatives, the Company reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive loss in stockholders' equity and reclassifies it into earnings in the same period in which the hedged transaction affects earnings. The tax effect allocated to cash flow hedge-related components of other comprehensive income was not significant for the three and nine months ended August 1, 2015, and August 2, 2014.

Ineffective cash flow hedges are included in the Company's net income as part of "Interest and other income, net." The amount recorded on ineffective cash flow hedges was not significant for the three and nine months ended August 1, 2015, and August 2, 2014, respectively.

Net gains (losses) relating to the effective portion of foreign currency derivatives recorded in the Condensed Consolidated Statements of Income are as follows (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| Cost of revenues | $ (141) | $ 53 | $ (605) | $ 173 |
| Research and development | (206) | (80) | (273) | (665) |
| Sales and marketing | (542) | 236 | (1,866) | 657 |
| General and administrative | (52) | 37 | (135) | 75 |
| Total | $ (941) | $ 246 | $ (2,879) | $ 240 |

Alternatively, the Company may choose not to hedge the foreign currency risk associated with its foreign currency exposures if the Company believes such exposure acts as a natural foreign currency hedge for other offsetting amounts denominated in the same currency or if the currency is difficult or too expensive to hedge.

The net foreign currency exchange gains and losses recorded as part of "Interest and other income, net" were gains of $0.3 million and losses of $0.6 million for the three and nine months ended August 1, 2015, respectively, and losses of $0.2 million and $0.3 million for the three and nine months ended August 2, 2014, respectively.

As of August 1, 2015, the Company had gross unrealized loss positions of $1.7 million and $0.1 million included in "Other accrued liabilities" and "Other non-current liabilities," respectively, and gross unrealized gain positions of $0.9 million and $0.4 million included in "Prepaid expenses and other current assets" and "Other assets," respectively.

*Volume of Derivative Activity*

Total gross notional amounts, presented by currency, are as follows (in thousands):

| In U.S. dollars | Derivatives Designated as Hedging Instruments | | Derivatives Not Designated as Hedging Instruments | |
|---|---|---|---|---|
| | As of August 1, 2015 | As of November 1, 2014 | As of August 1, 2015 | As of November 1, 2014 |
| British pound | $ 56,916 | $ 11,168 | $ 3,638 | $ 14,891 |
| Euro | 52,429 | 14,404 | 4,206 | 19,200 |
| Indian rupee | 41,192 | 19,413 | — | — |
| Chinese yuan | 18,240 | 10,406 | — | — |
| Singapore dollar | 16,193 | 9,242 | — | — |
| Swiss franc | 11,338 | 7,468 | — | — |
| Japanese yen | 10,585 | 8,856 | — | — |
| Total | $ 206,893 | $ 80,957 | $ 7,844 | $ 34,091 |

## 11. Stock-Based Compensation

Stock-based compensation expense, net of estimated forfeitures, was included in the following line items of the Condensed Consolidated Statements of Income as follows (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| Cost of revenues | $ 3,955 | $ 4,121 | $ 9,757 | $ 10,738 |
| Research and development | 5,226 | 4,350 | 13,239 | 13,107 |
| Sales and marketing | 10,601 | 7,592 | 27,651 | 22,819 |
| General and administrative | 4,655 | 5,511 | 13,947 | 14,550 |
| Total stock-based compensation | $ 24,437 | $ 21,574 | $ 64,594 | $ 61,214 |

The following table presents stock-based compensation expense, net of estimated forfeitures, by grant type (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| Stock options | $ 973 | $ 1,072 | $ 2,865 | $ 3,602 |
| RSUs, including stock units with market conditions | 18,941 | 13,970 | 48,192 | 45,957 |
| Employee stock purchase plan ("ESPP") | 4,523 | 6,532 | 13,537 | 11,655 |
| Total stock-based compensation | $ 24,437 | $ 21,574 | $ 64,594 | $ 61,214 |

The following table presents the unrecognized compensation expense, net of estimated forfeitures, of the Company's equity compensation plans as of August 1, 2015, which is expected to be recognized over the following weighted-average periods (in thousands, except for the weighted-average period):

| | Unrecognized Compensation Expense | Weighted-Average Period (in years) |
|---|---|---|
| Stock options | $ 973 | 1.21 |
| RSUs, including stock units with market conditions | $ 28,160 | 1.90 |
| ESPP | $ 10,244 | 0.98 |

In accordance with the applicable accounting guidance for stock-based compensation, the compensation expense for stock-based awards is reduced by an estimate for forfeitures and is recognized over the requisite service period of the respective awards. To the extent that the actual forfeitures differ from the estimated forfeitures, the Company records the difference in the period that the awards vest. The Company estimates the forward-looking forfeiture rate, using the Company's historical forfeiture rates, annually during the second fiscal quarter, and whenever events occur or facts and circumstances indicate that the current forfeiture rate estimate is significantly different from historical forfeitures. Changes in the estimated forfeiture rates and differences between the estimated forfeiture rates and actual forfeiture rates may result in significant increases or decreases in stock-based compensation expense from period to period.

Based on the results of the annual forfeiture rate analysis performed during the second fiscal quarter of 2015, the Company recorded a cumulative adjustment to reduce stock-based compensation expense by $5.6 million during the three months ended May 2, 2015, to reflect the effect of the change in the estimated forfeiture rates.

There was no significant impact related to the change in the estimated forfeiture rates during the three months ended May 3, 2014.

The following table presents details on grants made by the Company for the following periods:

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | August 1, 2015 | | August 2, 2014 | |
| | Granted (in thousands) | Weighted-Average Grant Date Fair Value | Granted (in thousands) | Weighted-Average Grant Date Fair Value |
| Stock options | 1,117 | $ 3.09 | 1,770 | $ 3.16 |
| RSUs, including stock units with market conditions | 10,251 | $ 11.53 | 10,419 | $ 9.81 |

The total intrinsic value of stock options exercised for the nine months ended August 1, 2015, and August 2, 2014, was $2.9 million and $22.3 million, respectively.

## 12. Stockholders' Equity

*Dividends*

During the nine months ended August 1, 2015, the Company's Board of Directors declared the following dividends (in thousands, except per share amounts):

| Declaration Date | Dividend per Share | Record Date | Total Amount Paid | Payment Date |
|---|---|---|---|---|
| November 23, 2014 | $ 0.035 | December 10, 2014 | $ 15,106 | January 2, 2015 |
| February 16, 2015 | $ 0.035 | March 10, 2015 | $ 14,748 | April 2, 2015 |
| May 20, 2015 | $ 0.045 | June 10, 2015 | $ 18,965 | July 2, 2015 |

Future dividends are subject to review and approval on a quarterly basis by the Company's Board of Directors or a committee thereof.

*Convertible Note Hedge and Warrants Related to the Convertible Senior Unsecured Notes*

In connection with the issuance of the 2020 Convertible Notes, the Company entered into convertible note hedge and warrant transactions with certain financial institutions with respect to its common stock. See Note 8, "Borrowings," of the Notes to Condensed Consolidated Financial Statements for further discussion.

*Accumulated Other Comprehensive Loss*

The components of other comprehensive income (loss) and related tax effects for the three months ended August 1, 2015, and August 2, 2014, are as follows (in thousands):

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | | August 2, 2014 | | |
| | Before-Tax Amount | Tax (Expense) or Benefit | Net-of-Tax Amount | Before-Tax Amount | Tax Benefit | Net-of-Tax Amount |
| Unrealized gains (losses) on cash flow hedges: | | | | | | |
| Change in unrealized gains and losses, foreign exchange contracts | $ (361) | $ (53) | $ (414) | $ (203) | $ 48 | $ (155) |
| Net gains and losses reclassified into earnings, foreign exchange contracts (1) | 941 | (110) | 831 | (246) | 28 | (218) |
| Net unrealized gains (losses) on cash flow hedges | 580 | (163) | 417 | (449) | 76 | (373) |
| Foreign currency translation adjustments | (492) | — | (492) | (191) | — | (191) |
| Total other comprehensive income (loss) | $ 88 | $ (163) | $ (75) | $ (640) | $ 76 | $ (564) |

The components of other comprehensive income (loss) and related tax effects for the nine months ended August 1, 2015, and August 2, 2014, are as follows (in thousands):

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | | August 2, 2014 | | |
| | Before-Tax Amount | Tax (Expense) or Benefit | Net-of-Tax Amount | Before-Tax Amount | Tax Benefit | Net-of-Tax Amount |
| Unrealized gains (losses) on cash flow hedges: | | | | | | |
| Change in unrealized gains and losses, foreign exchange contracts | $ (2,558) | $ 226 | $ (2,332) | $ 23 | $ (9) | $ 14 |
| Net gains and losses reclassified into earnings, foreign exchange contracts (1) | 2,879 | (335) | 2,544 | (240) | 23 | (217) |
| Net unrealized gains (losses) on cash flow hedges | 321 | (109) | 212 | (217) | 14 | (203) |
| Foreign currency translation adjustments | (5,781) | — | (5,781) | 284 | — | 284 |
| Total other comprehensive income (loss) | $ (5,460) | $ (109) | $ (5,569) | $ 67 | $ 14 | $ 81 |

(1) For Condensed Consolidated Statements of Income classification of amounts reclassified from accumulated other comprehensive loss, see Note 10, "Derivative Instruments and Hedging Activities," of the Notes to Condensed Consolidated Financial Statements.

The changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended August 1, 2015, and August 2, 2014, are as follows (in thousands):

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | | August 2, 2014 | | |
| | Gains (Losses) on Cash Flow Hedges | Foreign Currency Translation Adjustments | Total Accumulated Other Comprehensive Loss | Gains (Losses) on Cash Flow Hedges | Foreign Currency Translation Adjustments | Total Accumulated Other Comprehensive Loss |
| Beginning balance | $ (1,907) | $ (16,907) | $ (18,814) | $ 267 | $ (13,711) | $ (13,444) |
| Change in unrealized gains and losses | (2,332) | (5,781) | (8,113) | 14 | 284 | 298 |
| Net gains and losses reclassified into earnings | 2,544 | — | 2,544 | (217) | — | (217) |
| Net current-period other comprehensive income (loss) | 212 | (5,781) | (5,569) | (203) | 284 | 81 |
| Ending balance | $ (1,695) | $ (22,688) | $ (24,383) | $ 64 | $ (13,427) | $ (13,363) |

**13. Income Taxes**

The Company’s effective tax rate differs from tax computed at the U.S. federal statutory tax rate of 35% due to state taxes, the effect of non-U.S. operations, nondeductible stock-based compensation expense, tax credits, and adjustments to unrecognized tax benefits.

The lower effective tax rates for the three and nine months ended August 1, 2015, compared with the three and nine months ended August 2, 2014, respectively, were primarily due to the benefit from a domestic manufacturing deduction recognized in the three months ended August 1, 2015, and the goodwill impairment charge of $83.4 million recorded in the nine months ended August 2, 2014, which is nondeductible for tax purposes.

The effective tax rates for the three and nine months ended August 1, 2015, were lower than the federal statutory tax rate of 35% primarily due to the benefit from the domestic manufacturing deduction, a discrete benefit from the federal research and development tax credit that was reinstated in December 2014, and made retroactive for calendar year 2014, and the effects of earnings in foreign jurisdictions being taxed at rates lower than the U.S. federal statutory tax rate.

The Company’s total gross unrecognized tax benefits, excluding interest and penalties, were $117.2 million as of August 1, 2015. If the total gross unrecognized tax benefits as of August 1, 2015, were recognized in the future, approximately $80.3 million would decrease the Company’s effective tax rate.

The IRS and other tax authorities regularly examine the Company’s income tax returns. In October 2014, the IRS issued a Revenue Agent’s Report related to its field examination of the Company’s federal income tax returns for fiscal years 2009 and 2010. The IRS is contesting the Company’s transfer pricing with its foreign subsidiaries. In November 2014, the Company filed a protest to challenge the proposed adjustment, and in March 2015, the issue was moved to the Office of Appeals. In addition, in October 2014, the Geneva Tax Administration issued its final assessments for fiscal years 2003 to 2012, disputing certain of the Company’s transfer pricing arrangements. In November 2014, the Company filed a protest to challenge the final assessments. The Company believes that reserves for unrecognized tax benefits are adequate for all open tax years. The timing of income tax examinations, as well as the amounts and timing of related settlements, if any, are highly uncertain. Before the end of fiscal year 2015, it is reasonably possible that either certain audits will conclude or the statute of limitations relating to certain income tax examination periods will expire, or both. Taking into consideration the inherent uncertainty as to settlement terms, the timing of payments, and the impact of such settlements on the uncertainty in income taxes, the Company estimates the range of potential decreases in underlying uncertainty in income taxes is between $0 million and $4 million in the next 12 months.

**14. Segment Information**

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker (“CODM”), or decision-making group, in deciding how to allocate resources and in assessing performance. Financial decisions and the allocation of resources are based on the information from the Company’s internal management reporting system. Currently, the Company’s CODM is its Chief Executive Officer.

Brocade is organized into three operating segments, each of which is an individually reportable segment: SAN Products, IP Networking Products, and Global Services. These reportable segments are organized principally by product category.

At this time, the Company does not track its operating expenses by operating segments because management does not consider this information in its measurement of the performance of the operating segments. The Company also does not track all of its assets by operating segments. The majority of the Company’s assets as of August 1, 2015, were attributable to its U.S. operations.

Summarized financial information by reportable segment for the three and nine months ended August 1, 2015, and August 2, 2014, based on the internal management reporting system, is as follows (in thousands):

| | SAN Products | IP Networking Products | Global Services | Total |
|---|---|---|---|---|
| **Three months ended August 1, 2015** | | | | |
| Net revenues | $ 309,451 | $ 153,749 | $ 88,619 | $ 551,819 |
| Cost of revenues | 73,657 | 70,586 | 35,672 | 179,915 |
| Gross margin | $ 235,794 | $ 83,163 | $ 52,947 | $ 371,904 |
| **Three months ended August 2, 2014** | | | | |
| Net revenues | $ 325,238 | $ 132,559 | $ 87,667 | $ 545,464 |
| Cost of revenues | 83,938 | 61,580 | 38,233 | 183,751 |
| Gross margin | $ 241,300 | $ 70,979 | $ 49,434 | $ 361,713 |
| **Nine months ended August 1, 2015** | | | | |
| Net revenues | $ 976,362 | $ 431,319 | $ 266,952 | $ 1,674,633 |
| Cost of revenues | 233,150 | 198,631 | 109,056 | 540,837 |
| Gross margin | $ 743,212 | $ 232,688 | $ 157,896 | $ 1,133,796 |
| **Nine months ended August 2, 2014** | | | | |
| Net revenues | $ 1,001,858 | $ 373,424 | $ 271,627 | $ 1,646,909 |
| Cost of revenues | 261,393 | 180,023 | 116,818 | 558,234 |
| Gross margin | $ 740,465 | $ 193,401 | $ 154,809 | $ 1,088,675 |

## 15. Net Income per Share

The following table presents the calculation of basic and diluted net income per share (in thousands, except per share amounts):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| **Basic net income per share** | | | | |
| Net income | $ 91,667 | $ 87,352 | $ 255,974 | $ 154,552 |
| Weighted-average shares used in computing basic net income per share | 417,299 | 432,448 | 422,184 | 436,396 |
| Basic net income per share | $ 0.22 | $ 0.20 | $ 0.61 | $ 0.35 |
| **Diluted net income per share** | | | | |
| Net income | $ 91,667 | $ 87,352 | $ 255,974 | $ 154,552 |
| Weighted-average shares used in computing basic net income per share | 417,299 | 432,448 | 422,184 | 436,396 |
| Dilutive potential common shares in the form of stock options | 1,772 | 1,616 | 1,777 | 2,162 |
| Dilutive potential common shares in the form of other share-based awards | 8,447 | 7,725 | 9,342 | 10,038 |
| Weighted-average shares used in computing diluted net income per share | 427,518 | 441,789 | 433,303 | 448,596 |
| Diluted net income per share | $ 0.21 | $ 0.20 | $ 0.59 | $ 0.34 |
| **Antidilutive potential common shares in the form of:** (1) | | | | |
| Warrants issued in conjunction with the 2020 Convertible Notes (2) | 36,125 | — | 26,453 | — |
| Stock options | 1,109 | 1,651 | 934 | 2,050 |
| Other share-based awards | 100 | 1,331 | 33 | 1,119 |

(1) These amounts are excluded from the computation of diluted net income per share.

(2) In connection with the issuance of the 2020 Convertible Notes, the Company entered into convertible note hedge and warrant transactions as described in Note 8, “Borrowings.” The 2020 Convertible Notes have no impact on diluted earnings per share until the average quarterly price of the Company’s common stock exceeds the adjusted conversion price of $15.92 per share. If the common stock price exceeds this adjusted conversion price, prior to conversion, the Company will calculate the effect of the additional shares that may be issued using the treasury stock method. If the average price of the Company’s common stock exceeds $20.63 per share for a quarterly period, the Company’s weighted-average shares used in computing diluted net income per share will be impacted by the effect of the additional potential shares that may be issued related to the warrants using the treasury stock method. The convertible note hedge is not considered for purposes of the diluted earnings per share calculation, as its effect would be antidilutive.

**16. Guarantor and Non-Guarantor Subsidiaries**

On January 20, 2010, the Company issued $300.0 million in aggregate principal amount of the 6.625% senior secured notes due 2018 (the “2018 Notes”) and $300.0 million in aggregate principal amount of the 2020 Notes (together with the 2018 Notes, the “Senior Secured Notes”) pursuant to separate indentures between the Company, certain domestic subsidiaries of the Company, and Wells Fargo Bank, National Association, as the trustee (the “2020 Indenture” and “2018 Indenture,” respectively). In addition, on January 22, 2013, the Company issued $300.0 million in aggregate principal amount of the 2023 Notes. The Company’s obligations under the Senior Secured Notes and the 2023 Notes were previously guaranteed by certain of the Company’s domestic subsidiaries (the “Subsidiary Guarantors”). Each of the Subsidiary Guarantors was 100% owned by the Company and all guarantees were joint and several. Neither the Senior Secured Notes nor the 2023 Notes were guaranteed by certain of the Company’s domestic subsidiaries or any of the Company’s foreign subsidiaries (the “Non-Guarantor Subsidiaries”).

The Company determined that the circumstances under which the subsidiary guarantees may be released were customary under applicable SEC guidance, and, as such, the Company previously provided consolidated financial statements in reliance on Item 3-10 of Regulation S-X.

The guarantees of the 2018 Notes and 2020 Notes were released on January 22, 2013, and January 14, 2015, respectively, upon the discharge of the 2018 Indenture and 2020 Indenture. The guarantees of the 2023 Notes were released on January 14, 2015, upon termination of the Senior Secured Credit Facility and discharge of the 2020 Indenture.

As a result, all guarantees were released prior to January 31, 2015, and the Company has ceased presenting condensed consolidated financial statements for the parent company, the former Subsidiary Guarantors, and Non-Guarantor Subsidiaries effective in the first fiscal quarter of 2015.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q and with Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report filed on Form 10-K with the Securities and Exchange Commission on December 19, 2014. This section and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as “expects,” “anticipates,” “assumes,” “targets,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “may,” and variations of such words and similar expressions. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled “Risk Factors” below.*

**Overview**

We are a leading supplier of networking hardware and software for businesses and organizations of various types and sizes. Our end customers include global enterprises and organizations that use our products and services as part of their communications infrastructure, and service providers such as telecommunication firms, cable operators, and mobile carriers who use our products and services as part of their production operations. Our products and services are marketed, sold, and supported worldwide to end-user customers through distribution partners, including original equipment manufacturers ("OEMs"), distributors, systems integrators, and value-added resellers, as well as directly to end users by our sales force. Our business model is focused on two key markets: Storage Area Networking ("SAN"), where we offer our Fibre Channel ("FC") SAN products, including directors, fixed-configuration and embedded switches; and Internet Protocol ("IP") Networking, where we offer our IP routers, Ethernet switches, network security, analytics and monitoring, as well as products used to manage application delivery. Our IP products are available in modular and fixed hardware-based form factors, as well as in software, and can be deployed in both traditional network designs and full-featured Ethernet fabrics. We also provide product-related customer support and services in both our SAN business and IP Networking business. Many of our products have been designed to enable customers to deploy next-generation data center architectures and technologies, which the networking industry refers to as the New IP.

We expect growth opportunities in the SAN market over time to include key customer information technology ("IT") initiatives, such as server virtualization, enterprise mobility, data center consolidation, cloud computing initiatives, and migration to higher-performance technologies, such as solid state storage. Our IP Networking business strategies are intended to increase new customer accounts and expand our currently low market share through product innovations, such as our Ethernet fabric switches and virtualized software networking products (also known as software-defined networking ("SDN"), Network Functions Virtualization ("NFV"), and Network Visibility and Analytics ("NVA")), and the development and expansion of our routes to market. The success of our Ethernet fabrics, in particular, will depend on customers recognizing the benefits of upgrading their data center networks to fabric-based networking architectures, and our future success in this area would be negatively impacted if this technological transition does not occur at the anticipated rate or at all. While our software networking product revenues have not been material to date, there is customer interest in software networking products, and we believe that customers prefer to buy networking products from suppliers that offer a portfolio of solutions that address their current and future needs. We plan to continue to support our SAN and IP Networking growth plans by continuous innovation, leveraging the strategic investments we have made in our core businesses, developing emerging New IP technologies (such as SDN, NFV, and NVA), new product introductions, acquisitions, and enhancing our existing partnerships and forming new ones through our various distribution channels.

In fiscal years 2013 and 2014, we made certain changes in our strategic direction by focusing on key technology segments for the data center, such as our SAN fabrics, Ethernet fabrics, and software networking solutions. As part of this change in focus, we reduced our cost of revenues and other operating expenses by focusing on the optimization of discretionary spending and rebalancing personnel resources.

In the second quarter of fiscal year 2014, we made a strategic decision to reduce our investment in our hardware-based application delivery controller product line and to increase investment in our software-based application delivery controller product line.

We continue to face multiple challenges, including aggressive price discounting from competitors, new product introductions from competitors, and rapid adoption of new technologies by customers. We also continue to be affected by worldwide macroeconomic conditions, and face the possibility that these conditions could deteriorate and create a more cautious capital spending environment in the IT sector. In addition, U.S. federal customers are important to us, and spending by the U.S. government can be variable and difficult to predict. We are also cautious about the stability and health of certain international markets and current global and country-specific dynamics, such as the drop in the value of the euro and the Chinese yuan versus the U.S. dollar, slowing economic growth in China, and geopolitical uncertainty in Russia. These factors may impact our business and those of our partners. Our diversified portfolio of products helps mitigate the effect of some of these challenges, and we expect IT spending levels to generally rise in the long term. However, it is difficult for us to offset the effects of short-term reductions in IT spending, which may adversely affect our financial results and stock price.

We expect our SAN and IP Networking revenues to fluctuate depending on the demand for our existing and future products and sales support for our products from our distribution and resale partners, as well as the timing of product transitions by our OEM partners. The average selling prices per port for our SAN and IP Networking products have typically declined over time, unless impacted favorably by a new product introduction or mix, and will likely decline in the future.

In January 2015, we issued $575.0 million of 1.375% convertible senior unsecured notes due 2020 (the "2020 Convertible Notes"), allowing us to redeem the outstanding 6.875% senior secured notes due 2020 (the "2020 Notes") in February 2015. These transactions are described further below in "Liquidity and Capital Resources."

We continue to expand our software networking capabilities through technology innovation and strategic acquisitions. In March 2015, we completed two acquisitions, which complement our solutions for the New IP. The acquired virtual application delivery controller ("vADC") software expands our NFV portfolio and targets service providers and enterprise accounts. The acquired virtual evolved packet core software primarily targets emerging mobile applications and services, including advanced mobile virtual network operators and enterprise mobile services, like mobile virtual private networks. In addition, in April 2015, we launched a portfolio of IP storage tools designed specifically to support IP storage deployments.

Our plans for our operating cash flows are to provide liquidity for operations, capital investments, and other strategic initiatives, including investments and acquisitions, to strengthen our networking portfolios, and to return capital to stockholders in the form of stock repurchases and cash dividends. In September 2013, we announced our intent to return at least 60% of our adjusted free cash flow to stockholders in the form of share repurchases or dividends. We define adjusted free cash flow as operating cash flow, adjusted for the impact of the excess tax benefits from stock-based compensation, less capital expenditures. In the third quarter of fiscal year 2015, our Board of Directors declared and paid a quarterly cash dividend of $0.045 per share of our common stock for a total of $19.0 million. On August 18, 2015, our Board of Directors declared a quarterly cash dividend of $0.045 per share of our common stock to be paid on October 2, 2015, to stockholders of record as of the close of market on September 10, 2015. Future dividend payments are subject to review and approval on a quarterly basis by our Board of Directors or a committee thereof.

**Overview of Financial Results**

The following table provides an overview of some of our financial results (in thousands, except percentages):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | August 1, 2015 | August 2, 2014 | August 1, 2015 | August 2, 2014 |
| Total net revenues | $ 551,819 | $ 545,464 | $ 1,674,633 | $ 1,646,909 |
| Gross margin | $ 371,904 | $ 361,713 | $ 1,133,796 | $ 1,088,675 |
| Gross margin, as a percentage of total net revenues | 67.4% | 66.3% | 67.7% | 66.1% |
| Income from operations | $ 119,849 | $ 117,897 | $ 373,459 | $ 259,582 |
| Operating income, as a percentage of total net revenues | 21.7% | 21.6% | 22.3% | 15.8% |
| Net income | $ 91,667 | $ 87,352 | $ 255,974 | $ 154,552 |

**Results of Operations**

Our results of operations for the three and nine months ended August 1, 2015, and August 2, 2014, are reported in this discussion and analysis as a percentage of total net revenues, except for gross margin with respect to each reportable segment, which is indicated as a percentage of the respective reportable segment net revenues.

*Revenues.* Our revenues are derived primarily from sales of our SAN and IP Networking products, and support and services related to these products, which we call Global Services.

Our total net revenues are summarized as follows (in thousands, except percentages):

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | August 2, 2014 | | | |
| | Net Revenues | % of Net Revenues | Net Revenues | % of Net Revenues | Increase/(Decrease) | % Change |
| SAN Products | $ 309,451 | 56.1% | $ 325,238 | 59.6% | $ (15,787) | (4.9)% |
| IP Networking Products | 153,749 | 27.9% | 132,559 | 24.3% | 21,190 | 16.0 % |
| Global Services | 88,619 | 16.0% | 87,667 | 16.1% | 952 | 1.1 % |
| Total net revenues | $ 551,819 | 100.0% | $ 545,464 | 100.0% | $ 6,355 | 1.2 % |

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | August 2, 2014 | | | |
| | Net Revenues | % of Net Revenues | Net Revenues | % of Net Revenues | Increase/(Decrease) | % Change |
| SAN Products | $ 976,362 | 58.3% | $ 1,001,858 | 60.8% | $ (25,496) | (2.5)% |
| IP Networking Products | 431,319 | 25.8% | 373,424 | 22.7% | 57,895 | 15.5 % |
| Global Services | 266,952 | 15.9% | 271,627 | 16.5% | (4,675) | (1.7)% |
| Total net revenues | $ 1,674,633 | 100.0% | $ 1,646,909 | 100.0% | $ 27,724 | 1.7 % |

The increase in total net revenues for the three months ended August 1, 2015, compared with the three months ended August 2, 2014, reflects higher sales for our IP Networking products and Global Services offerings, partially offset by lower sales for our SAN products, as further described below.

- The decrease in SAN product revenues was caused by a decrease in embedded and fixed-configuration switch product revenues primarily as a result of softer storage demand and continued operational issues at certain OEM partners. This decrease was partially offset by an increase in director product revenues primarily due to greater demand from certain OEM partners. The number of ports shipped decreased by 10.2% during the three months ended August 1, 2015, due to the decrease in embedded and fixed-configuration switch sales, the effect of which was partially offset by a 6.0% increase in the average selling price per port during the same period due to a shift in product mix towards more feature-rich director products;
- The increase in IP Networking product revenues primarily reflects higher revenues from our data center routing, data center switching, and campus products, as well as higher software networking revenues. Data center routing product revenues increased primarily due to strong demand from large network carrier customers for our newest MLXe modules that we began shipping in the fourth quarter of fiscal year 2014 and increased sales to U.S. federal customers. Data center switching product revenues increased as a result of strong fixed and modular Brocade VDX sales into data center deployments. Campus product revenues increased due in part to increased orders from U.S. public sector customers. Software networking revenues increased due to the vADC software product line acquired in March 2015, and increased usage of our virtual routers by cloud service providers. Data center revenues from IP Networking products accounted for 52.4% and 54.7% of total IP Networking product revenues for the three months ended August 1, 2015, and the three months ended August 2, 2014, respectively; and
- The increase in Global Services revenues was primarily attributable to an increase in renewal support contracts for our IP networking products, partially offset by a decrease in new and renewal SAN support contracts with certain OEMs.

The increase in total net revenues for the nine months ended August 1, 2015, compared with the nine months ended August 2, 2014, reflects higher sales for our IP Networking products, partially offset by lower sales for our SAN products and Global Services offerings, as further described below.

- The decrease in SAN product revenues was caused by a decrease in embedded and fixed-configuration switch product revenues, partially offset by an increase in director product revenues, due to softer storage demand, operational issues at certain OEM partners, and a change in our customers' buying patterns. The number of ports shipped decreased by 9.2% during the nine months ended August 1, 2015, due to the decrease in embedded switch sales, the effect of which was partially offset by a 7.3% increase in the average selling price per port during the same period due to a shift in product mix towards more feature-rich director products;
- The increase in IP Networking product revenues primarily reflects higher revenues from our data center routing and switching products, as well as higher software networking revenues, partially offset by a decrease in revenues as a result of the previously announced changes in our Brocade ADX and wireless business strategies, and the divestiture of our network adapter business (converged network adapters) in January 2014. Data center routing product revenues increased primarily due to strong demand from large network carrier customers for our newest MLXe modules that we began shipping in the fourth quarter of fiscal year 2014 and increased sales to U.S. federal customers. Data center switching product revenues increased as a result of strong fixed and modular Brocade VDX sales into data center deployments. Software networking revenues increased due to the vADC software product line acquired in March 2015, and increased usage of our virtual routers by cloud service providers. Data center revenues from IP Networking products accounted for 56.0% and 56.6% of total IP Networking product revenues for the nine months ended August 1, 2015, and the nine months ended August 2, 2014, respectively; and
- The decrease in Global Services revenues was primarily attributable to one less fiscal week of amortized support revenue in the second quarter of fiscal year 2015 compared with the second quarter of fiscal year 2014, which was a 14-week fiscal quarter, and a decrease in new and renewal support contracts with certain OEMs for our SAN products. This decrease was partially offset by an increase in new and renewal support contracts with large network carrier customers for our IP networking products.

Our total net revenues by geographic area are summarized as follows (in thousands, except percentages):

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | August 2, 2014 | | | |
| | Net Revenues | % of Net Revenues | Net Revenues | % of Net Revenues | Increase/(Decrease) | % Change |
| United States | $ 317,183 | 57.5% | $ 304,313 | 55.8% | $ 12,870 | 4.2 % |
| Europe, the Middle East and Africa (1) | 142,050 | 25.7% | 154,141 | 28.3% | (12,091) | (7.8)% |
| Asia Pacific | 56,160 | 10.2% | 43,229 | 7.9% | 12,931 | 29.9 % |
| Japan | 22,065 | 4.0% | 23,649 | 4.3% | (1,584) | (6.7)% |
| Canada, Central and South America | 14,361 | 2.6% | 20,132 | 3.7% | (5,771) | (28.7)% |
| Total net revenues | $ 551,819 | 100.0% | $ 545,464 | 100.0% | $ 6,355 | 1.2 % |

(1) Includes net revenues of $91.5 million and $97.4 million for the three months ended August 1, 2015, and the three months ended August 2, 2014, respectively, relating to the Netherlands.

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | August 2, 2014 | | | |
| | Net Revenues | % of Net Revenues | Net Revenues | % of Net Revenues | Increase/(Decrease) | % Change |
| United States | $ 954,751 | 57.0% | $ 942,444 | 57.2% | $ 12,307 | 1.3 % |
| Europe, the Middle East and Africa (2) | 447,199 | 26.7% | 453,972 | 27.6% | (6,773) | (1.5)% |
| Asia Pacific | 163,861 | 9.8% | 135,687 | 8.3% | 28,174 | 20.8 % |
| Japan | 67,768 | 4.0% | 69,728 | 4.2% | (1,960) | (2.8)% |
| Canada, Central and South America | 41,054 | 2.5% | 45,078 | 2.7% | (4,024) | (8.9)% |
| Total net revenues | $ 1,674,633 | 100.0% | $ 1,646,909 | 100.0% | $ 27,724 | 1.7 % |

(2) Includes net revenues of $295.6 million and $290.3 million for the nine months ended August 1, 2015, and the nine months ended August 2, 2014, respectively, relating to the Netherlands.

Revenues are attributed to geographic areas based on where our products are shipped. However, certain OEM partners take possession of our products domestically and then distribute these products to their international customers. Because we account for all of those OEM revenues as domestic revenues, we cannot be certain of the extent to which our domestic and international revenue mix is impacted by the logistics practices of our OEM partners, but end-user location data does indicate that international revenues comprise a larger percentage of our total net revenues than the attributed revenues above indicate.

International revenues for the three months ended August 1, 2015, decreased to 42.5% as a percentage of total net revenues compared with the 44.2% for the three months ended August 2, 2014, primarily due to a shift in customer mix for our SAN products. International revenues for the nine months ended August 1, 2015, as a percentage of total net revenues was flat compared with the nine months ended August 2, 2014.

A significant portion of our revenues are concentrated among a relatively small number of OEM customers. For the three months ended August 1, 2015, three customers individually accounted for 16%, 15%, and 12% of our total net revenues for a combined total of 43% of total net revenues. For the three months ended August 2, 2014, three customers individually accounted for 21%, 16%, and 11% of our total net revenues for a combined total of 48% of total net revenues. For the nine months ended August 1, 2015, three customers individually accounted for 17%, 13%, and 11% of our total net revenues for a combined total of 41% of total net revenues. For the nine months ended August 2, 2014, three customers individually accounted for 19%, 17%, and 12% of our total net revenues for a combined total of 48% of total net revenues. We expect that a significant portion of our future revenues will continue to come from sales of products to a relatively small number of OEM partners and to the U.S. federal government and its individual agencies through our distributors and resellers. Therefore, the loss of, or significant decrease in the level of sales to, or a change in the ordering pattern of any one of these customers could seriously harm our financial condition and results of operations.

*Gross margin.* Gross margin as stated below is indicated as a percentage of the respective reportable segment net revenues, except for total gross margin, which is stated as a percentage of total net revenues.

Gross margin is summarized as follows (in thousands, except percentages):

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | August 2, 2014 | | | |
| | Gross Margin | % of Net Revenues | Gross Margin | % of Net Revenues | Increase/(Decrease) | % Points Change |
| SAN Products | $ 235,794 | 76.2% | $ 241,300 | 74.2% | $ (5,506) | 2.0% |
| IP Networking Products | 83,163 | 54.1% | 70,979 | 53.5% | 12,184 | 0.6% |
| Global Services | 52,947 | 59.7% | 49,434 | 56.4% | 3,513 | 3.3% |
| Total gross margin | $ 371,904 | 67.4% | $ 361,713 | 66.3% | $ 10,191 | 1.1% |

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | August 1, 2015 | | August 2, 2014 | | | |
| | Gross Margin | % of Net Revenues | Gross Margin | % of Net Revenues | Increase | % Points Change |
| SAN Products | $ 743,212 | 76.1% | $ 740,465 | 73.9% | $ 2,747 | 2.2% |
| IP Networking Products | 232,688 | 53.9% | 193,401 | 51.8% | 39,287 | 2.1% |
| Global Services | 157,896 | 59.1% | 154,809 | 57.0% | 3,087 | 2.1% |
| Total gross margin | $ 1,133,796 | 67.7% | $ 1,088,675 | 66.1% | $ 45,121 | 1.6% |

The gross margin percentage for each reportable segment increased for the three months ended August 1, 2015, compared with the three months ended August 2, 2014, primarily due to the following factors (the percentages below reflect the impact on gross margin):

- SAN gross margins relative to net revenues increased 0.9% mainly due to a more favorable mix of SAN products as the mix shifted towards director products, which carry a higher product margin than embedded switch products, and decreased discounting on products sold in the three months ended August 1, 2015. SAN gross margins also increased 0.7% relative to net revenues due to lower manufacturing overhead spending, including variable incentive compensation, in the three months ended August 1, 2015;

- IP Networking gross margins relative to net revenues increased 0.7% mainly due to a more favorable mix of IP Networking products as the mix shifted towards data center routing and software networking products, which carry a higher product margin than switching products. IP Networking gross margins also increased 1.0% relative to net revenues due to lower manufacturing overhead spending, including variable incentive compensation, and lower scrap and manufacturing expenses in the three months ended August 1, 2015. The increases in IP Networking gross margins were partially offset by an increase in amortization of IP Networking-related intangible assets that were acquired in March 2015; and
- Global Services gross margins relative to net revenues increased primarily as a result of lower support and services spending, including variable incentive compensation.

The gross margin percentage for each reportable segment increased for the nine months ended August 1, 2015, compared with the nine months ended August 2, 2014, primarily due to the following factors (the percentages below reflect the impact on gross margin):

- SAN gross margins relative to net revenues increased 0.9% primarily from product cost reductions, as well as a more favorable mix of SAN products as the mix shifted towards director products, which carry a higher product margin than embedded switch products. In addition, SAN gross margins increased 0.2% relative to net revenues due to a one-time benefit resulting from the favorable use of manufacturing factory capacity, as well as lower excess and obsolete inventory charges during the nine months ended August 1, 2015. SAN gross margins also increased 0.6% relative to net revenues due to one less fiscal week of payroll expense and lower manufacturing overhead spending, including variable incentive compensation, in the nine months ended August 1, 2015;
- IP Networking gross margins relative to net revenues increased 0.8% due to a decrease in amortization of IP Networking-related intangible assets, as most of these assets were acquired as part of the acquisition of Foundry Networks, LLC ("Foundry") and were fully amortized during the first quarter of fiscal year 2014. In addition, IP Networking gross margins increased 1.3% relative to net revenues primarily due to lower excess and obsolete inventory charges and favorable supplier pricing. IP Networking gross margins also increased 0.6% relative to net revenues due to one less fiscal week of payroll expense, lower manufacturing overhead spending, including variable incentive compensation, and lower factory set-up expenses in the nine months ended August 1, 2015. The increases in IP Networking gross margins were partially offset by a 0.4% decrease relative to net revenues due to a bad debt reserve recorded in the three months ended May 2, 2015, related to a collection issue with a specific customer; and
- Global Services gross margins relative to net revenues increased primarily due to lower variable incentive compensation, partially offset by higher salaries and other compensation due to increased headcount to support our installed customer base.

*Research and development expenses.* Research and development ("R&D") expenses consist primarily of compensation and related expenses for personnel engaged in engineering and R&D activities, fees paid to consultants and outside service providers, engineering expenses, which primarily consist of nonrecurring engineering charges and prototyping expenses related to the design, development, testing, and enhancement of our products, depreciation related to engineering and test equipment, and allocated expenses related to legal, IT, facilities, and other shared functions.

R&D expenses are summarized as follows (in thousands, except percentages):

| | August 1, 2015 | | August 2, 2014 | | | |
|---|---|---|---|---|---|---|
| **R&D expenses:** | **Expense** | **% of Net Revenues** | **Expense** | **% of Net Revenues** | **Increase** | **% Change** |
| Three months ended | $ 85,072 | 15.4% | $ 84,152 | 15.4% | $ 920 | 1.1% |
| Nine months ended | $ 262,173 | 15.7% | $ 261,862 | 15.9% | $ 311 | 0.1% |

R&D expenses increased for the three months ended August 1, 2015, compared with the three months ended August 2, 2014, due to the following (in thousands):

| | Increase/(Decrease) |
|---|---|
| Stock-based compensation expense | $ 876 |
| Facility expense | 697 |
| Equipment expense | 599 |
| The increase in R&D expenses was partially offset by decreases in: | |
| Outside services expense | (991) |
| Various individually insignificant items | (261) |
| Total change | $ 920 |

Stock-based compensation expense increased primarily due to higher grant date per-unit fair values of restricted stock units granted to employees in recent quarters. Facility expense increased primarily due to increased rent due to the headcount growth related to our software business in the United Kingdom, and headcount growth related to the opening of our new development center in India in April 2015. Equipment expense increased primarily due to purchases of certain test equipment. Outside services expense decreased primarily due to lower engineering consulting fees and lower expense for various country and federal certifications.

R&D expenses increased for the nine months ended August 1, 2015, compared with the nine months ended August 2, 2014, due to the following (in thousands):

| | Increase/(Decrease) |
|---|---|
| Facility expense | $ 2,116 |
| Outside services expense | 1,161 |
| Various individually insignificant items | 1,155 |
| Engineering expense | 584 |
| The increase in R&D expenses was partially offset by decreases in: | |
| Depreciation and amortization expense | (3,486) |
| Salaries and other compensation | (1,219) |
| Total change | $ 311 |

Facility expense increased primarily due to increased rent and moving costs due to the headcount growth related to our software business in the United Kingdom, and headcount growth related to the opening of our new development center in India in April 2015. Outside services expense increased primarily due to an increase in outside engineering services to support the growth and development of our software business. Engineering expense increased primarily due to higher prototype costs. Depreciation and amortization expense decreased primarily due to lower capital spending in fiscal years 2013 and 2014. Salaries and other compensation decreased primarily due to lower variable incentive compensation and one less fiscal week of payroll expense, partially offset by increased headcount due to the growth and development of our software business, including the acquired vADC software product line, and an increase in the cost of employment-related benefits in the nine months ended August 1, 2015.

*Sales and marketing expenses.* Sales and marketing expenses consist primarily of salaries, commissions, and related expenses for personnel engaged in sales and marketing functions, costs associated with promotional and marketing programs, travel and entertainment expenses, and allocated expenses related to legal, IT, facilities, and other shared functions.

Sales and marketing expenses are summarized as follows (in thousands, except percentages):

| | August 1, 2015 | | August 2, 2014 | | | |
|---|---|---|---|---|---|---|
| Sales and marketing expenses: | Expense | % of Net Revenues | Expense | % of Net Revenues | Increase | % Change |
| Three months ended | $ 144,883 | 26.3% | $ 137,262 | 25.2% | $ 7,621 | 5.6% |
| Nine months ended | $ 428,199 | 25.6% | $ 409,524 | 24.9% | $ 18,675 | 4.6% |

Sales and marketing expenses increased for the three months ended August 1, 2015, compared with the three months ended August 2, 2014, due to the following (in thousands):

| | Increase/(Decrease) |
|---|---|
| Salaries and other compensation | $ 4,642 |
| Stock-based compensation expense | 3,009 |
| The increase in sales and marketing expenses was partially offset by a decrease in: | |
| Various individually insignificant items | (30) |
| Total change | $ 7,621 |

Salaries and other compensation increased primarily as a result of increased headcount to support and grow our software business, including the acquired vADC software product line, and an increase in the cost of employment-related benefits. Stock-based compensation expense increased primarily due to higher grant date per-unit fair values of restricted stock units granted to employees in recent quarters, as well as an increase in performance-based restricted stock unit grants.

Sales and marketing expenses increased for the nine months ended August 1, 2015, compared with the nine months ended August 2, 2014, due to the following (in thousands):

| | Increase |
|---|---|
| Salaries and other compensation | $ 7,793 |
| Stock-based compensation expense | 4,832 |
| Outside services and other marketing expense | 3,460 |
| Depreciation and amortization expense | 1,487 |
| Various individually insignificant items | 1,103 |
| Total change | $ 18,675 |

Salaries and other compensation increased primarily as a result of increased headcount to support and grow our software business, including the acquired vADC software product line, annual merit-based increases in salaries, and an increase in the cost of employment-related benefits, partially offset by lower variable incentive compensation and one less fiscal week of payroll expense in the nine months ended August 1, 2015. Stock-based compensation expense increased primarily due to higher grant date per-unit fair values of restricted stock units granted to employees in recent quarters, an increase in employee stock purchase plan expense, as well as an increase in performance-based restricted stock unit grants. Outside services and other marketing expense increased primarily due to higher expenses related to marketing programs, as well as due to increased participation in the annual sales and marketing "kick-off" meeting. Depreciation and amortization expense increased primarily due to an increase in expenses related to equipment used in our customer evaluation program.

*General and administrative expenses.* General and administrative ("G&A") expenses consist primarily of compensation and related expenses for corporate management, finance and accounting, human resources, legal, IT, facilities, and investor relations, as well as recruiting expenses, professional fees, and other corporate expenses, less certain expenses allocated to cost of revenue, R&D and sales and marketing.

G&A expenses are summarized as follows (in thousands, except percentages):

| | August 1, 2015 | | August 2, 2014 | | | |
|---|---|---|---|---|---|---|
| G&A expenses: | Expense | % of Net Revenues | Expense | % of Net Revenues | Increase/(Decrease) | % Change |
| Three months ended | $ 20,422 | 3.7% | $ 22,140 | 4.1% | $ (1,718) | (7.8)% |
| Nine months ended | $ 65,815 | 3.9% | $ 63,395 | 3.8% | $ 2,420 | 3.8 % |

G&A expenses decreased for the three months ended August 1, 2015, compared with the three months ended August 2, 2014, due to the following (in thousands):

| | Decrease |
|---|---|
| Salaries and other compensation | $ (1,321) |
| Various individually insignificant items | (397) |
| Total change | $ (1,718) |

Salaries and other compensation decreased primarily due to lower variable incentive compensation.

G&A expenses increased for the nine months ended August 1, 2015, compared with the nine months ended August 2, 2014, due to the following (in thousands):

| | Increase |
|---|---|
| Outside services and other expense | $ 1,730 |
| Various individually insignificant items | 690 |
| Total change | $ 2,420 |

Outside services and other expense increased primarily due to increased spending to support our software business initiative and higher legal expense primarily related to the two acquisitions completed in the second fiscal quarter of 2015.

*Amortization of intangible assets.* Amortization of intangible assets is summarized as follows (in thousands, except percentages):

| | August 1, 2015 | | August 2, 2014 | | | |
|---|---|---|---|---|---|---|
| **Amortization of intangible assets:** | **Expense** | **% of Net Revenues** | **Expense** | **% of Net Revenues** | **Increase/(Decrease)** | **% Change** |
| Three months ended | $ 889 | 0.2% | $ 131 | —% | $ 758 | 578.6 % |
| Nine months ended | $ 1,654 | 0.1% | $ 10,145 | 0.6% | $ (8,491) | (83.7)% |

The increase in amortization of intangible assets for the three months ended August 1, 2015, compared with the three months ended August 2, 2014, was primarily due to the additional amortization of intangible assets in connection with our acquisitions completed in the fourth fiscal quarter of 2014 and in the second fiscal quarter of 2015. The decrease in amortization of intangible assets for the nine months ended August 1, 2015, compared with the nine months ended August 2, 2014, was primarily due to the completion of amortization of certain of our intangible assets in connection with our acquisitions of Foundry and McDATA Corporation ("McDATA") (see Note 4, "Goodwill and Intangible Assets," of the Notes to Condensed Consolidated Financial Statements).

*Acquisition and integration costs.* Acquisition and integration costs are summarized as follows (in thousands, except percentages):

| | August 1, 2015 | | August 2, 2014 | | | |
|---|---|---|---|---|---|---|
| **Acquisition and integration costs:** | **Expense** | **% of Net Revenues** | **Expense** | **% of Net Revenues** | **Increase** | **% Change** |
| Three months ended | $ 789 | 0.1% | $ — | —% | $ 789 | * |
| Nine months ended | $ 3,133 | 0.2% | $ — | —% | $ 3,133 | * |

* Not meaningful

For the three and nine months ended August 1, 2015, we recorded acquisition and integration costs primarily for consulting services and other professional fees in connection with our two acquisitions that we completed in the second fiscal quarter of 2015 (see Note 3, "Acquisitions and Divestitures," of the Notes to Condensed Consolidated Financial Statements).

*Restructuring, goodwill impairment, and other related costs (benefits)*. Restructuring, goodwill impairment, and other related costs (benefits) are summarized as follows (in thousands, except percentages):

| | August 1, 2015 | | August 2, 2014 | | | |
|---|---|---|---|---|---|---|
| **Restructuring, goodwill impairment, and other related costs (benefits):** | **Benefit** | **% of Net Revenues** | **Expense** | **% of Net Revenues** | **Decrease** | **% Change** |
| Three months ended | $ — | — % | $ 131 | —% | $ (131) | (100.0)% |
| Nine months ended | $ (637) | — % | $ 89,051 | 5.4% | $ (89,688) | (100.7)% |

In the second quarter of fiscal year 2014, we made a strategic decision to reduce our investment in our hardware-based application delivery controller product line and to increase investment in our software-based application delivery controller product line. As a result of this change in strategy, hardware-based Brocade ADX and related support revenue in fiscal year 2014 decreased by approximately $20 million compared with fiscal year 2013, and we expect hardware-based Brocade ADX and related support revenue to be reduced by approximately $4 million in fiscal year 2015 compared with fiscal year 2014. Based on the decrease in the hardware-based Brocade ADX revenue forecast, we recognized an $83.4 million goodwill impairment charge in the second quarter of fiscal year 2014.

In May 2013, we announced that we were making certain changes in our strategic direction by focusing on certain key technology segments for the data center, such as our SAN fabrics, Ethernet fabrics, and software networking products. As a result, during the fiscal year ended October 26, 2013, we restructured certain business operations, reorganized certain business units, and reduced our operating expense structure. In connection with this restructuring plan, we incurred restructuring charges and other costs primarily related to severance and benefits charges and lease loss reserve and related costs beginning in the fourth quarter of fiscal year 2013. We substantially completed the restructuring plan by the end of the first quarter of fiscal year 2014.

Restructuring, goodwill impairment, and other related costs for the three months ended August 2, 2014, were primarily due to the $0.1 million lease loss charge. Restructuring, goodwill impairment, and other related costs for the nine months ended August 2, 2014, were primarily due to the $83.4 million in goodwill impairment and $7.5 million in estimated lease loss reserve and related costs recorded during the nine months ended August 2, 2014, partially offset by a $1.8 million reduction in expense for severance and benefits due to actual cash payments made during the nine months ended August 2, 2014, being lower than originally estimated.

We did not incur any restructuring costs for the three and nine months ended August 1, 2015. In addition, benefits for the nine months ended August 1, 2015, were due to favorable changes in expected sublease terms and other related assumptions for estimated facilities lease losses.

*Gain on sale of network adapter business.* During the nine months ended August 2, 2014, we recorded a gain of $4.9 million in connection with the sale of our network adapter business to QLogic Corporation (see Note 3, “Acquisitions and Divestitures,” of the Notes to Condensed Consolidated Financial Statements). We had no similar divestitures during the nine months ended August 1, 2015.

*Interest expense.* Interest expense primarily represents the interest cost associated with our senior secured notes, senior unsecured notes, and convertible senior unsecured notes (see Note 8, “Borrowings,” of the Notes to Condensed Consolidated Financial Statements). Interest expense is summarized as follows (in thousands, except percentages):

| | August 1, 2015 | | August 2, 2014 | | | |
|---|---|---|---|---|---|---|
| **Interest expense:** | **Expense** | **% of Net Revenues** | **Expense** | **% of Net Revenues** | **Increase** | **% Change** |
| Three months ended | $ (9,778) | (1.8)% | $ (9,176) | (1.7)% | $ 602 | 6.6% |
| Nine months ended | $ (45,754) | (2.7)% | $ (27,606) | (1.7)% | $ 18,148 | 65.7% |

In January 2015, we issued $575.0 million in aggregate principal amount of 1.375% convertible senior notes due 2020 in a private placement. The transactions are described further below in “Liquidity and Capital Resources.” We recorded an expense of $15.1 million in the first quarter of fiscal year 2015 for the call premium, debt issuance costs, and original issue discount relating to the redemption of our 2020 Notes, thereby resulting in an increase in interest expense for the nine months ended August 1, 2015, compared with the nine months ended August 2, 2014.

Interest expense increased for the three months ended August 1, 2015, compared with the three months ended August 2, 2014, primarily due to the non-cash interest expense related to the debt discount recorded for the conversion feature of the 2020 Convertible Notes. This increase in interest expense for the three and nine months ended August 1, 2015, was partially offset by the lower interest rate of the 2020 Convertible Notes, compared to 6.875% for the 2020 Notes (additionally, see Note 8, “Borrowings,” of the Notes to Condensed Consolidated Financial Statements).

*Interest and other income, net.* Interest and other income, net, is summarized as follows (in thousands, except percentages):

| | August 1, 2015 | | August 2, 2014 | | | |
|---|---|---|---|---|---|---|
| **Interest and other income, net:** | **Income** | **% of Net Revenues** | **Income** | **% of Net Revenues** | **Decrease** | **% Change** |
| Three months ended | $ 947 | 0.2% | $ 5,299 | 1.0% | $ (4,352) | (82.1)% |
| Nine months ended | $ 854 | 0.1% | $ 3,943 | 0.2% | $ (3,089) | (78.3)% |

Interest and other income, net, for the three and nine months ended August 2, 2014, was primarily related to the gain of $5.2 million resulting from the sale of certain of our non-marketable equity investments, partially offset by the loss on the sale of certain property and equipment during the period. Interest and other income, net, was not significant for the three and nine months ended August 1, 2015.

*Income tax expense.* Income tax expense and the effective tax rates are summarized as follows (in thousands, except effective tax rates):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **August 1, 2015** | **August 2, 2014** | **August 1, 2015** | **August 2, 2014** |
| Income tax expense | $ 19,351 | $ 26,668 | $ 72,585 | $ 81,367 |
| Effective tax rate | 17.4% | 23.4% | 22.1% | 34.5% |

Our effective tax rate differs from tax computed at the U.S. federal statutory tax rate of 35% due to state taxes, the effect of non-U.S. operations, nondeductible stock-based compensation expense, tax credits, and adjustments to unrecognized tax benefits.

The lower effective tax rates for the three and nine months ended August 1, 2015, compared with the three and nine months ended August 2, 2014, respectively, were primarily due to the benefit from a domestic manufacturing deduction recognized in the three months ended August 1, 2015, and the goodwill impairment charge of $83.4 million recorded in the nine months ended August 2, 2014, which is nondeductible for tax purposes.

The effective tax rates for the three and nine months ended August 1, 2015, were lower than the federal statutory tax rate of 35% primarily due to the benefit from the domestic manufacturing deduction, a discrete benefit from the federal research and development tax credit that was reinstated on December 19, 2014, and made retroactive for calendar year 2014, and the effects of earnings in foreign jurisdictions being taxed at rates lower than the U.S. federal statutory tax rate.

Based on our fiscal year 2015 financial forecast, we expect our effective tax rate in fiscal year 2015 to be lower than our rate in fiscal year 2014. Our income tax provision could change as a result of many factors, including the effects of changing tax laws and regulations or changes to the mix of IP Networking versus SAN products, which have different gross margins, and changes to the mix of domestic versus international profits. Many of these factors are largely impacted by the buying behavior of our OEM and channel partners. In addition, we do not forecast discrete events, such as settlement of tax audits with governmental authorities, due to their inherent uncertainty. Such settlements have in the past, and could in the future, materially impact our tax expense. Given that the tax rate is affected by many different factors, it is not possible to estimate our future tax rate with a high degree of certainty.

For further discussion of our income tax provision, see Note 13, “Income Taxes,” of the Notes to Condensed Consolidated Financial Statements.

**Liquidity and Capital Resources**

| | August 1, 2015 | November 1, 2014 | Increase/ (Decrease) |
|---|---|---|---|
| | | (In thousands) | |
| Cash and cash equivalents | $ 1,319,671 | $ 1,255,017 | $ 64,654 |
| Percentage of total assets | 34% | 34% | |

We use cash generated by operations as our primary source of liquidity. We expect that cash provided by operating activities will fluctuate in future periods as a result of a number of factors, including fluctuations in our revenues, the timing of product shipments during the quarter, accounts receivable collections, inventory and supply chain management, the timing and amount of tax, and other payments or receipts. For additional discussion, see "Part II—Other Information, Item 1A. *Risk Factors*" of this Quarterly Report on Form 10-Q.

In January 2015, we issued $575.0 million of the 2020 Convertible Notes. On January 14, 2015, we called the 2020 Notes for redemption. On February 13, 2015, we used a portion of the net proceeds from the offering of the 2020 Convertible Notes to redeem all of our outstanding 2020 Notes, including the payment of the applicable premium and expenses associated with the redemption, and the interest on the 2020 Notes up to the date of redemption, for a total of $322.2 million. In addition, we previously had access to a revolving credit facility under the Senior Secured Credit Facility for ongoing working capital and other general corporate purposes. On January 9, 2015, we terminated the Senior Secured Credit Facility and no longer have access to this additional capital resource (see Note 8, "Borrowings," of the Notes to Condensed Consolidated Financial Statements).

In March 2015, we completed two acquisitions. The aggregate purchase price was $96.1 million, consisting of $95.5 million in cash consideration, which is net of $0.1 million of cash acquired as part of the acquisitions, and $0.5 million in non-cash consideration (see Note 3, "Acquisitions and Divestitures," of the Notes to Condensed Consolidated Financial Statements.

Based on past performance and current expectations, we believe that internally generated cash flows and cash on hand will be generally sufficient to support business operations, capital expenditures, stock repurchases, cash dividends, contractual obligations, and other liquidity requirements associated with our operations for at least the next 12 months, including our debt service requirements. We may also use our operating cash flows or access sources of capital, or a combination thereof, to strengthen our networking portfolios through acquisitions and strategic investments. There are no other transactions, arrangements, or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity of, availability of, or our requirements for, capital resources.

**Financial Condition**

In September 2013, we announced our intent to return at least 60% of our adjusted free cash flow to stockholders in the form of share repurchases or other alternatives, such as dividends. Adjusted free cash flow is operating cash flow, adjusted for the impact of the excess tax benefits from stock-based compensation, less capital expenditures. In the third quarter of fiscal year 2014, our Board of Directors initiated a quarterly cash dividend of $0.035 per share of our common stock. Dividends of $0.035 per share were declared and paid in the third and fourth quarters of fiscal year 2014 and the first and second quarters of fiscal year 2015. In the third quarter of fiscal year 2015, our Board of Directors authorized an increase in our quarterly cash dividend and declared and paid in the same quarter a dividend of $0.045 per share of our common stock. On August 18, 2015, our Board of Directors declared a quarterly cash dividend of $0.045 per share of our common stock to be paid on October 2, 2015, to stockholders of record as of the close of market on September 10, 2015. Future dividends are subject to review and approval on a quarterly basis by our Board of Directors or a committee thereof.

For the nine months ended August 1, 2015, we generated $267.2 million in cash from operating activities, which was due to our net income excluding non-cash items related to stock-based compensation expense and depreciation and amortization, partially offset by increased payments with respect to accrued employee variable incentive compensation, as well as excess tax benefits from stock-based compensation.

Net cash used in investing activities for the nine months ended August 1, 2015, totaled $156.8 million and was primarily the result of $95.5 million in cash paid for two acquisitions, $53.1 million in purchases of property and equipment, and $7.8 million in the purchase of a license to certain patents.

Net cash used in financing activities for the nine months ended August 1, 2015, totaled $40.8 million and was primarily the result of $312.6 million in stock repurchases, $300.0 million in payment of principal related to the redemption of the 2020 Notes, $86.1 million in purchase of convertible note hedge options in connection with the issuance of the 2020 Convertible Notes, and $48.8 million in cash dividend payments, partially offset by the $565.7 million and $51.2 million in proceeds from the issuance of the 2020 Convertible Notes and related warrants, respectively, $51.3 million in proceeds from the issuance of common stock from ESPP purchases and stock option exercises, and $42.0 million in excess tax benefits from stock-based compensation. For the nine months ended August 1, 2015, we repurchased approximately 26.5 million shares of our common stock.

Net proceeds from the issuance of common stock in connection with employee participation in our equity compensation plans have historically been a significant component of our liquidity. The extent to which we receive proceeds from these plans can increase or decrease based upon changes in the market price of our common stock, and from the amount and type of awards granted. For example, a change in the mix of restricted stock unit and stock option awards granted towards granting fewer stock option awards reduces the net proceeds from the issuance of common stock in connection with participation in our equity compensation plans. As a result, our cash flow resulting from the issuance of common stock in connection with employee participation in our equity compensation plans will vary over time.

A majority of our accounts receivable balance is derived from sales to our OEM partners. We perform ongoing credit evaluations of our customers and generally do not require collateral or security interests on accounts receivable balances. We have established reserves for credit losses, sales allowances, and other allowances. Allowances for doubtful accounts as of August 1, 2015, increased by $1.8 million over the balance as of November 1, 2014, primarily due to a collection issue with a specific customer. While we have not experienced material credit losses in any of the periods presented, there can be no assurance that we will not experience material credit losses in the future.

**Nine Months Ended August 1, 2015, Compared to Nine Months Ended August 2, 2014**

*Operating Activities.* Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain assets and liabilities.

Net cash provided by operating activities decreased by $116.5 million primarily due to increased payments with respect to accrued employee incentive compensation and other accrued liabilities and decreased accounts receivable collections.

*Investing Activities.* Net cash used in investing activities increased by $136.4 million. The increase was primarily due to the $95.5 million of cash used for the two acquisitions during the second quarter of fiscal year 2015, $7.8 million of cash used in the first quarter of fiscal year 2015 for the purchase of a license to certain patents to strengthen our portfolio of defensive patents, and an increase of $12.0 million of cash used to purchase property and equipment during the nine months ended August 1, 2015.

*Financing Activities.* Net cash used in financing activities decreased by $160.4 million. The decrease was primarily due to the $300.0 million of cash used to redeem the 2020 Notes in February 2015, the $86.1 million of cash used for the purchase of convertible note hedge options in connection with the issuance of the 2020 Convertible Notes, a $29.9 million decrease in proceeds from the issuance of common stock pursuant to our equity compensation plans, as well as the $33.5 million increase in payment of dividends to stockholders, partially offset by the $565.7 million and $51.2 million in proceeds from the issuance of the 2020 Convertible Notes and related warrants, respectively.

**Liquidity**

*Manufacturing and Purchase Commitments.* We have manufacturing arrangements with contract manufacturers under which we provide 12-month product forecasts and place purchase orders in advance of the scheduled delivery of products to our customers. Our purchase commitments reserve reflects our estimate of purchase commitments we do not expect to utilize in normal operations in accordance with our policy (see Note 9, “Commitments and Contingencies,” of the Notes to Condensed Consolidated Financial Statements).

*Income Taxes.* We accrue U.S. income taxes on the earnings of our foreign subsidiaries, unless the earnings are considered to be indefinitely reinvested outside of the United States. We intend to indefinitely reinvest all current and accumulated earnings of our foreign subsidiaries for expansion of our business operations outside the United States.

Our existing cash and cash equivalents totaled $1,319.7 million as of August 1, 2015. Of this amount, approximately 64% was held by our foreign subsidiaries. We do not currently anticipate a need for these funds held by our foreign subsidiaries for our domestic operations, and our intent is to permanently reinvest such funds outside of the United States. Under current tax laws and regulations, if these funds are distributed to any of our United States entities in the form of dividends or otherwise, we may be subject to additional U.S. income taxes and foreign withholding taxes.

The IRS and other tax authorities regularly examine our income tax returns (see Note 13, "Income Taxes," of the Notes to Condensed Consolidated Financial Statements). We believe we have adequate reserves for all open tax years.

*Senior Secured Notes.* In January 2010, we issued $300.0 million in aggregate principal amount of senior secured notes due 2018 (the "2018 Notes") and $300.0 million in aggregate principal amount of senior secured notes due 2020 (the "2020 Notes" and together with the 2018 Notes, the "Senior Secured Notes"). We used the proceeds to pay down a substantial portion of an outstanding term loan, and to retire the convertible subordinated debt due on February 15, 2010, which had been assumed in connection with our acquisition of McDATA. The 2018 Notes and 2020 Notes were redeemed in the second quarter of fiscal year 2013 and in the second quarter of fiscal year 2015, respectively. See Note 8, "Borrowings," of the Notes to Condensed Consolidated Financial Statements.

*Senior Unsecured Notes.* In January 2013, we issued $300.0 million in aggregate principal amount of the 2023 Notes. We used the proceeds and cash on hand to redeem all of the outstanding 2018 Notes in the second quarter of fiscal year 2013.

*Convertible Senior Unsecured Notes.* In January 2015, we issued $575.0 million in aggregate principal amount of the 2020 Convertible Notes. Net of an original issue discount, we received $565.7 million in proceeds from the offering of the 2020 Convertible Notes. We used the proceeds to irrevocably deposit $322.2 million with the trustee to discharge the 2020 Indenture and redeem all of the outstanding 2020 Notes, pay the cost of the convertible note hedge transactions for $35.0 million, net of the proceeds from the issuance of warrants, and to repurchase approximately 4.1 million shares of our common stock for $48.9 million at a purchase price of $11.80 per share, which was the closing price on January 8, 2015, the date of the pricing of the 2020 Convertible Notes. We intend to use the remaining proceeds of $159.6 million for general corporate purposes, including potential acquisitions and other business development activities. The 2020 Convertible Notes are unsecured and have a significantly lower interest rate of 1.375% compared to 6.875% for the 2020 Notes. Interest is payable on January 1 and July 1 of each year, beginning on July 1, 2015. See Note 8, "Borrowings," of the Notes to Condensed Consolidated Financial Statements.

*Trade Receivables Factoring Facility.* As of August 1, 2015, we had an agreement with a financial institution to sell certain of our trade receivables from customers with limited, non-credit-related recourse provisions. That factoring facility terminated in August 2015. No trade receivables were sold under the factoring facility during the nine months ended August 1, 2015, or the nine months ended August 2, 2014. As of the filing date of this Quarterly Report on Form 10-Q, no amounts were available under the factoring facility.

*Covenant Compliance—Senior Unsecured Notes Covenants.* The 2023 Notes were issued pursuant to an indenture, dated as of January 22, 2013, among the Company, the subsidiary guarantors named therein, and Wells Fargo Bank, National Association, as trustee (the "2023 Indenture"). The 2023 Indenture contains covenants that, among other things, restrict our ability and the ability of our subsidiaries to:

- Incur certain liens and enter into certain sale-leaseback transactions;
- Create, assume, incur, or guarantee additional indebtedness of our subsidiaries without such subsidiary guaranteeing the 2023 Notes on a pari passu basis; and
- Enter into certain consolidation or merger transactions, or convey, transfer, or lease all, or substantially all of our or our subsidiaries' assets.

These covenants are subject to a number of other limitations and exceptions as set forth in the indenture. We were in compliance with all applicable covenants of the 2023 Indenture as of August 1, 2015.

## Contractual Obligations

The following table summarizes our contractual obligations, including interest expense, and commitments as of August 1, 2015 (in thousands):

| | Total | Less Than 1 Year | 1–3 Years | 3–5 Years | More Than 5 Years |
|---|---|---|---|---|---|
| **Contractual Obligations:** | | | | | |
| Convertible senior unsecured notes due 2020 (1) | $ 609,905 | $ 7,906 | $ 15,813 | $ 586,186 | $ — |
| Senior unsecured notes due 2023 (1) | 403,643 | 13,875 | 27,750 | 27,750 | 334,268 |
| Non-cancellable operating leases (2) | 77,739 | 22,737 | 23,558 | 12,959 | 18,485 |
| Non-cancellable capital leases (1) | 451 | 443 | 8 | — | — |
| Purchase obligations (1) | 20,505 | 4,659 | 4,692 | 4,056 | 7,098 |
| Purchase commitments, gross (3) | 208,873 | 208,873 | — | — | — |
| Total contractual obligations | $ 1,321,116 | $ 258,493 | $ 71,821 | $ 630,951 | $ 359,851 |
| **Other Commitments:** | | | | | |
| Standby letters of credit | $ 135 | n/a | n/a | n/a | n/a |
| Unrecognized tax benefits and related accrued interest (4) | $ 119,349 | n/a | n/a | n/a | n/a |

(1) Amount reflects total anticipated cash payments, including anticipated interest payments.

(2) Amount excludes contractual sublease income of $11.5 million, which consists of $7.7 million to be received in less than one year, $3.6 million to be received in one to three years, and $0.2 million to be received in three to five years.

(3) Amount reflects total gross purchase commitments under our manufacturing arrangements with a third-party contract manufacturer. Of this amount, we have accrued reserves of $1.7 million for estimated purchase commitments that we do not expect to utilize in normal operations within the next 12 months, in accordance with our policy.

(4) As of August 1, 2015, we had a gross liability for unrecognized tax benefits of $117.2 million and an accrual for the payment of related interest and penalties of $2.1 million.

*Share Repurchase Program.* As of August 1, 2015, our Board of Directors had authorized a total of approximately $2.0 billion for the repurchase of our common stock since the inception of the program in August 2004. The purchases may be made, from time to time, in the open market or by privately negotiated transactions, and are funded from available working capital. The number of shares to be purchased and the timing of purchases are based on the level of our cash balances, general business and market conditions, the trading price of our common stock, and other factors, including alternative investment opportunities. For the three months ended August 1, 2015, we repurchased 8.7 million shares for an aggregate purchase price of $103.1 million. Approximately $352.0 million remained authorized for future repurchases under this program as of August 1, 2015. Subsequently, between August 1, 2015, and the date of the filing of this Quarterly Report on Form 10-Q, we repurchased 2.1 million shares of our common stock for an aggregate purchase price of $21.3 million.

## Off-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as “structured finance” or “special purpose entities,” which would have been established for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes. As of August 1, 2015, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Securities and Exchange Commission (“SEC”) Regulation S-K.

## Critical Accounting Policies and Estimates

There have been no material changes in the matters for which we make critical accounting estimates in the preparation of our condensed consolidated financial statements during the nine months ended August 1, 2015, as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended November 1, 2014, except for the areas discussed below.

*Impairment of Goodwill and Other Indefinite-Lived Intangible Assets.*

Goodwill and other indefinite-lived intangible assets are generated as a result of business combinations. Our indefinite-lived assets consist of acquired in-process research and development (“IPR&D”) and goodwill.

*IPR&D Impairment Testing.* IPR&D is an intangible asset accounted for as an indefinite-lived asset until the completion or abandonment of the associated research and development effort. During the development period, we conduct our IPR&D impairment test annually, as of the first day of the second fiscal quarter, and whenever events or changes in facts and circumstances indicate that it is more likely than not that the IPR&D is impaired. Events that might indicate impairment include, but are not limited to, adverse cost factors, deteriorating financial performance, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on us and our customer base, and/or other relevant events, such as changes in management, key personnel, litigation, or customers. Our ongoing consideration of factors such as these could result in IPR&D impairment charges in the future, which could adversely affect our net income.

*Goodwill Impairment Testing.* We conduct our goodwill impairment test annually, as of the first day of the second fiscal quarter, and whenever events occur or facts and circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Events that might indicate impairment include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on our customer base, material negative changes in relationships with significant customers, and/or a significant decline in our stock price for a sustained period. Our ongoing consideration of factors such as these could result in goodwill impairment charges in the future, which could adversely affect our net income.

We perform the two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any. The first step tests for potential impairment by comparing the fair value of reporting units with reporting units' net asset values. The reporting units are determined by the components of our operating segments that constitute a business for which both (i) discrete financial information is available and (ii) segment management regularly reviews the operating results of that component. If the fair value of the reporting unit exceeds the carrying value of the reporting unit's net assets, then goodwill is not impaired, and no further testing is required. If the fair value of the reporting unit is below the carrying value of the reporting unit's net assets, then the second step is required to measure the amount of potential impairment. The second step requires an assignment of the reporting unit's fair value to the reporting unit's assets and liabilities, using the relevant acquisition accounting guidance, to determine the implied fair value of the reporting unit's goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of the reporting unit's goodwill to determine the goodwill impairment loss to be recognized, if any. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, we record an impairment loss equal to the difference.

To determine the reporting units' fair values, we use the income approach, the market approach, or a combination thereof. The income approach provides an estimate of fair value based on discounted expected future cash flows. The market approach provides an estimate of the fair value of our three reporting units applying various observable market-based multiples to the reporting units' operating results and then applying an appropriate control premium.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. We based our fair value estimates on assumptions we believe to be reasonable, but these estimates and assumptions are inherently uncertain. Estimates and assumptions with respect to the determination of the fair value of our reporting units using the income approach include, among other inputs:

- Our operating forecasts;
- Our forecasted revenue growth rates; and
- Risk-commensurate discount rates and costs of capital.

Our estimates of revenues and costs are based on historical data, various internal estimates, and a variety of external sources, and are developed as part of our regular long-range planning process. The control premium used in market or combined approaches is determined by considering control premiums offered as part of acquisitions that have occurred in a reporting unit's comparable market segments.

Consistent with prior years, we performed our annual goodwill impairment test using measurement data as of the first day of the second fiscal quarter of 2015. At the time of the fiscal year 2015 annual goodwill impairment testing, our reporting units were: SAN Products; IP Networking Products, which includes Open Systems Interconnection Reference Model ("OSI") Layer 2-3 products and OSI Layer 4-7 products; and Global Services.

During our fiscal year 2015 annual goodwill impairment test, we used a combination of the income approach and market approach, weighted equally, to estimate each reporting unit's fair value.

During the first step of goodwill impairment testing, we determined that all our reporting units passed the first step of goodwill impairment testing and no further testing was required. However, because some of the inherent estimates and assumptions used in determining the fair value of these reportable segments are complex and subjective, changes in these underlying assumptions can adversely impact fair value. Accordingly, for the IP Networking Products reporting unit, we performed the sensitivity analysis below to quantify the impact of key assumptions on that reporting unit's fair value estimate. The key assumptions impacting our estimates were (i) discount rates and (ii) discounted cash flow ("DCF") terminal value multipliers. As these assumptions ultimately reflect the risk of achieving reporting units' revenue and cash flow projections, we determined that a separate sensitivity analysis for changes in revenue and cash flow projections was not meaningful or useful.

The respective fair values of the SAN and Global Services reporting units were substantially in excess of these reporting units' carrying values, and the fair values of those reporting units were, therefore, not subject to a sensitivity analysis.

As of the date of the fiscal year 2015 annual goodwill impairment testing, the carrying value of the IP Networking Products reporting unit's goodwill was $1,236 million. Based on our fiscal year 2015 annual goodwill impairment test, the estimated fair value of the IP Networking Products reporting unit's net assets, which include goodwill, exceeded the carrying value of these net assets by approximately $162 million. The following table summarizes the approximate impact that a change in key assumptions would have on the estimated fair value of the IP Networking Products reporting unit, leaving all other assumptions unchanged:

| | Change | Approximate Impact on Fair Value (in millions) | Excess of Fair Value over Carrying Value (in millions) |
|---|---|---|---|
| Discount rate | ±1% | $(45) - 49 | $116 - 210 |
| DCF terminal value multiplier | ±0.5x | $(39) - 39 | $123 - 200 |

**Recent Accounting Pronouncements**

For a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our condensed consolidated financial statements, see Note 2, "Summary of Significant Accounting Policies," of the Notes to Condensed Consolidated Financial Statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

In the normal course of business, we are exposed to market risks related to changes in interest rates, foreign currency exchange rates, and equity prices that could impact our financial position and results of operations. Our risk management strategy with respect to these three market risks may include the use of derivative financial instruments. We use derivative contracts only to manage our existing underlying exposures. Accordingly, we do not use derivative contracts for speculative purposes. Our risks and risk management strategy are outlined below. Actual gains and losses in the future may differ materially from the sensitivity analysis presented below based on changes in the timing and amount of interest rates and our actual exposures and hedges.

**Interest Rate Risk**

Our exposure to market risk due to changes in the general level of U.S. interest rates relates primarily to our cash equivalents. Our cash and cash equivalents are primarily maintained at five major financial institutions. The primary objective of our investment activities is the preservation of principal while maximizing investment income and minimizing risk. We had $1,072.5 million invested in money market funds as of August 1, 2015, which were not materially sensitive to changes in interest rates due to the short duration of these investments.

Our material borrowings bear interest at fixed rates, and therefore, we did not have any material borrowings as of August 1, 2015, that were sensitive to changes in interest rates. We were not subject to material interest rate risk in geographical areas outside of the United States as a substantial portion of our cash and cash equivalents is invested in money market funds, in U.S. dollars that have a fixed share price.

**Foreign Currency Exchange Rate Risk**

We are exposed to foreign currency exchange rate risk inherent in conducting business globally in numerous currencies. We are primarily exposed to foreign currency fluctuations related to operating expenses denominated in currencies other than the U.S. dollar, of which the most significant to our operations for the nine months ended August 1, 2015, were the British pound, the euro, the Indian rupee, the Chinese yuan, the Singapore dollar, the Japanese yen, and the Swiss franc. Because we report in U.S. dollars and we have a net expense position in foreign currencies, we benefit from a stronger U.S. dollar and may be adversely affected by a weaker U.S. dollar relative to the foreign currency. We use foreign currency forward and option contracts designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our forecasted operating expenses denominated in certain currencies other than the U.S. dollar. We recognize the gains and losses on foreign currency forward contracts in the same period as the remeasurement losses and gains of the related foreign currency denominated exposures.

We also may enter into other non-designated derivatives that consist primarily of forward contracts to minimize the risk associated with the foreign exchange effects of revaluing monetary assets and liabilities. Monetary assets and liabilities denominated in foreign currencies and any associated outstanding forward contracts are marked-to-market, with realized and unrealized gains and losses included in earnings.

Alternatively, we may choose not to hedge the foreign currency risk associated with our foreign currency exposures if we believe such exposure acts as a natural foreign currency hedge for other offsetting amounts denominated in the same currency or if the currency is difficult or too expensive to hedge. As of August 1, 2015, we held $206.9 million in gross notional amount of cash flow derivative instruments. The maximum length of time over which we are hedged as of August 1, 2015, is through October 13, 2016.

We have performed a sensitivity analysis as of August 1, 2015, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar, with all other variables held constant. The analysis covers all of our foreign currency contracts offset by the underlying exposures. The foreign currency exchange rates we used were based on market rates in effect on August 1, 2015. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would not result in a material foreign exchange loss as of August 1, 2015.

**Equity Price Risk**

We had no investments in publicly traded equity securities as of August 1, 2015. The aggregate cost of our equity investments in non-publicly traded companies was $2.5 million as of August 1, 2015. We monitor our equity investments for impairment on a periodic basis. In the event that the carrying value of the equity investment exceeds its fair value, and we determine the decline in value to be other than temporary, we reduce the carrying value to its current fair value. Generally, we do not attempt to reduce or eliminate our market exposure on these equity securities. We do not purchase our equity securities with the intent to use them for speculative purposes.

Our common stock is quoted on the NASDAQ Global Select Market under the symbol “BRCD.” On July 31, 2015, the last business day of our third fiscal quarter of 2015, the last reported sale price of our common stock on the NASDAQ Global Select Market was $10.26 per share.

**Item 4. Controls and Procedures**

(a) *Evaluation of Disclosure Controls and Procedures.* Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Act”), as of the end of the period covered by this Quarterly Report on Form 10-Q (the “Evaluation Date”).

The purpose of this evaluation is to determine if, as of the Evaluation Date, our disclosure controls and procedures are effective such that the information required to be disclosed in the reports we file or submit under the Act (i) is recorded, processed, summarized, and reported, within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective.

(b) *Changes in Internal Control over Financial Reporting.* There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Act, that occurred during the quarter ended August 1, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Limitations on the Effectiveness of Disclosure Controls and Procedures.*

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, 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. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, the Company is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including claims of alleged infringement of patents and/or other intellectual property rights and commercial and employment contract disputes. While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already accrued by the Company.

### Item 1A. Risk Factors

***Any failure to successfully compete in the networking market could prevent Brocade from increasing or maintaining revenue, profitability, and cash flows with respect to its networking solutions.***

The networking market is highly competitive and is in a state of transformation, with new competitors entering the market and offering products based on emerging technologies, such as software networking, virtualization, and infrastructure-as-a-service. Although Cisco Systems, Inc. ("Cisco") maintains a dominant position in the networking market, customers have more choices in both traditional and emerging networking solutions with networking providers and their technology and go-to-market partners. Further, there has been increased competition for traditional networking solutions in recent years as Brocade's competitors have strengthened their networking portfolios through acquisitions.

In addition, the networking market, particularly the data center market, is undergoing significant transitions due to technology trends, such as cloud computing, server virtualization, and software networking. For example, both Cisco and Hewlett-Packard Company ("HP") recently began to offer cloud computing services for the enterprise market, which some customers may choose as an alternative means to procure networking-as-a-service rather than by traditional purchasing methods. Cisco and Microsoft Corporation have also collaborated on data center and cloud computing initiatives involving sales, marketing, and research and development ("R&D"). Additionally, Dell, Inc. ("Dell"), Juniper Networks, Inc. ("Juniper"), and HP have launched "whitebox" label switches, which those companies have promoted as a low-cost option for networking equipment purchasers.

Other competitors in the networking market include Arista Networks, Inc., as well as A10 Networks, Inc.; Alcatel-Lucent; Avaya, Inc.; Extreme Networks, Inc.; F5 Networks, Inc.; Huawei Technologies Co. Ltd.; Juniper; and QLogic Corporation ("QLogic"). Many of Brocade's competitors have longer operating histories; greater financial, technical, sales, marketing, and other resources; more name recognition; and larger installed customer bases than Brocade. These companies' businesses may have better economies of scale, and therefore these companies could also adopt more aggressive pricing policies than Brocade. In addition, these companies could enhance their business models through divestitures and acquisitions, which could impact Brocade's partner ecosystem and Brocade's go-to-market model. Also, any one of these competitors could devote more resources to develop, promote, and sell their products, and, therefore, could respond more quickly to changes in customer or market requirements and adopt more aggressive pricing policies. Brocade's failure to successfully compete in the networking market would harm its business and financial results.

***Brocade's failure to execute on its overall sales strategy or successfully leverage its channel and direct sales capabilities could significantly reduce its revenues and negatively affect its business, financial results, and growth prospects.***

Brocade offers networking solutions through a multipath distribution strategy, including distributors, resellers, a direct sales force, and original equipment manufacturers ("OEMs"). However, Brocade's efforts to increase sales through this multipath distribution strategy may not generate incremental revenue opportunities. Several of Brocade's major OEM customers, including Dell, International Business Machines Corporation ("IBM"), HP, and Oracle Corporation, have acquired companies that offer Internet Protocol ("IP") networking solutions that are competitive with Brocade offerings. A loss of, or significant reduction in, revenue through one of Brocade's paths to market would negatively impact its business and financial results.

Brocade's failure to successfully develop and maintain its channel partner relationships, or the failure of these partners to sell Brocade's products, could reduce Brocade's growth prospects significantly, especially for its IP networking portfolio. In addition, Brocade's ability to respond to the needs of its distribution and reseller partners in the future may also depend on third parties producing complementary products and applications for Brocade products to enable these partners to be competitive in the market. In addition, Brocade may not successfully achieve its expanded go-to-market objectives, which include effectively maintaining or expanding sales through its distribution channels and successfully managing distribution and reseller partner relationships. If Brocade fails to respond successfully to the needs of these distribution and reseller partners and their customers, Brocade's business and financial results could be adversely affected.

In fiscal years 2013 and 2014, Brocade made certain changes in its strategic direction and sales strategy by focusing on key technology segments for the data center, such as its Storage Area Networking ("SAN") fabrics, Ethernet fabrics, and software networking solutions, and targeting larger IP customers with its direct sales force. This change in focus has resulted in a rebalancing of resources away from certain non-key areas of Brocade's business, including changes to the related sales model and divestitures of certain assets, and has impacted, and may continue to impact, Brocade's ability to generate revenue from certain products, markets, geographies, and customers. In addition, the targeting of larger IP customers may cause Brocade's revenue to be more uneven in the future as timing and magnitude of individual customer orders may be difficult to predict.

In the second quarter of fiscal year 2014, Brocade made a strategic decision to reduce its investment in the hardware-based application delivery controller product line and to increase investment in the software-based application delivery controller product line. As a result of this change in strategy, hardware-based Brocade ADX and related support revenue in fiscal year 2014 decreased by approximately $20 million compared to fiscal year 2013. Brocade expects hardware-based Brocade ADX and related support revenue to be reduced by approximately $4 million in fiscal year 2015 compared with fiscal year 2014. There can be no assurance that this new strategic direction and sales strategy will succeed, or that the return on Brocade's investments will develop in the manner and on the timeline expected. Failure to execute on Brocade's strategy could adversely affect its business and financial results.

***A limited number of major OEM partners comprise a significant portion of Brocade's revenues; the loss of revenue from, or decreased inventory levels held by, any of these major OEM partners due to a change in market or competitive conditions could significantly reduce Brocade's revenues and adversely affect its financial results.***

Brocade's SAN business depends on recurring purchases from a limited number of large OEM partners for a substantial portion of its revenues, specifically EMC Corporation ("EMC"), HP, and IBM. As a result, revenues from these large OEM partners have a significant impact on Brocade's quarterly and annual financial results. For fiscal years 2014, 2013, and 2012, these three OEM partners each represented 10% or more of Brocade's total net revenues, for a combined total of 46%, 46%, and 47% of total net revenues, respectively. Brocade's agreements with its OEM partners are typically cancellable, nonexclusive, and have no minimum or specific timing requirements for purchases. Brocade's OEM partners could increase the amount purchased from Brocade's competitors, introduce their own technology, or experience lower demand for Brocade SAN products from their end customers. The SAN market grew slowly in 2014, and if the growth rate continues to slow or if the SAN market declines, Brocade's OEM partners could reduce the amount of SAN products they purchase from Brocade.

Also, one or more of Brocade's OEM partners could elect to divest certain lines of business, split their business, or consolidate or enter into a strategic partnership with one of Brocade's competitors, such as IBM's sale of certain lines of business to Lenovo Group Limited, or HP's announcement that it will separate the company into two new public companies, which could reduce or eliminate Brocade's future revenue opportunities with that OEM partner. Brocade anticipates that a significant portion of its revenues and operating results from its SAN business will continue to depend on sales to a relatively small number of OEM partners. Brocade's business and financial results could be harmed by the loss of any one significant OEM partner, a decrease in the level of sales to any one such partner, a change in any one such partner's go-to-market strategy, or an unsuccessful negotiation on key terms, conditions, or timing of purchase orders placed during a quarter.

***Uncertainty about or a slowdown in the domestic and international economies has adversely affected, and may increasingly adversely affect, Brocade's operating results and financial condition.***

In recent years, there have been various slowdowns in, and uncertainty about, the domestic and international economies, including slowing economic growth in China. Such uncertainty and slowdowns have resulted in, and may again result in, lower growth of information technology ("IT")-related spending, and, consequently, lead to lower growth or a decline in the networking market (including high-performance data networking solutions). Historically, IT spending has declined as general economic and market conditions have worsened due to geopolitical uncertainty and global currency fluctuations. Brocade is particularly susceptible to reductions in IT spending because the purchase of networking solutions is often discretionary and may involve a significant commitment of capital and other resources. The loss or delay of orders from any of Brocade's more significant customers, such as individual branches or agencies within the U.S. government (including the Department of Defense or certain intelligence agencies where Brocade's revenue is concentrated), or customers within the service provider, financial services, education, and health sectors, could also cause Brocade's revenue and profitability to suffer. For example, Brocade's revenue and operating results could be negatively impacted if the U.S. federal government experiences delays in procurement due to longer decision-making time frames and/or a shift in IT procurement priorities. Economic uncertainty has caused—and may cause further—reductions in Brocade's revenue, profitability, and cash flows, along with increased price competition, increased operating costs, and longer fulfillment cycles. Moreover, economic uncertainty may exacerbate many other risks noted elsewhere in this Form 10-Q, which could adversely affect Brocade's business operations and financial condition.

***The prices of Brocade's products have declined in the past and Brocade expects the prices of its products to decline in the future, which could reduce Brocade's revenues, gross margins, and profitability.***

The average selling price for Brocade products has typically declined in the past and will likely decline in the future as a result of competitive pricing pressures, broader macroeconomic factors, product mix, new product introductions by Brocade or competitors, the entrance of new competitors, and other factors. In particular, if economic conditions deteriorate and create a more cautious capital spending environment in the IT sector, Brocade and its competitors could pursue more aggressive pricing strategies in an effort to maintain or increase revenues. If Brocade is unable to offset a decline in the average selling price of Brocade products by increasing the volume of products shipped and/or reducing product manufacturing costs, Brocade's revenues, gross margins, and profitability could be adversely affected.

***Brocade's future revenue growth depends on its ability to successfully introduce and achieve market acceptance of new products, services, and support offerings on a timely basis.***

Developing new products, services (including software networking), and support offerings requires significant up-front investments that may not result in revenues for an extended period of time, if at all. Brocade must achieve market acceptance of its new product and support offerings on a timely basis in order to realize the benefits of its investments. However, the market for networking solutions, driven in part by the growth and evolution of the Internet and adoption of new technologies such as software-defined networking ("SDN") and Network Functions Virtualization ("NFV"), is characterized by rapidly changing technology, accelerated product introduction cycles, changes in customer requirements and evolving industry standards. Brocade's future success depends largely upon its ability to address the rapidly changing needs of its customers by allowing connectivity to other devices and partnering effectively; by keeping pace with technological developments and emerging industry standards; and by delivering high-quality, reliable, and cost-effective products, product enhancements, and services and support offerings on a timely basis.

Other factors that may affect Brocade's successful introduction of new products, services, and support offerings include, but are not limited to, Brocade's ability to:

- Properly determine the market for new products, services, and support offerings, including features, cost-effectiveness, scalability, and pricing—all of which can be particularly challenging for initial product offerings in new markets;
- Differentiate Brocade's new products, services, and support offerings from its competitors' offerings;
- Address the interoperability complexities of Brocade's products with its OEM partners' server and storage products and Brocade's competitors' products;
- Determine which route(s) to market will be effective; and
- Manage product transitions, including forecasting demand, managing excess and obsolete inventories, addressing product cost structures, and managing different sales and support requirements.

Failure to successfully introduce competitive products, services, and support offerings on a timely basis may harm Brocade's business and adversely affect Brocade's financial results.

***If Brocade is unable to successfully transition from older products and corresponding support and service offerings to new products and corresponding support and service offerings on a timely basis, its business and financial results could be harmed.***

As Brocade introduces new or enhanced products, it must successfully manage the transition from older products, such as certain SAN products, to minimize disruption in customers' ordering patterns, avoid excessive levels of older product inventories, maintain existing support revenue streams, and provide sufficient supplies of new products to meet customer demands. The introduction of new or enhanced products may shorten the life-cycle of Brocade's existing products or replace the sales of some of Brocade's current products, thereby offsetting the benefit of a successful product introduction. When Brocade introduces new or enhanced products, it faces numerous risks related to product transitions, including the inability to accurately forecast demand, manage excess and obsolete inventories, address new or higher product cost structures, and manage different sales and support requirements due to the type or complexity of the new or enhanced products. In addition, any customer uncertainty regarding the timeline for rolling out new products or Brocade's plans for future support of existing products may cause customers to delay purchase decisions or to purchase competing products, which would adversely affect Brocade's business and financial results.

***Brocade may not realize the anticipated benefits of past or future acquisitions, divestitures, and strategic investments, and the integration of acquired companies or technologies or divestiture of businesses may negatively impact Brocade's business and financial results.***

Brocade has acquired—or made strategic investments in—other companies, products, or technologies, and Brocade expects to make additional acquisitions and strategic investments in the future. In the second quarter of fiscal year 2015, Brocade acquired Connectem Inc. and Riverbed Technology, Inc.'s SteelApp™ product line and related assets. In the fourth quarter of fiscal year 2014, Brocade acquired the Vistapointe business. The ability of Brocade to realize the anticipated benefits of its acquisitions and strategic investments involves numerous risks, including, but not limited to, the following:

- Difficulties in successfully integrating the acquired businesses and realizing any expected synergies;
- Inability to communicate to customers the capabilities of the combined company;
- Unanticipated costs, litigation, and other contingent liabilities, including liabilities associated with acquired intellectual property;
- Diversion of management's attention from Brocade's daily operations and business;
- Adverse effects on existing business relationships with suppliers and customers, including delays or cancellations of customer purchases, as well as revenue attrition in excess of anticipated levels if existing customers alter or reduce their historical buying patterns;
- Risks associated with entering into markets in which Brocade has limited or no prior experience, including potentially less visibility into demand;

- Inability to attract and retain key employees;
- Inability to successfully develop new products and services on a timely basis to address the market opportunities of the combined company;
- Inability to compete effectively against companies already serving the broader market opportunities expected to be available to the combined company;
- Inability to qualify the combined company's products with OEM partners on a timely basis, or at all;
- Inability to successfully integrate financial reporting and IT systems;
- Failure to successfully manage additional business locations, including the infrastructure and resources necessary to support and integrate such locations;
- Assumption or incurrence of debt and contingent liabilities and related obligations to service such liabilities and potential limitations on Brocade's operations in order to satisfy financial and other negative operating covenants;
- Additional costs, such as increased costs of manufacturing and service; costs associated with excess or obsolete inventory; costs of employee redeployment, relocation, and retention, including salary increases or bonuses; accelerated amortization of deferred equity compensation, severance payments, reorganization, or closure of facilities; taxes; advisor and professional fees; and termination of contracts that provide redundant or conflicting services;
- Incurrence of acquisition- and integration-related costs, goodwill or in-process research and development impairment charges, or amortization costs for acquired intangible assets, that could negatively impact Brocade's operating results and financial condition; and
- The target market for the acquired products may not develop within the expected time frame or may evolve in a different technical direction.

Brocade may also divest certain businesses from time to time. For example, Brocade sold its network adapter business to QLogic during the first quarter of fiscal year 2014. Such divestitures involve risks, such as difficulty separating out portions of or entire businesses, distracting employees, incurring potential loss of revenue, negatively impacting margins, and potentially disrupting customer relationships. Brocade may also incur significant costs associated with exit or disposal activities, related impairment charges, or both, if Brocade exits or divests a business or product line.

If Brocade is unable to successfully integrate or divest products, technologies, or personnel from businesses that Brocade acquires or divests, or if Brocade is unable to realize the expected benefits of its acquisitions, divestitures, or strategic investments, Brocade's business and financial results could be negatively impacted.

***Cyberattacks and data security breaches could disrupt Brocade's operations, negatively impact Brocade's reputation, and erode customers' trust.***

Cyberattacks and other malicious attacks could lead to data breaches, computer break-ins, malware, viruses, and unauthorized tampering with Brocade's computer systems, intellectual property, and confidential information of Brocade, its customers, and partners. These attacks could disrupt Brocade's operations, negatively impact Brocade's reputation, and erode customers' trust. Brocade may not successfully limit attacks by malicious third parties if they attempt to undermine or disrupt Brocade's cybersecurity, despite implementation of cybersecurity measures. Additionally, Brocade may suffer reputational harm as a result of a data security breach involving customers' or employees' information, either or both of which could negatively impact profitability and/or increase expenses. Customers have become increasingly sensitive to government-sponsored surveillance and may believe that, as a U.S.-based manufacturer, Brocade's equipment contains "backdoor" code that would allow customer data to be compromised by either governmental bodies or other third parties. As a result, customers may choose not to deploy Brocade networking products, which could negatively impact Brocade's business and financial results.

***Brocade has a substantial amount of acquired intangible assets, goodwill, and deferred tax assets on its balance sheet, and if Brocade is required to record impairment charges for these assets, such impairment charges could adversely affect Brocade's financial results.***

Brocade has a substantial amount of acquired intangible assets, goodwill, and deferred tax assets on its balance sheet related to Brocade's prior acquisitions. Brocade's determination of the fair value of its long-lived assets relies on management's assumptions of future revenues, operating costs, and other relevant factors. Brocade's estimates with respect to the useful life or ultimate recoverability of Brocade's carrying basis of assets, including acquired intangible assets, could change as a result of changes in management's assumptions. If management's estimates of future operating results change or if there are changes to other assumptions, such as the discount rate applied to future cash flows, then the estimated fair value of Brocade's reporting units could change significantly, which could result in goodwill impairment charges. For example, based on the decrease in the hardware-based Brocade ADX revenue forecast, Brocade recognized an $83.4 million goodwill impairment charge during the second quarter of fiscal year 2014. For a sensitivity analysis that quantifies the impact of key assumptions used by Brocade on certain reporting units' fair value estimates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in Part I, Item 2 of this Form 10-Q. If future impairment tests should result in a charge to earnings, Brocade's financial results would be adversely affected.

Brocade has determined that, more likely than not, it will realize its deferred tax assets based on positive evidence of its historical operations and projections of future income, except for the deferred tax assets related to California and remaining capital loss carryforwards for which a valuation allowance has been applied. In the event that future income by jurisdiction is less than what is currently projected, Brocade may be required to apply a valuation allowance to these deferred tax assets in jurisdictions where realization of such assets is no longer more likely than not, which could result in a charge to earnings that would adversely affect Brocade's financial results.

***If Brocade loses key talent or is unable to hire additional qualified talent, its business may be negatively impacted.***

Brocade's success depends, to a significant degree, upon the continued contributions of its employees, including executive officers, engineering, sales, and others, many of whom would be difficult to replace. Departures, appointments, and changes in roles and responsibilities of officers or other key members of management may disrupt Brocade's business and adversely affect Brocade's operating results.

Brocade believes its future success depends, in large part, upon its ability to attract highly skilled talent and operate effectively in geographically diverse locations. Brocade has relied on equity awards in the form of stock options and restricted stock units as one means for recruiting and retaining highly skilled talent, and thus a reduction in Brocade's stock price may reduce the effectiveness of these equity awards in recruiting and retaining employees. There is also limited qualified talent in each of Brocade's markets, and competition for such talent is very aggressive. In particular, Brocade operates in various locations with highly competitive labor markets, including Bangalore, India, and San Jose, California. Brocade may experience difficulty in hiring key management and qualified talent with skills in nearly all areas of Brocade's business and operations.

The loss of the services of any of Brocade's key employees, the inability to attract or retain qualified talent in the future, or delays in hiring required talent—particularly sales and engineering talent—could delay the development and introduction of Brocade's products or services and/or negatively affect its ability to sell products or services.

***Failure to accurately forecast demand for Brocade's products, or failure to successfully manage the production of its products, could increase Brocade's product cost and adversely affect its margins and profitability.***

Brocade provides product forecasts to its contract manufacturers ("CMs") and places purchase orders with them in advance of the scheduled delivery of products to Brocade's customers. In preparing sales and demand forecasts, Brocade relies largely on input from its sales force, partners, resellers, and end-user customers. If Brocade is unable to accurately forecast demand, or if Brocade fails to effectively communicate with its distribution partners about end-user demand or other time-sensitive information, Brocade's ability to successfully manage production could be negatively impacted. Brocade's ability to accurately forecast demand also may become increasingly limited as Brocade introduces new or enhanced products, begins phasing out certain products, or acquires other companies or businesses. If these forecasts are inaccurate, Brocade may be unable to obtain adequate manufacturing capacity from its CMs to meet customers' delivery requirements, or Brocade may accumulate excess inventories or incur costs associated with excess manufacturing capacity. If excess inventories accumulate, Brocade's gross margins may be negatively impacted by write-downs for excess and/or obsolete inventory. In addition, Brocade will experience higher fixed costs as it expands its CMs' capabilities for forecasted demand, which could negatively affect Brocade's margins if demand decreases suddenly and Brocade is unable to reduce these fixed costs.

Additionally, most of Brocade's manufacturing overhead and expenses are fixed in the short term or incurred in advance of receipt of corresponding revenue, and Brocade may not be able to reduce such expenses sufficiently to offset declining product prices. As a result, Brocade's gross margins may be adversely affected by fluctuations in manufacturing volumes, component costs, foreign currency exchange rates, the mix of product configurations sold, and the mix of distribution channels through which its products are sold. Brocade's gross margins may also be adversely affected if product or related warranty costs associated with Brocade's products are greater than previously experienced.

***Brocade has extensive international operations, which expose its business and operations to additional risks.***

Brocade has significant international operations, and a significant portion of Brocade's sales occur in international jurisdictions. In addition, Brocade's CMs have significant operations in China and other locations outside the U.S. Brocade's international sales of its IP networking solutions have primarily depended on its distributors and resellers. Maintenance or expansion of international sales or international operations involves inherent risks that Brocade may not be able to control, including, but not limited to, the following:

- Exposure to economic instability or fluctuations in international markets, such as China, that could cause reductions in IT spending;
- Exposure to inflationary risks and/or wage inflation in certain countries, such as India;
- Exposure to sovereign debt risk and political and economic instability in certain regions of Europe, including Russia, and certain emerging countries, including China and Brazil;
- Increased exposure to foreign currency exchange rate fluctuations, including currencies such as the British pound, the euro, the Indian rupee, the Chinese yuan, the Japanese yen, the Singapore dollar, and the Swiss franc;
- Multiple potentially conflicting and changing governmental laws, regulations, and practices, including differing environmental, data privacy, export, import, trade, manufacturing, tax, labor, and employment laws;
- Compliance with U.S. and other applicable government regulation of exports and imports, and associated licensing requirements, particularly in the area of encryption technology;
- Compliance with U.S. and other applicable government regulations prohibiting certain end-uses and restricting trade with embargoed or sanctioned countries, such as Russia, and with denied parties;
- Reduced or limited protection of intellectual property rights, particularly in jurisdictions that have less developed intellectual property regimes, such as China and India;
- Commercial laws and business practices that favor local competition;
- In certain international regions, particularly those with rapidly developing economies, it may be common to engage in business practices that are prohibited by anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act;
- Increased complexity, time, and costs of managing international operations;
- Managing research and development and sales teams in geographically diverse locations, including teams divided between the United States, the United Kingdom, and India;
- Effective communications across multiple geographies, cultures, and languages;
- Recruiting sales and technical support personnel with the skills to design, manufacture, sell, and support Brocade's products in international markets;
- Longer sales cycles and manufacturing lead times;
- Increased complexity and cost of providing customer support and maintenance for international customers;
- Difficulties in collecting accounts receivable;
- Increased complexity of logistics and distribution arrangements; and
- Increased complexity of accounting rules and financial reporting requirements.

Any of these factors could negatively impact Brocade's business, revenues, and profitability.

***Brocade's revenues, operating results, and cash flows may fluctuate from period to period due to a number of factors, which makes predicting financial results difficult.***

IT spending is subject to cyclical and uneven fluctuations, which could cause Brocade's financial results to fluctuate unevenly and unpredictably. For example, the U.S. federal budget for government IT spending can be highly seasonal and subject to delays, reductions, and uncertainty due to changes in the political and legislative environment. It can be difficult to predict the degree to which end-customer demand and the seasonality and uneven sales patterns of Brocade's OEM partners or other customers will affect Brocade's business in the future, particularly as Brocade releases new or enhanced products. While Brocade's first and fourth fiscal quarters are typically stronger quarters for SAN products and Brocade's third and fourth fiscal quarters are typically stronger quarters for IP networking solutions, future buying patterns may differ from historical seasonality. If the mix of revenue changes, it may also cause results to differ from historical seasonality. Accordingly, Brocade's quarterly and annual revenues, operating results, cash flows, and other financial and operating metrics may vary significantly in the future, and the results of any prior periods should not be relied upon as an indication of future performance.

***If product orders are received late in a fiscal quarter, Brocade may be unable to recognize revenue for these orders in the same quarter, which could adversely affect quarterly financial results.***

Brocade's IP networking business typically experiences significantly higher levels of customer orders toward the end of a fiscal period. Customer orders received toward the end of the period may not ship within the period due to available inventory and manufacturing lead times. The inability to ship within the quarter in which the customer orders are received could negatively impact Brocade's financial results in a particular quarter.

***Brocade is subject to—and will continue to be subject to—intellectual property infringement claims and litigation that are costly to defend and/or settle, which could result in significant damages and other costs to Brocade and limit Brocade's ability to use certain technologies in the future.***

Brocade competes in markets in which companies are frequently subject to claims and related litigation regarding patent and other intellectual property rights. Third parties have from time to time asserted patent, copyright, trade secret, and/or other intellectual property-related claims against Brocade and/or employees of Brocade. These claims may be, and have been in the past, made against Brocade's products and services, subcomponents of its products, methods performed by its products or a combination of products, including third-party products, methods used in its operations, or uses of its products by its customers. Moreover, these claims may concern Brocade's hiring of a former employee of the third-party claimant. Brocade and companies acquired by Brocade have in the past incurred, and will likely incur in the future, substantial expenses to defend against such third-party claims. Brocade's suppliers and customers also may be subject to third-party intellectual property claims with respect to their own products, which could negatively impact the suppliers' ability to supply Brocade with components or the customers' willingness to purchase products from Brocade. In addition, Brocade may be subject to claims, defenses, and indemnification obligations with respect to third-party intellectual property rights pursuant to Brocade's agreements with suppliers, OEM and channel partners, or customers. If Brocade refuses to indemnify or defend such claims, for instance, even in situations where the allegations are meritless, then suppliers, partners, or customers may refuse to do business with Brocade. Parties that assert such intellectual property claims may be unreasonable in their demands, or may simply refuse to settle, which could lead to prolonged periods of litigation, additional burdens on employees or other resources, distraction from Brocade's business operations, component supply stoppages, expensive settlement payments, and lost sales. Furthermore, there is little or no information publicly available concerning market or fair values for licenses and/or settlement fees, which can lead to overpayment of license or settlement fees. Any of the above scenarios could have an adverse effect on Brocade's financial position, financial results, cash flows, and future business prospects.

***Undetected software or hardware errors could increase Brocade's costs, reduce its revenues, and delay market acceptance of its products.***

Networking products frequently contain undetected software or hardware errors when first introduced or as new versions are released. As Brocade continues to expand its product portfolio to include software-centric products, including software licensed from third parties, errors may be found from time to time in Brocade products. In addition, through its acquisitions, Brocade has assumed—and may in the future assume—products previously developed by an acquired company that have not been through the same level of product development, testing, and quality control processes used by Brocade, and may have known and/or undetected errors. Some types of errors may not be detected until the product is installed in a user environment. In addition, Brocade products are often combined with other products, including software from other vendors, and these products often need to interoperate. For IT products that have different specifications, utilize multiple protocol standards, and may be procured from other vendors, it may be difficult to identify the source of any problems. These problems may cause Brocade to incur significant warranty and repair costs, divert the attention of engineering personnel from product development efforts, and cause significant customer relations problems, resulting in lower profitability from increased costs and/or decreased revenue. Moreover, the occurrence of hardware and software errors, whether caused by Brocade products or another vendor's products, could delay market acceptance of new or enhanced Brocade products.

***Brocade's supply chain is dependent on sole-source and limited-source suppliers and a limited number of major CMs, either one or both of which may significantly impact Brocade's financial results.***

Although Brocade uses standard parts and components for its products where possible, Brocade's CMs currently purchase, on Brocade's behalf, several key components used in the manufacture of its products from single or limited supplier sources. Brocade's single-source components include, but are not limited to, its application-specific integrated circuits (commonly referred to as "ASICs"). Brocade's principal limited-source components include memory, certain oscillators, microprocessors, certain connectors, certain logic chips, power supplies, programmable logic devices, printed circuit boards, certain optical components, packet processors, and switch fabric components. Brocade generally acquires these components through purchase orders and has no long-term commitments regarding supply or pricing with such suppliers. If Brocade is unable to obtain these and other components when required, or if Brocade's suppliers experience component defects, Brocade may not be able to deliver its products to customers in a timely manner and may be required to repair or retrofit products previously delivered to customers, at significant expense to Brocade. In addition, a challenging economic or industry environment could cause some of these sole-source or limited-source suppliers to delay or halt production, go out of business, or be acquired by third parties, which could result in a disruption in Brocade's supply chain. Brocade's supply chain could also be disrupted in a variety of other circumstances that may impact its suppliers and partners, including adverse results from intellectual property litigation or natural disasters. Any manufacturing disruption by these sole-source or limited-source suppliers could severely impair Brocade's ability to fulfill orders and may significantly impact its financial results.

In addition, the loss of any of Brocade's major CMs, or portions of their capacity, could significantly impact Brocade's ability to produce its products for an indefinite period of time. Qualifying a new CM and commencing volume production is typically a lengthy and expensive process. If Brocade changes any of its CMs or if any of its CMs experience unplanned delays, disruptions, capacity constraints, component parts shortages, or quality control problems in their manufacturing operations, shipment of Brocade's products to customers could be delayed and result in loss of revenues.

***Brocade's intellectual property rights may be infringed upon or misappropriated by others, and Brocade may not be able to protect or enforce its intellectual property rights.***

Brocade's intellectual property rights may be infringed upon or misappropriated by others, including by competitors, partners, former employees, foreign governments, or other third parties. In some cases, such infringement or misappropriation may be undetectable, or enforcement of Brocade's intellectual property rights may be impractical. Brocade has filed, and may in the future file, lawsuits against third parties in an effort to enforce its intellectual property rights. Intellectual property litigation is expensive and unpredictable. There can be no assurance that Brocade will prevail in such assertions or enforcement efforts, either on the merits, or with respect to particular relief sought, such as damages or an injunction. Nor can there be any assurance that any awarded damages ultimately will be paid to Brocade. Furthermore, the opposing party may attempt to prove that the asserted intellectual property rights are invalid or unenforceable, and, if successful, may seek recompense for its attorneys' fees and costs or countersue Brocade as part of its defense. Finally, there can be no assurance that any attempt by Brocade to enforce its intellectual property rights, even if successful in court, will improve Brocade's sales or diminish the defendant's sales or stop the defendant's allegedly unfair competition.

Brocade relies on a combination of patent, copyright, trademark, and trade secret laws, along with measures such as physical and operational security and contractual restrictions, to protect its intellectual property rights in its proprietary technologies, but none of these methods of protection may be entirely appropriate or adequate to address all risks that could result in a loss of intellectual property rights. Loss or violation of Brocade's intellectual property rights could adversely affect Brocade's business and operating results, through a loss of revenue or an increase in expenses.

***Brocade relies on licenses from third parties, and the loss or inability to obtain any such license could adversely affect its business.***

Many Brocade products are designed to include software or other intellectual property licensed from third parties. There can be no assurance that the necessary licenses will be available on acceptable terms, if at all. Brocade's inability to obtain certain licenses or other rights on favorable terms could have an adverse effect on Brocade's business, operating results, and financial condition, including its ability to continue to distribute or support affected products.

In addition, if Brocade has failed or in the future fails to adequately manage the use of commercial or "open source" software in Brocade's products, or if companies acquired by Brocade fail in such regard, Brocade may be subject to copyright infringement litigation or other claims. Furthermore, Brocade may be required, for commercially licensed software, to pay penalties or undergo costly audits pursuant to the license agreement. In the case of open source software, Brocade may be required to license proprietary portions of its products on a royalty-free basis, expose proprietary parts of source code, or commence costly product redesigns that could result in a loss of intellectual property rights, product performance degradation, or a delay in shipping products to customers and result in loss of revenue.

***Business interruptions could adversely affect Brocade's business operations.***

Brocade's business operations and the operations of its suppliers, CMs, and customers are vulnerable to interruptions caused by acts of terrorism, fires, earthquakes, tsunamis, nuclear reactor leaks, hurricanes, power losses, telecommunications failures, and other events beyond Brocade's control. For example, a substantial portion of Brocade's facilities, including its corporate headquarters, are located near major earthquake faults. Brocade does not have multiple-site capacity for all of its services in the event of a business disruption. In the event of a major earthquake, Brocade could experience business interruption resulting from destruction of facilities or other infrastructure and from loss of life. Brocade carries a limited amount of earthquake insurance, which may not be sufficient to cover earthquake-related losses, and has not set aside funds or reserves to cover other potential earthquake-related losses. Additionally, major public health issues, such as an outbreak of a pandemic or epidemic, may interrupt business operations of Brocade, its CMs, its customers, or its suppliers in those geographic regions affected by that particular health issue. In addition, one of Brocade's CMs has a major facility located in an area that is subject to hurricanes, and Brocade's suppliers could face other natural disasters, such as floods, earthquakes, extreme weather, and fires. In the event that a business interruption occurs that affects Brocade, its suppliers, CMs, or customers, shipments could be delayed and Brocade's business and financial results could be harmed.

In addition, Brocade may suffer reputational harm and may not carry sufficient insurance to compensate for financial losses that may occur as a result of any of these events. Any such event could have an adverse effect on Brocade's business, operating results, and financial condition, and could expose Brocade to significant third-party claims of liability and damages.

***Any failure by Brocade to meet its current capital return objectives could have an adverse effect on its reputation and stock price.***

Brocade has publicly stated its intent to return at least 60% of its adjusted free cash flow to stockholders in the form of share repurchases and dividends. Brocade's ability to return at least 60% of its adjusted free cash flow to stockholders is limited by, among other things, Delaware law. If Brocade is unable to meet its intended capital return objective, or if the Board of Directors decides to alter the capital return objective, Brocade's reputation and its stock price may be adversely affected.

***Brocade's business is subject to increasingly complex and changing legal and regulatory requirements that could adversely affect its business, financial results, and stock price.***

Brocade is subject to the changing rules and regulations of federal and state governments as well as the stock exchange on which Brocade's common stock is listed. These entities, including the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, the U.S. Securities and Exchange Commission, the Internal Revenue Service (the "IRS"), the Financial Industry Regulatory Authority, Inc., and the NASDAQ Stock Market LLC ("NASDAQ"), have issued a significant number of new regulations over the last several years and continue to develop additional regulations and requirements. Further, Brocade is also subject to various rules and regulations of certain foreign jurisdictions. Brocade's efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

For example, The Sarbanes-Oxley Act of 2002 requires Brocade to furnish a report by Brocade's management on internal control over financial reporting. This report contains, among other matters, an assessment of the effectiveness of internal control over financial reporting as of the end of the fiscal year. This assessment includes disclosure of any material weaknesses in internal control over financial reporting identified by management. If the assessment does not assert that internal control over financial reporting is effective (or if Brocade's independent registered public accounting firm is unable to express an opinion on the effectiveness of Brocade's internal control over financial reporting), Brocade's stockholders could lose confidence in the accuracy and completeness of Brocade's financial reports, which could have an adverse effect on Brocade's stock price.

Additionally, the Dodd-Frank Wall Street Reform and Protection Act requires that public companies disclose whether certain minerals, commonly known as "conflict minerals," are necessary to the functionality or production of a product manufactured or contracted to be manufactured by those companies, and, if so, if those minerals originated in the Democratic Republic of the Congo or an adjoining country. These requirements could adversely affect the sourcing, availability, and pricing of minerals used in the manufacture of certain components used in Brocade products. In addition, Brocade's supply chain is complex, so Brocade may face reputational challenges with its partners, customers, stockholders, and other stakeholders if the origins of the conflict minerals used in its products cannot be verified sufficiently.

Similarly, Brocade is subject to environmental and other regulations governing product safety, materials usage, packaging, and other environmental impacts in the countries where Brocade products are sold. For example, many Brocade products are subject to laws and regulations that restrict the use of certain substances such as lead, mercury, hexavalent chromium, and cadmium, and that require Brocade to assume responsibility for collecting, treating, recycling, and disposing of products when they have reached the end of their useful life. For example, in Europe, environmental restrictions apply to products sold in that region, and certain Brocade partners require compliance with these or other more stringent requirements. In addition, recycling, labeling, and related requirements apply to Brocade products sold in Europe and China. If Brocade products do not comply with local environmental laws, Brocade could be subject to fines, civil and criminal sanctions, and contract damage claims. In addition, Brocade could be prohibited from shipping noncompliant products into certain jurisdictions and required to recall and replace any noncompliant products already shipped, which would disrupt the ability to ship products and result in reduced revenue, increased warranty expense, increased obsolete or excess inventories, and harm to Brocade's business and customer relationships.

In addition, Brocade is subject to laws, rules, and regulations in the United States and other countries relating to the collection, use, and security of personal information and data. Brocade's possession and use of personal information and data subjects it to legislative and regulatory burdens that may require Brocade to notify customers or employees of a data security breach. Brocade has incurred, and will continue to incur, expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations. Such data privacy laws and regulations may negatively impact Brocade's ability to execute transactions and pursue business opportunities.

***Changes to Brocade's provision for income taxes or unfavorable outcomes of tax audits could adversely impact Brocade's financial condition or results.***

Brocade is subject to income and other taxes in the United States, including those required by both state and federal governmental agencies such as the IRS, and numerous foreign jurisdictions. Brocade's provision for income taxes could be increased due to changes in tax laws in the jurisdictions in which Brocade does business, including an increase in tax rates or an adverse change in the treatment of an item of income or expense. In this regard, the United States, countries in the European Union, and other countries where Brocade operates are actively considering changes to relevant tax, accounting, and other laws, regulations, and interpretations, including fundamental changes to tax laws applicable to multinational corporations. In addition, future effective tax rates could be subject to volatility or adversely affected by changes in the geographic mix of earnings in countries with differing statutory rates, changes in the valuation of deferred tax assets and liabilities, lapses in the federal R&D tax credit, and tax effects of stock-based compensation. These potential changes could increase Brocade's effective tax rate or result in other costs in the future.

Brocade is subject to periodic audits or other reviews by such governmental agencies, and is currently under examination by the IRS and several state and foreign tax jurisdictions for various years. Audits by the IRS and other governmental tax agencies are subject to inherent uncertainties and could result in unfavorable outcomes, including potential fines or penalties. While Brocade regularly assesses the likely outcomes of these audits in order to determine the appropriateness of its tax provision, the occurrence of an unfavorable outcome in any specific period could have an adverse effect on Brocade's financial condition or results for that period or future periods. The expense of defending and resolving such an audit may be significant.

***Brocade is exposed to various risks related to legal proceedings or claims that could adversely affect its financial condition or results.***

Brocade is a party to lawsuits in the normal course of its business. Litigation in general can be expensive, lengthy, and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. Responding to lawsuits brought against Brocade, or legal actions initiated by Brocade, can often be expensive and time-consuming. Unfavorable outcomes from these claims and/or lawsuits could adversely affect Brocade's business, financial results, or financial condition, and Brocade could incur substantial monetary liability and/or be required to change its business practices. In view of the uncertainties, potential risks, and expenses of litigation, Brocade may, from time to time, settle such disputes, even where Brocade had meritorious claims or defenses, by agreeing to settlement agreements that, depending on their terms, may significantly impact Brocade's financial condition or results.

***Brocade's stock price may fluctuate, which could cause the value of an investment in Brocade's shares to decline.***

Brocade's stock price has fluctuated in the past and may be subject to wide fluctuations in the future in response to various factors. Brocade does not have the ability to influence or control many of these factors. In addition to the factors discussed elsewhere in this "Risk Factors" section, factors that could affect Brocade's stock price include, among others:

- Actual or anticipated changes in Brocade's operating results;
- Whether Brocade's operating results meet the expectations of securities analysts or investors;
- Actual or anticipated changes in the expectations of securities analysts or investors;
- Recommendations by securities analysts or changes in their earnings estimates;
- Announcements of actual or anticipated financial results by Brocade's competitors, Brocade's OEM partners, and other companies in the IT industry;
- Speculation, coverage or sentiment in the media or the investment community about, or actual changes in, Brocade's business, strategic position, competitive position, market share, operations, prospects, future stock price performance, or Brocade's industry in general;
- The announcement of new, planned, or contemplated products; services; commercial relationships; technological innovations; acquisitions; divestitures; or other significant transactions by Brocade or its competitors;
- Adverse changes to Brocade's relationships with any of its OEM partners;
- Departures of key employees;

- Litigation or disputes involving Brocade, Brocade's industry or both;
- General economic conditions and trends;
- Sales of Brocade's shares by Brocade's officers, directors or significant stockholders; and
- The timing and amount of dividends and share repurchases.

In addition, the stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Accordingly, broad market and industry factors may adversely affect Brocade's stock price regardless of Brocade's operating performance. In addition, Brocade's stock price might also fluctuate in reaction to events that affect other companies in Brocade's industry even if these events do not directly affect Brocade.

If Brocade's stock price fluctuates widely, Brocade may become the target of securities litigation. Securities litigation could result in substantial costs and divert Brocade's management's attention and resources from Brocade's business.

***Brocade has incurred substantial indebtedness that may decrease its business flexibility, access to capital, and/or increase its borrowing costs, which may adversely affect Brocade's operations and financial results.***

As of August 1, 2015, Brocade had approximately $875 million in principal amount of outstanding indebtedness, including $575 million of indebtedness under the 1.375% convertible senior notes due 2020 (the "2020 Convertible Notes") and $300 million of unsecured indebtedness under the 4.625% senior notes due 2023 (the "2023 Notes") (see Note 8, "Borrowings," of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q). The indenture governing the 2023 Notes contains several negative covenants that restrict the incurrence of debt by Brocade's subsidiaries, restrict the incurrence of liens on principal properties, and restrict Brocade and its subsidiaries from engaging in certain sale-leaseback transactions. In addition, the indentures governing both the 2020 Convertible Notes and the 2023 Notes impose covenants that restrict Brocade's ability to effect certain mergers, consolidations, or sales of assets and require Brocade to offer to repurchase the notes upon the occurrence of certain "fundamental changes" or "changes of control triggering events." These covenants could have the effect, among other things, of reducing Brocade's flexibility to respond to changing business and economic conditions and increasing borrowing costs, should further debt financing be desired, and may adversely affect Brocade's operations and financial results. Brocade's failure to comply with these covenants would result in a default under the applicable indenture, which could permit the holders to accelerate such debt or demand payment in exchange for a waiver of such default. A default under one of the indentures could also result in cross-defaults under Brocade's other debt instruments, negatively impact the price and liquidity of Brocade's debt and equity securities, negatively impact Brocade's credit ratings, and impair Brocade's ability to access sources of capital. If any of Brocade's debt is accelerated, Brocade may not have sufficient funds available to repay such debt.

The rating agencies may lower Brocade's credit rating. This could further negatively impact the price and liquidity of Brocade's debt and equity securities. If Brocade's credit rating is lowered, it could also negatively impact Brocade's ability to access sources of capital.

***The occurrence of a "Fundamental Change" with respect to the 2020 Convertible Notes or a "Change of Control Triggering Event" with respect to the 2023 Notes or a conversion of the 2020 Convertible Notes could negatively impact Brocade's cash flows and financial position.***

Holders of the 2020 Convertible Notes have the right to require Brocade to repurchase their convertible notes upon the occurrence of a "Fundamental Change" and holders of the 2023 Notes have the right to require Brocade to repurchase their senior notes upon the occurrence of a "Change of Control Triggering Event," in each case, at a repurchase price equal to 100% of the principal amount of the applicable notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the 2020 Convertible Notes, Brocade will be required to make cash payments up to the full conversion value in respect of the convertible notes being converted, unless Brocade elects to only deliver shares of its common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share). It is Brocade's current intent and policy to settle conversions of the 2020 Convertible Notes through the delivery of cash up to the principal amount of converted convertible notes, together with shares of common stock to satisfy any conversion obligation in excess of such specified dollar amount. However, if Brocade elects to settle conversions of the 2020 Convertible Notes solely in shares of common stock, such settlement would result in additional dilution to Brocade's stockholders and could result in more dilutive accounting treatment for the 2020 Convertible Notes. The 2020 Convertible Notes may be converted at the option of the holders during certain periods as a result of, among other things, fluctuations in Brocade's stock price.

If Brocade is required to make repurchases of the 2020 Convertible Notes or the 2023 Notes or make cash payments in respect of conversions of the 2020 Convertible Notes, Brocade may not have enough available cash or be able to obtain financing on acceptable terms (or at all) at the time. Further, these obligations would negatively impact Brocade's cash flows and could limit its ability to use its available cash and cash flow for other liquidity needs, including working capital, capital expenditures, acquisitions, investments, and other general corporate purposes. Brocade's ability to repurchase the notes or to pay cash upon conversions of the 2020 Convertible Notes may also be limited by law, by regulatory authority, or by agreements governing its future indebtedness.

***Provisions in Brocade's charter documents, customer agreements, and Delaware law could discourage, delay, or prevent a change in control of Brocade, which could hinder stockholders' ability to receive a premium for Brocade's common stock and adversely affect the value of Brocade's convertible notes.***

Provisions of Brocade's certificate of incorporation and bylaws may discourage, delay, or prevent a merger or mergers that a stockholder may consider favorable. These provisions include, but are not limited to:

- Authorizing the issuance of preferred stock without stockholder approval;
- Prohibiting cumulative voting in the election of directors;
- Limitations on who may call special meetings of stockholders and when special meetings of stockholders may be called; and
- Prohibiting stockholder actions by written consent.

Certain provisions of Delaware law also may discourage, delay, or prevent someone from acquiring or merging with Brocade, and Brocade's agreements with certain Brocade customers require that Brocade give prior notice of a change of control and grant certain manufacturing rights following a change of control. Brocade's various change of control provisions could prevent or delay a change in control of Brocade, which could hinder stockholders' ability to receive a premium for Brocade's common stock and could adversely affect the value of Brocade's convertible notes.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

There were no unregistered sales of equity securities during the three months ended August 1, 2015.

**Issuer Purchases of Equity Securities**

The following table summarizes share repurchase activity for the three months ended August 1, 2015 (in thousands, except per share amounts):

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program [(1)] | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program [(1)] |
|---|---|---|---|---|
| May 3, 2015 to May 30, 2015 | 2,653 | $ 12.11 | 2,653 | $ 422,992 |
| May 31, 2015 to June 27, 2015 | 2,725 | $ 12.41 | 2,725 | $ 389,182 |
| June 28, 2015 to August 1, 2015 | 3,291 | $ 11.29 | 3,291 | $ 352,018 |
| Total | 8,669 | $ 11.89 | 8,669 | |

(1) As of August 1, 2015, Brocade’s Board of Directors had authorized a stock repurchase program for an aggregate amount of up to approximately $2.0 billion (consisting of an original $100 million authorization on August 18, 2004, plus subsequent authorizations of an additional $200 million on January 16, 2007, $500 million on November 29, 2007, $500 million on May 16, 2012, and $692 million on September 25, 2013), which was used for determining the amounts in these columns. The number of shares purchased and the timing of purchases are based on the level of the Company’s cash balances, the trading price of the Company’s common stock, general business and market conditions, and other factors, including alternative investment opportunities.

**Item 6. Exhibits**

**EXHIBIT INDEX**

| Exhibit Number | Description of Document |
|---|---|
| 10.1† | Amendment Number 49, dated June 5, 2015, to Statement of Work Number 1 of the Goods Agreement between IBM and Brocade |
| 10.2† | Amendment Number 11, dated June 10, 2015, to Statement of Work Number 7 of the Goods Agreement between IBM and Brocade |
| 10.3* | Form of 2009 Director Plan Restricted Stock Unit Agreement |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification by the Principal Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification by the Principal Financial Officer |
| 32.1 | Certification by the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| † | Confidential treatment requested as to certain portions, which portions were omitted and filed separately with the Securities and Exchange Commission. |
| * | Indicates management compensatory plan, contract, or arrangement. |

## SIGNATURES

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

| | | | |
|---|---|---|---|
| | | Brocade Communications Systems, Inc. | |
| Date: | September 4, 2015 | By: | /s/ Daniel W. Fairfax |
| | | | **Daniel W. Fairfax**<br>Senior Vice President and Chief Financial Officer |

**Exhibit 10.1**

3039 E CORNWALLIS RD
RESEARCH TRIANGLE PARK NC 27709-2195

**June 5, 2015**

Mr. Mike Harrison
Brocade Communications Systems, Inc.
130 Holger Way
San Jose, CA 95134-1376

Subject: Amendment 49 to SOW #1 of the IBM/Brocade Goods Agreement ROC-P-68

This letter (the "Amendment") serves as Amendment Number 49 to SOW #1, including all amendments thereto ("SOW#1") of the Goods Agreement ROC-P-68 (the "Agreement"), which the parties hereto do mutually agree to amend as follows

1. The effective date of this Amendment shall be the date on the top of this Amendment (the "Effective Date").

2. Schedule 1 to Exhibit A, of the SOW#1 is hereby deleted and replaced with Schedule 1 to Exhibit A, dated June 5, 2015 and attached hereto.

The parties acknowledge that they have read this Amendment, understand it, and agree to be bound by its terms and conditions. All capitalized terms not defined herein shall have the meaning set forth in the Goods Agreement or the SOW #1. All other terms and conditions of the Goods Agreement and SOW#1 that are unaffected by the revisions set forth in this Amendment shall remain in full force and effect. Further, the parties agree that this Amendment and the Goods Agreement and SOW#1 are the complete and exclusive statement of the agreement between the parties, superseding all proposals or other prior agreement, oral or written, and all other communications between the parties relating to this subject.

**Accepted and Agreed To:**
**International Business Machines Corporation**

By: /s/ David Lake 6/10/15
Authorized Signature Date

David Lake
Type or Print Name

Procurement - GCM - NIC
Title & Organization
Address:

**Accepted and Agreed To:**
**Brocade Communications Systems, Inc.**

By: /s/ Charles Leeming 6/8/15
Authorized Signature Date

Charles Leeming
Type or Print Name

VP, OEM, Distribution & Channels
Title & Organization
Address: 130 Holger Way
San Jose, California 95134-1376

**Accepted and Agreed To:**
**Brocade Communications Switzerland, SarL**

/s/ Pierre MATTENBERGER June 9th, 2015
Authorized Signature Date

Pierre MATTENBERGER
Type or Print Name

Director
Title & Organization

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| **1Gbit/sec Switch Products and Software** | | | | | | | | |
| | IB-228011-01 | | [***] | 1Gb Secure Fabric OS | [***] | | | |
| **SW2400 & SW2800 (Refer to End of Life Products)** | | | | | | | | |
| | IB-200008-05 | | [***] | Quick Loop License | [***] | | | |
| | IB-228001-04 | | [***] | Fabric Watch License | [***] | | | |
| | IB-228002-05 | | [***] | Extended Fabrics | [***] | | | |
| | IB-200032-05 | | [***] | Remote Switch | [***] | | | |
| **2Gbit/sec Switch Products and Software (Refer to END OF LIFE section for EOL part numbers)** | | | | | | | | |
| **SW3200** | | | | | | | | |
| | IB-3200-MSB-03 | | [***] | Full Fabric Upgrade Includes Advance Zoning and Fabric Watch | [***] [***] [***] [***] [***] | | | |
| | IB-3200SEC-01 | | [***] | Secure Fabric OS (SW3200) | [***] | | | |
| | IB-3200TPM-03 | | [***] | Performance Bundle (Trunking and Performance Monitoring) | [***] | | | |
| | IB-3200TRK-01 | | [***] | ISL Trunking (SW3200) | [***] | | | |
| **SW3800** | | | | | | | | |
| | IB-3800SEC-01 | | [***] | Secure Fabric OS (SW3800) | [***] | | | |
| | IB-3800TPM-03 | | [***] | Performance Bundle (Trunking and Performance Monitoring) | [***] | | | |
| | IB-3800TRK-01 | | [***] | ISL Trunking (SW3800) | [***] | | | |
| **SW3900** | | | | | | | | |
| | IB-3900EXF-03 | | [***] | Extended Fabrics | [***] | | | |
| | IB-3900EXF-10 | [***] | [***] | Extended Fabric (SW4100) | [***] | | | |
| | IB-3900PRF-10 | [***] [***] | [***] | Performance Monitoring (SW4100, SW210E, SW7500) | [***] | | | |
| | IB-3900RSW-03 | | [***] | Remote Switch | [***] | | | |
| | IB-3900RSW-10 | [***] | [***] | Remote Switch (SW4100) | [***] | | | |
| | IB-3900SEC-01 | | [***] | Secure Fabric OS (SW3900) | [***] | | | |
| | IB-3900SEC-10-M | [***] [***] | [***] | Secure Fabric OS (SW4100, SW210E, SW7500) | [***] | [***] [***] | | |
| | IB-3900TRK-10 | [***] [***] | [***] | ISL Trunking (SW4100, SW210E, SW7500) | [***] | | | |
| | IB-MIDRCUP-10-M | [***] | [***] | CUP for 2109-F32 amd 2005-B32/32B (single switch fabric) | [***] | [***] [***] | | |
| | IB-MIDRCUS-10-M | [***] | [***] | CUP for 2109-F32, 2005-B32/32B (in cascaded fabrics) | [***] | [***] [***] | | |
| **SW325x & SW385x** | | | | | | | | |
| | IB-3250EXF-01 | | [***] | Extended Fabrics | [***] | | | |
| | IB-3250MSB-01 | | [***] | Two Domain to Full Fabric Upgrade includes Fabric Watch | [***] [***] [***] | | | |
| | IB-3250RSW-01 | | [***] | Remote Switch | [***] | | | |
| | IB-3250SEC-01-M | | [***] | Secure Fabric OS (SW3250) | [***] | [***] [***] | | |
| | IB-3250TPM-01 | | [***] | Performance Bundle (Trunking and Performance Monitoring) | [***] | | | |
| | IB-3850EXF-01 | | [***] | Extended Fabric | [***] | | | |
| | IB-3850FTF-01 | [***] | [***] | Four Domain to Full Fabric Upgrade | [***] [***] | | | |
| | IB-3850RSW-01 | | [***] | Remote Switch | [***] | | | |
| | IB-3850SEC-01-M | | [***] | Secure Fabric OS (SW3850) | [***] | [***] [***] | | |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| | IB-3850TPM-01 | [***] | [***] | Performance Bundle (Trunking and Performance Monitoring) | [***] | | | |
| **4Gbit/sec Switch Products and Software (Refer to END OF LIFE Section for EOL part numbers)** | | | | | | | | |
| **SW210E** | | | | | | | | |
| | IB-SMED4POD-01 | [***] | [***] | 4p POD (Ports on Demand) license Upgrade | [***]<br>[***] | | | |
| | IB-SMEDEPT-10 | [***] | [***] | E Port Upgrade (Plant) | [***] | | | |
| | IB-SMEDEPT-20 | [***] | [***] | E Port Upgrade (Field) | [***] | | | |
| | IB-SMEDFWH-01 | [***] | [***] | SW210E, Fabric Watch | [***] | | | |
| | IB-SMEDEXF-01 | [***] | [***] | Extended Fabrics | [***] | | | |
| **SW4100** | | | | | | | | |
| | IB-MIDR16T24-01 | [***]<br>[***] | [***] | 16-24 port upgrade (SW4100 & Brocade 5000) | [***]<br>[***]<br>[***] | | | |
| | IB-MIDR16T32-01 | [***] | [***] | 16 to 32 port upgrade (Plant only) | [***]<br>[***] | | | |
| | IB-MIDR16T32-02 | [***] | [***] | 16 to 32 port upgrade (Field only) | [***]<br>[***] | | | |
| | IB-MIDR24T32-01 | [***] | [***] | 24-32 port upgrade | [***]<br>[***] | | | |
| | IB-MIDRTPM-01 | [***]<br>[***] | [***] | Performance Monitoring and ISL Trunking Bundle (SW4100, SW210E, SW7500) | [***] | | | |
| **SW4900** | | | | | | | | |
| | IB-4900POD-01 | [***] | [***] | 16P POD, includes no SFPs | [***]<br>[***] | | | |
| | IB-MENTSEC-10-M | [***] | [***] | SW4900: Advanced Security Activation | [***] | [***]<br>[***] | | |
| | IB-MENTTPM-01 | [***] | [***] | SW4900: Performance Bundle: Includes ISL Trunking & Performance Monitoring | [***] | | | |
| | IB-MENTTRK-10 | [***] | [***] | SW4900: ISL Trunking | [***] | | | |
| | IB-MENTPRF-10 | [***] | [***] | SW4900: Performance Monitoring | [***] | | | |
| | IB-MENTEXF-10 | [***] | [***] | SW4900: Extended Fabrics | [***] | | | |
| | IB-MENTCUP-01-M | [***] | [***] | FICON with CUP Activation | [***] | [***]<br>[***] | | |
| **SW7500** | | | | | | | | |
| | XIB-MIDR-0003 | | [***] | SW7500 / R18, SW4900 / B64, Brocade 5300 / B80 Power Supply FRU | [***]<br>[***] | | | |
| | IB-7500FCI-01-M<br>IB-7500FCI-02-M (12/1/06) | [***] | [***] | SW7500: FCIP License (includes compression & encryption); Effective 12/1/06: IPSec License included as a bundle with the FCIP license | [***] | [***]<br>[***] | | |
| **BROCADE 7500E** | | | | | | | | |
| | XIB-MIDR-0003 | | [***] | 7500 Power Supply FRU | Refer to SW7500 section for price | | | |
| | XIB-7500-0004 | | [***] | FAN FRU | Refer to SW7500 section for price | | | |
| | IB-MIDRCUP-10-M | [***] | [***] | FICON w/ CUP Activation (only avail on Fully upgraded unit) | Refer to SW3900 section for price | | | |
| | IB-MIDRTPM-01 | [***] | [***] | R18 Performance Bundle (Plant) | Refer to SW4100 section for price | | | |
| | IB-3900PRF-10 | [***] | [***] | R18 Performance Monitor (Field) | Refer to SW3900 section for price | | | |
| | IB-3900TRK-10 | [***] | [***] | R18 Trunking Activation (Field) | Refer to SW3900 section for price | | | |
| | IB-7500FIA-01-M | [***] | [***] | Brocade Accelerator for FICON for 7500, including FICON XRC emulation and tape pipelining | [***] | [***]<br>[***] | | |
| | IB-7500EUG-01-M | [***] | [***] | Full HPE upgrade license with 14p activation | [***] | [***]<br>[***] | | |
| **8Gbit/sec Switch Products and Software (Refer to END OF LIFE Section for EOL part numbers)** | | | | | | | | |
| **BROCADE 300** | | | | | | | | |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| [redacted] | IB-320-0000-M | [***] | [***] | 8p, 1 power supply, 0 SFPs<br>Advanced Zoning, Webtools, Full Fabric, EGM | [***] | [***]<br>[***] | [redacted] | [***]<br>[***] |
| | IB-310-1000-M | [***] | [***] | 8p, without Eport, 1 power supply, 0 SFPs<br>Advanced Zoning & Webtools | [***] | [***]<br>[***] | [redacted] | [***]<br>[***] |
| | **BROCADE 300 BUNDLED WITH SFP'S** | | | | | | | |
| | IB-320-0008-M | [redacted] | [***] | 8p, 1 power supply, 8 8G SWL SFPs<br>Advanced Zoning, Webtools, Full Fabric, EGM | [***]<br>[***] | [***]<br>[***] | [redacted] | [redacted] |
| | IB-310-1008-M | [redacted] | [***] | 8p, without Eport, 1 power supply, 8 8G SWL SFPs<br>Advanced Zoning & Webtools | [***]<br>[***]<br>[***]<br>[***] | [***]<br>[***] | [redacted] | [redacted] |
| | **IB-310-0008-M** | [***] | [***] | 310, without Eport, 1 power supply, Qty-8 8G SWL SFPS. | [***] | [***] | [redacted] | [***] |
| | **BROCADE 300 FRU's** | | | | | | | |
| | XIB-320-0000 | [redacted] | [***] | FRU 8p switch, 1 power supply, 0 SFPS | [***]<br>[***]<br>[***] | [redacted] | [redacted] | [***]<br>[***] |
| | XIB-310-1000 | [redacted] | [***] | FRU 8p switch without Eport, 1 power supply, 0 SFPS | [***]<br>[***]<br>[***] | [redacted] | [redacted] | [***]<br>[***] |
| | **XIB-310-0000** | [***] | [***] | FRU, 310, 8P, witihout Eports, 1 power supply, 0 SFPS. | [***] | [redacted] | [redacted] | [***] |
| | **BROCADE 300 OPTIONAL SOFTWARE** | | | | | | | |
| | IB-SMEDEBI1-01<br>**Dec 3, 2013 = IB-SMEDEBI1-02** | [***]<br>[***] | [***]<br>[***] | Enterprise Bundle: TRK, FW, APM, AN.<br>**Dec 3, 2013 = Added Fabric Vision (FV)** | [***]<br>[***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDEBI2-01<br>**Dec 3, 2013 = IB-SMEDEBI2-02** | [***]<br>[***] | [***]<br>[***] | Enterprise Bundle: TRK, FW, AN, APM, FF, EGM 16p POD (2x8p).<br>**Dec 3, 2013 = Added Fabric Vision (FV)** | [***]<br>[***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDEPT-01 | [***] | [***] | S/W, FULL FABRIC (EPORT UPGRADE) | [***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDEXF-10 | [***] | [***] | S/W, EXTENDED FABRIC | [***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDFWH-10 | [***] | [***] | S/W, FABRIC WATCH | [***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDPRF-01 | [***] | [***] | S/W, ADV PERF MONITORING | [***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDTRK8-01 | [***] | [***] | S/W, ISL TRUNKING | [***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDEGM-01 | [redacted] | [***] | S/W, EGM (ENHANCED GROUP MANAGEMENT) | [***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDAN-01 | [***] | [***] | S/W, ADAPTIVE NETWORKING | [***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDPOD-01 | [***] | [***] | S/W, Port-On-Demand (8P) zero SFPs | [***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDPOD8-01 | | [***] | S/W, Port-On-Demand (8P) 8 8G SWL SFPs | [***]<br>[***]<br>[***] | [redacted] | [redacted] | [redacted] |
| | IB-SMEDSAO-01 | [***] | [***] | AAS: Server Application Optimization License for SAN24B<br><br>HVEC: Server Application Optimization License for SAN24B | [***] | [redacted] | [redacted] | [redacted] |
| **BROCADE 5100** | | | | | | | | |
| [redacted] | IB-5120-0000-M | [***] | [***]<br>[***] | 24p, 2 PS/Fan combo<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***]<br>[***] | [redacted] | [***]<br>[***]<br>[***] |
| | IB-5120-1000-M | [***] | [***]<br>[***] | 24p, 2 PS/Fan combo<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***]<br>[***] | [redacted] | [***]<br>[***] |
| | **BROCADE 5100 FRU's** | | | | | | | |
| | XIB-5100-0001 | [redacted] | [***]<br>[***] | Brocade 5100 PS/Fan FRU | [***] | [redacted] | [redacted] | [redacted] |
| | XIB-000147 | [redacted] | [***] | SFP,SWL,8G,1-PK,BR | [***]<br>[***] | [redacted] | [redacted] | [redacted] |

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| [redacted] | XIB-000139 | [redacted] | [***] | SFP,SWL,4G,1-PK,BR | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-000144 | [redacted] | [***] | SFP,LWL,4G,10KM,1-PK,BR | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-000146 | [redacted] | [***] | SFP,ELWL,4G,30KM,1-PK,BR | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-000142 | [redacted] | [***] | SFP,SWL,4G,4km 1-PK | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | **BROCADE 5100 OPTIONAL SOFTWARE** | | | | | | | |
| [redacted] | IB-MIDREBIB-01 | [***] | [***] | TRK, APM, AN | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-3900EXF-20 | [***] | [***] | S/W, EXTENDED FABRIC | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-3900PRF-20 | [***] | [***] | S/W, ADV PERF MONITORING | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-3900TRK-20 | [***] | [***] | S/W, ISL TRUNKING | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MIDRAN-01 | [***] | [***] | S/W, ADAPTIVE NETWORKING | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MIDRIR-01-M | [***] | [***] | S/W, INTEGRATED ROUTING | [***] | [***]<br>[***] | [redacted] | [redacted] |
| [redacted] | IB-MIDRCUP-20-M | [***] | [***] | S/W, Control Unit Port (CUP) | [***]<br>[***] | [***]<br>[***] | [redacted] | [redacted] |
| [redacted] | IB-MIDRPOD-01 | [***] | [***] | 8p POD upgrade license | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MIDRPOD8-01 | [redacted] | [***] | S/W, Port-On-Demand (8P) 8 8G SWL SFPs | [***]<br>[***]<br>[***]<br>[***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MIDRPOD4-10 | [redacted] | [***] | S/W, Port-On-Demand (8P) 8 4G LWL 4KM SFPs | [***]<br>[***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MIDRPOD8-10 | [redacted] | [***]<br>[***] | SW, 8 ports on demand with 8 LWL (10km) 8G SFPs (2498-B40) | [***]<br>[***]<br>[***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MIDRSAO-01 | [***] | [***] | AAS: Server Application Optimization License for SAN40B<br><br>HVEC: Server Application Optimization License for SAN40B | [***] | [redacted] | [redacted] | [redacted] |
| **BROCADE 5300 (Refer to End of Life Products)** | | | | | | | | |
| [redacted] | **BROCADE 5300 OPTIONAL SOFTWARE** | | | | | | | |
| [redacted] | IB-MENTEBIB-01 | [***] | [***] | **EB: TRK, APM, AN** | | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTEXF-20 | [***] | [***] | S/W, EXTENDED FABRIC | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTPRF-20 | [***] | [***] | S/W, ADV PERF MONITORING | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTTRK-20 | [***] | [***] | S/W, ISL TRUNKING | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTAN-01 | [***] | [***] | S/W, ADAPTIVE NETWORKING | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTIR-01-M | [***] | [***] | S/W, INTEGRATED ROUTING | [***] | [***]<br>[***] | [redacted] | [redacted] |
| [redacted] | IB-MENTCUP-20-M | [***] | [***] | S/W, Control Unit Port (CUP) | [***] | [***]<br>[***] | [redacted] | [redacted] |
| [redacted] | IB-MENTPOD-01 | [redacted] | [***] | 16p POD | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTPOD8-01 | [redacted] | [***] | S/W, Port-On-Demand (16P) 16 8G SWL SFPs | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTPOD4-10 | [redacted] | [***] | S/W, Port-On-Demand (16P) 16 4G LWL 4KM SFPs | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTPOD8-10 | [redacted] | [***] | SW, 16 ports on demand with 16 LWL (10km) 8G SFPs (2498-B80) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MENTSAO-01 | [***] | [***] | AAS: Server Application Optimization License for SAN80B | [***] | [redacted] | [redacted] | [redacted] |
| **FCoE Switch Products and Software (Refer to END OF LIFE Section for EOL part numbers)** | | | | | | | | |
| **BROCADE 8000** | | | | | | | | |
| [redacted] | **BROCADE 8000 - MAINTENANCE RENEWALS** | | | | | | | |
| [redacted] | SVC-UPGRADE | [***] | [***] | 3758-B32 & 375832E Firmware Upgrade Renewal, 1 YEAR | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | SVC-UPGRADE | [***] | [***] | 3758-B32 & 375832E Firmware Upgrade Renewal, 2 YEAR | [***] | [redacted] | [redacted] | [redacted] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| **BROCADE 8000 (CEE Only)** | | | | | | | | |
| | **BROCADE 8000 - MAINTENANCE RENEWALS** | | | | | | | |
| | SVC-UPGRADE | [***] | [***] | 3758B32 / 3758L32 and 375832E / 375832L FIRMWARE UPGRADE RENEWAL, 1 YEAR | [***] | | | |
| | SVC-UPGRADE | [***] | [***] | 3758B32 / 3758L32 and 375832E / 375832L FIRMWARE UPGRADE RENEWAL, 2 YEAR | [***] | | | |
| | **BROCADE 8000 - ACCESSORIES** | | | | | | | |
| | IB-R000162 | [***] | [***] | Fixed Rack Mount Kit | [***] | | | |
| | IB-000165 | [***] | [***] | Mid-Mount Rack Kit | [***] | | | |
| | IB-DCX-0131 | [***] | [***] | USB Drive (32E only) | [***] | | | |
| | **BROCADE 8000 FRU's** | | | | | | | |
| | XIB-R000162 | [***] | [***] | FRU, Fixed Rack Mount Kit | [***] | | | |
| | XIB-000165 | [***] | [***] | FRU, Mid-Mount Rack Kit | [***] | | | |
| | XIB-DCX-0131 | [***] | [***] | FRU, USB Drive (32E only) | [***] | | | |
| | **BROCADE 8000 OPTIONAL SOFTWARE** | | | | | | | |
| | (NOTE: Using 2 p/n's already released with Brocade 5100) | | | | | | | |
| **BROCADE 8000 CEE Only (Accessories, FRU's, Optional Software)** | | | | | | | | |
| | IB-CNVSVC-0001 | [***] | [***] | S/W, Converged Service Bundle | [***] | | | |
| **EXTENSION PRODUCTS** | | | | | | | | |
| **BROCADE 7800 Extension Switch** | | | | | | | | |
| | IB-7800-0001-W-U | [***] | [***] | 2498-R06; 7800, 6P, 4 8GB SWL SFPs, 0 1GE | [***] | | [***] | [***] |
| | IB-7800-1001-W-U | [***] | [***] | 2498-R06; 7800, 6P, 4 8GB LWL SFPs, 0 1GE | [***] | | [***] | [***] |
| | **BROCADE 7800 MAINTENANCE RENEWALS** | | | | | | | |
| | SVC-UPGRADE | [***] | [***] | 2498-R06, FIRMWARE UPGRADE RENEWAL, 1 YEAR<br>Paper pack template part number is 53-1001529-01 | [***] | | | |
| | SVC-UPGRADE | [***] | [***] | 2498-R06, FIRMWARE UPGRADE RENEWAL, 2 YEAR<br>Paper pack template part number is 53-1001530-01 | [***] | | | |
| | **BROCADE 7800 FRU's** | | | | | | | |
| | XIB-7800-0000 | [***] | [***] | FRU, 7800, 6P, 0 SFP | [***] | | | [***] |
| | **BROCADE 7800 OPTIONAL SOFTWARE** | | | | | | | |
| | IB-EXTSAFI-01-M | [***] | [***] | S/W, ADVANCED ACCELERATOR FOR FICON | [***] | [***] | | |
| | IB-EXTSAEX-01-M | [***] | [***] | S/W, ADVANCED EXTENSION | [***] | [***] | | |
| | IB-EXTSIR-01-M | [***] | [***] | S/W, INTEGRATED ROUTING | [***] | [***] | | |
| | IB-EXTSEB-01<br>**Dec 3, 2013 = IB-EXTSEB1-02** | [***] | [***] | S/W, Enterprise Bundle (TRK, APM, FW, AN, SAO)<br>**Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | | | |
| | IB-EXTSTRK-01 | [***] | [***] | S/W, ISL Trunking (TRK) | [***] | | | |
| | IB-EXTSAN-01 | [***] | [***] | S/W, Adaptive Networking (AN) | [***] | | | |
| | IB-EXTSFWH-01 | [***] | [***] | S/W, Fabric Watch (FW) | [***] | | | |
| | IB-EXTSPRF-01 | [***] | [***] | S/W, Advanced Performance Monitoring (APM) | [***] | | | |
| | IB-EXTSSAO-01 | [***] | [***] | S/W, Server Application Optimization (SAO) | [***] | | | |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| | IB-EXTSCUP-01-M | [***] | [***] | S/W, FICON CUP for Single Switch | [***] | [***] | | |
| | IB-EXTSEXF-01 | [***] | [***] | SW, Extended Fabric | [***] | | | |
| | IB-7800UG-0001-M | [***] | [***] | S/W, 7800 UPGRADE, Port Activation 12 Fiber Channel and 4 IP<br>Ships as a paperpack and qty-12 8Gb SWL SFP's | [***] | [***] | | |
| **BROCADE 7840 Extension Switch** | | | | | | | | |
| | **IB-7840-0002-W-U** | [***] | [***] | 7840,42P,24 16G LW SFPS,0 1/10/40GBE SFP, Rail Kit, 2 P/S, 3 Fans<br>Enterprise Bundle (FV, TRK, EF) and Advanced Extension (AEX) | [***] | | [***] | [***] |
| | **IB-7840-0001-W-U** | [***] | [***] | 7840,42P,24 16G SW SFPS,0 1/10/40GBE SFP, Rail Kit, 2 P/S, 3 Fans<br>Enterprise Bundle (FV, TRK, EF) and Advanced Extension (AEX) | [***] | | [***] | [***] |
| | **BROCADE 7840 ACCESSORIES** | | | | | | | |
| | **IB-R000294** | [***] | [***] | 2 POST MID MOUNT KIT/FLUSH MOUNT KIT | [***] | | | |
| | **BROCADE 7840 FRU's** | | | | | | | |
| | **XIB-7840-0000** | [***] | [***] | 7840 FRU,42P,2 P/S, 3 fans, 0 SFP<br>Enterprise Bundle (FV, TRK, EF) and Advanced Extension (AEX) | [***] | | | [***] |
| | **XIB-R000294** | [***] | [***] | FRU,2 POST MID MOUNT KIT/FLUSH MOUNT KIT | [***] | | | |
| | **XIB-R000296** | [***] | [***] | FRU, UNIVERSAL RACK MOUNT KIT, 4 POST | [***] | | | |
| | **BROCADE 7840 MAINTENANCE RENEWALS** | | | | | | | |
| | **SVC-UPGRADE** | [***] | [***] | FIRMWARE UPGRADE RENEWAL, 1 YEAR | [***] | | | |
| | **SVC-UPGRADE** | [***] | [***] | FIRMWARE UPGRADE RENEWAL, 2 YEAR | [***] | | | |
| | **BROCADE 7840 SOFTWARE ORDERABLES** | | | | | | | |
| | **IB-LEXTSAFI-01-M** | [***] | [***] | S/W, PP, ADVANCED ACCELERATOR FOR FICON | [***] | [***] | | |
| | **IB-LEXTSUG1-01-M** | [***] | [***] | S/W, PP, 7840 WAN RATE UPGRADE 1 | [***] | [***] | | |
| | **IB-LEXTSUG2-01-M** | [***] | [***] | S/W, PP, 7840 WAN RATE UPGRADE 2 | [***] | [***] | | |
| **ENCRYPTION PRODUCTS** | | | | | | | | |
| **BROCADE ENCRYPTION SWITCH (IBM 2498-E32) (Refer to End of Life Products)** | | | | | | | | |
| | **BROCADE ENCRYPTION SWITCH (IBM 2498-E32) MAINTENANCE RENEWALS** | | | | | | | |
| | SVC-UPGRADE | [***] | [***] | FIRMWARE UPGRADE RENEWAL, 1 YEAR<br><br>Paperpack template part number is 53-1001956-* / 80-1004434 | [***] | | | |
| | SVC-UPGRADE | [***] | [***] | FIRMWARE UPGRADE RENEWAL, 2 YEAR<br><br>Paperpack template part number is 53-1001957-* / 80-1004435 | [***] | | | |
| | **BROCADE ENCRYPTION PRODUCTS - OPTIONAL SOFTWARE** | | | | | | | |
| | IB-ENCPRF48-01 | [***] | [***] | Backbone Encryption Performance Upgrade | [***] | | | |
| | IB-ENCPRF32-01 | [***] | [***] | Switch Encryption Performance Upgrade license | [***] | | | |
| | IB-MENTEBIB-02<br><br>**Dec 3, 2013 = IB-MENTEBIB-04** | [***] | [***] | S/W, Enterprise Bundle (TRK, APM, and AN), same bundle as the B80<br><br>**Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | | | |
| **MULTI-PROTOCOL ROUTER (Refer to END OF LIFE Section for EOL part numbers)** | | | | | | | | |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| SW7420 | | | | | | | | |
| [redacted] | IB-7420FCIP-01 | [***] | [***] | XPath FCIP | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-7420FCR-01 | [***] | [***] | XPath FCR (Routing) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-7420FCCR-01 | [***] | [***] | XPath FCIP and FC Routing Bundle | [***] | [redacted] | [redacted] | [redacted] |
| **DIRECTOR PRODUCTS AND SOFTWARE (Refer to END OF LIFE Section for EOL part numbers)** | | | | | | | | |
| **SW12000** | | | | | | | | |
| [redacted] | XIB-12000-0104<br>XIB-12000-R0104 | [redacted] | [***] | Power Supply , 180-264VAC, 1000W, FRU | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-12000-0106<br>XIB-12000-R0106 | [redacted] | [***] | AC Power Cord, FRU | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0107<br>XIB-12000-R0107 | [redacted] | [***] | AC Power Cord, UK/Ireland, 250V, FRU | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0108<br>XIB-12000-R0108 | [redacted] | [***] | AC Power Cord, Cont. Europe CEE7/7, FRU | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0109<br>XIB-12000-R0109 | [redacted] | [***] | AC Power Cord, AUST/INZ, 250V | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0110<br>XIB-12000-R0110 | [redacted] | [***] | AC Power Cord, Intl IEC | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-1200CUP-10-M | [redacted] | [***] | CUP for 2109-M12 (single switch fabric) | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-1200CUP-20-M | [redacted] | [***] | CUP for 2109-M14 (single switch fabric) | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-1200CUS-10-M | [redacted] | [***] | CUP for 2109-M12 (in cascaded fabrics) | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-1200CUS-20-M | [redacted] | [***] | CUP for 2109-M14 (in cascaded fabrics) | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-1200EXF-03 | [redacted] | [***] | Extended Fabric software | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-1200RSW-03 | [redacted] | [***] | Remote Switch software | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-1200SEC-01 | | [***] | Secure Fabric OS (SW12000) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-1200SEC-01-M | [redacted] | [***] | Secure Fabric OS (SW12000/24000) | [***] | [***] | [redacted] | [redacted] |
| **SW48000** | | | | | | | | |
| [redacted] | IB-48KCUP-01-M | [***] | [***] | S/W, Director CUP for single switch fabrics | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-48KCUS-01-M | [***] | [***] | S/W, Director CUP for cascaded fabrics | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-48KEXF-01 | [***] | [***] | S/W, EXTENDED FABRIC | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-48KRSW-01 | [***] | [***] | S/W, REMOTE SWITCH | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-48KSEC-01-M | [***] | [***] | S/W, SECURE FABRIC OS | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-48000-R0104 | [***] | [***] | 2 Power Supply Upgrade kit to support FR4-18i FCR and FCIP blade | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-48KFCI-01-M<br>IB-48KFCI-02-M | [***] | [***] | SW48000: FCIP license for FR4-18i Port Blade, includes compression & encryption;<br>Effective 12/1/06: IPSec License included as a bundle with the FCIP license (Brocade p/n IB-48KFCI-02-M) | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-48KFIA-01-M | [***] | [***] | Brocade Accelerator for FICON for 48K, including FICON XRC emulation and tape pipelining | [***] | [***] | [redacted] | [redacted] |
| **BROCADE DCX (DATA CENTER BACKBONE) (Refer to End of Life Products)** | | | | | | | | |
| [redacted] | IB-DCX-0104 | [***] | [***] | DCX, Upgrade Power Supplies, 2000W (qty 2) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-DCX-0101 | [***] | [***] | DCX, Port Blade, 16P, Condor 2, BR | [***] | [redacted] | [redacted] | [***] |
| [redacted] | IB-DCX-0102 | [***] | [***] | DCX, Port Blade, 32P, Condor 2, BR | [***] | [redacted] | [redacted] | [***] |
| [redacted] | IB-DCX-0148 | [***] | [***] | DCX, Port Blade, 48P, Condor 2, BR | [***] | [redacted] | [redacted] | [***] |
| [redacted] | **DCX BLADE - BUNDLED WITH SFP'S** | | | | | | | |
| [redacted] | IB-DCX-2101 | [redacted] | [***] | DCX, Port Blade, 16P, 16 SWL 8G SFPs | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-DCX-2102 | [redacted] | [***] | DCX, Port Blade, 32P, 32 SWL 8G SFPs | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-DCX-2148 | [redacted] | [***] | DCX, Port Blade, 48P, 48 SWL 8G SFPs | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-DCX-3101 | [redacted] | [***] | DCX, Port Blade, 16P, 16 LWL 4KM 4G SFPs | [***] | [redacted] | [redacted] | [redacted] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| | IB-DCX-3102 | | [***] | DCX, Port Blade, 32P, 32 LWL 4KM 4G SFPs | [***] | | | |
| | IB-DCX-3148 | | [***] | DCX, Port Blade, 48P, 48 LWL 4KM 4G SFPs | [***] | | | |
| | IB-DCX-5101 | | [***] | DCX port blade, 16p, 16 LWL (10km) 8G SFPs | [***] | | | |
| | IB-DCX-5102 | | [***] | DCX port blade, 32p, 32 LWL (10km) 8G SFPs | [***] | | | |
| | IB-DCX-5148 | | [***] | DCX port blade, 48p, 48 LWL (10km) 8G SFPs | [***] | | | |
| | IB-DCX-2164 | [***] | [***] | FC8-64 Blade, 64P, 64 8Gb mSFPs | [***] | | | [***] |
| | **DCX - OPTIONAL SOFTWARE** | | | | | | | |
| | IB-DCXFCI-01-M | [***] | [***] | High-performance FCIP/FC Extension for FR4-181 (IBM p/n 21R9956) | [***] | [***] | | |
| | IB-DCXCUP-01-M | [***] | [***] | S/W, CUP For Single Switch, PP, DCX | [***] | [***] | | |
| | IB-DCXIR-01-M | [***] | [***] | S/W, INTEGRATED ROUTING | [***] | [***] | | |
| | IB-DCXFIA-01-M | [***] | [***] | Brocade Accelerator for FICON for DCX, including FICON XRC emulation and tape pipelining | [***] | [***] | | |
| | **DCX - FRU's** | | | | | | | |
| | XIB-DCX-0103 | | [***] | DCX, CP8, BR | [***] | | | [***] |
| | XIB-DCX-0105 | | [***] | DCX, Cable MGMT COMB, BR | [***] | | | |
| | XIB-DCX-0111 | | [***] | DCX, Door, BR | [***] | | | |
| | XIB-DCX-0104 | | [***] | DCX, Power Supply, 2000W, BR | [***] | | | |
| | XIB-DCX-0120 | | [***] | DCX, Rack Mount Kit, 14U, BR | [***] | | | |
| | XIB-DCX-0123 | | [***] | DCX, WWN Cover, BR | [***] | | | |
| | XIB-DCX-0124 | | [***] | DCX, WWN Card, BR | [***] | | | |
| | XIB-DCX-0122 | | [***] | DCX, Blower ASSY, BR | [***] | | | |
| | XIB-DCX-0128 | | [***] | DCX, Port Card Slot Filler PNL, BR | [***] | | | |
| | XIB-DCX-0130 | | [***] | DCX, PS Slot Filler PNL, BR | [***] | | | |
| | XIB-48000-R0129 | | [***] | SFP Extraction Tool (6 pack) | [***] | | | |
| | XIB-DCX-0151 | | [***] | Cable Retainer Kit (qty-4 retainers) | [***] | | | |
| | XIB-DCX-0164 | [***] | [***] | FC8-64 Blade, 64P | [***] | | | [***] |
| **BROCADE DCX-4S (Refer to End of Life Products)** | | | | | | | | |
| | **BROCADE DCX-4S MAINTENANCE RENEWALS** | | | | | | | |
| | SVC-UPGRADE | [***] | [***] | 2499-192, Firmware Upgrade Renewal, 1 YEAR | [***] | | | |
| | SVC-UPGRADE | [***] | [***] | 2499-192, Fiirmware Upgrade Renewal, 2 YEARS | [***] | | | |
| | **BROCADE DCX-4S - ACCESSORIES** | | | | | | | |
| | IB-DCX4S-0120 | | [***] | DCX-4S RACK MOUNT KIT, (27"-31") | [***] | | | |
| | IB-DCX4S-0126 | | [***] | DCX-4S MID-MOUNT RAIL KIT FOR TELCOS | [***] | | | |
| | **BROCADE DCX-4S - FRU's** | | | | | | | |
| | XIB-DCX4S-0105 | [***] | [***] | FRU, VERT CABLE MGMT | [***] | | | |
| | XIB-DCX4S-0123 | [***] | [***] | FRU, DCX-4S, WWN COVER | [***] | | | |
| | XIB-DCX4S-0124 | [***] | [***] | FRU, DCX-4S, WWN CARD | [***] | | | [***] |
| | XIB-DCX4S-0128 | [***] | [***] | FRU, DCX-4S, PORT CARD SLOT FILLER PANEL | [***] | | | |
| | XIB-DCX4S-0121 | [***] | [***] | 1U Exhaust Duct Kit (FRU) | [***] | | | |
| | XIB-DCX4S-0111 | [***] | [***] | FRU, DCX-4S DOOR | [***] | | | |
| | XIB-DCX4S-0120 | [***] | [***] | FRU, DCX-4S RACK MOUNT KIT, (27"-31") | [***] | | | |
| | XIB-DCX4S-0126 | [***] | [***] | FRU, MID-MOUNT RAIL KIT FOR TELCOS | [***] | | | |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| | BROCADE DCX-4S - OPTIONAL SOFTWARE | | | | | | | |
| | IB-DCX4SCUP-01-M | [***] | [***] | DCX-4S, CUP FOR SINGLE SWITCH | [***] | [***] | | |
| | IB-DCX4SIR-01-M | [***] | [***] | DCX-4S Integrated Routing | [***] | [***] | | |
| BROCADE FX8-24 DCX EXTENSION BLADE | | | | | | | | |
| | IB-FX824-1001-M | [***] | [***] | FX8-24 Blade, 22P, 0 8Gb SWL SFPs, 0 1GE SFPs | [***] | [***] | | [***] |
| | BROCADE FX8-24 DCX EXTENSION BLADE - FRU's | | | | | | | |
| | XIB-FX824-1001 | [***] | [***] | FX8-24 Blade, 22P (no SFP's) | [***] | | | [***] |
| | BROCADE FX8-24 DCX EXTENSION BLADE - OPTIONAL SOFTWARE | | | | | | | |
| | IB-DCXAFI-01-M | [***] | [***] | S/W, ADVANCED ACCELERATOR FOR FICON | [***] | [***] | | |
| | IB-DCXAEX-01-M | [***] | [***] | S/W, ADVANCED EXTENSION | [***] | [***] | | |
| | IB-DCX10GE-01-M | [***] | [***] | S/W, 10 Gigabit Ethernet | [***] | [***] | | |
| BROCADE FCoE 10-24 DCX Blade | | | | | | | | |
| | IB-FCOE10-2400-M Nov 1, 2010 = IB-FCOE10-2410-M | [***] | [***] | Brocade FCoE 10-24, 24 ports 10GbE CEE blade for DCX and DCX-4S, with FCOE software, 24 10GbE SR SFP+ | [***] | [***] | | [***] |
| | BROCADE FCoE 10-24 DCX Blade - FRU's | | | | | | | |
| | XIB-FCOE10-2400 | [***] | [***] | FRU, Brocade FCoE 10-24, 24 ports 10GbE CEE blade | [***] | | | [***] |

## FABRIC MANAGER (Refer to END OF LIFE Section for EOL part numbers)

## 16Gbit/sec Switch Products

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| BROCADE 6505 Switch (IBM 2498-F24G / 249824G / 2498-X24) | | | | | | | | |
| | IB-6505-12-G16-0R-W-U | [***] | [***] | 6505, 12P, 12 x 16GB SWL SFPs; Includes FF and EGM, thin / fixed rack mount kit (IB-R000291), and two power supplies; one power supply will be installed and the other will be included in the shipment. | [***] | | [***] | [***] |
| | IB-6505-12-G8-0R-W-U | [***] | [***] | 6505, 12P, 12 x 8GB SWL SFPs; Includes FF and EGM, thin / fixed rack mount kit (IB-R000291), and two power supplies; one power supply will be installed and the other will be included in the shipment. | [***] | | [***] | [***] |
| | IB-6505-12-16G-0R-W-U | [***] | [***] | 6505, 12P, 12 x 16GB SWL SFPs; Includes FF and EGM, thin / fixed rack mount kit (IB-R000291) and one power supply. | [***] | | [***] | [***] |
| | IB-6505-12-8G-0R-W-U | [***] | [***] | 6505, 12P, 12 x 8GB SWL SFPs; Includes FF and EGM, thin / fixed rack mount kit (IB-R000291) and one power supply. | [***] | | [***] | [***] |
| | IB-6505-12-16G-0R1-W-U | [***] | [***] | 6505, 12P, Qty-12 16GB SFPS, AC, thin / fixed rack mount kit, one power supply | [***] | | [***] | [***] |
| | IB-6505-12-8G-0R1-W-U | [***] | [***] | 6505, 12P, Qty-12 8GB SFPS, AC, thin / fixed rack mount kit, one power supply | [***] | | [***] | [***] |
| | BROCADE 6505 Switch (IBM 2498-F24 / 249824G / 2498-X24) ACCESSORIES | | | | | | | |
| | IB-5100-0001 | [***] | [***] | Additional power supply/fan | [***] | | | |
| | BROCADE 6505 Switch (IBM 2498-F24 / 249824G / 2498-X24) FRU'S | | | | | | | |
| | XIB-6505-12-0000-0R | [***] | [***] | FRU, Brocade 6505, 12P, BR, AC, AAS; Includes one power supply | [***] | | | [***] |
| | XIB-6505-12-1000-0R | [***] | [***] | FRU, Brocade 6505, 12P, BR, AC; HVEC / Xccelerator; Includes one power supply | [***] | | | [***] |
| | XIB-6505-12-2000-0R | [***] | [***] | FRU, BR6505, 12P, 0 SFPS, BR, AC, one power supply | [***] | | | [***] |
| | BROCADE 6505 Switch (IBM 2498-F24 / 249824G / 2498-X24) MAINTENANCE RENEWALS | | | | | | | |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| [redacted] | SVC-UPGRADE | [***] | [***] | 2498-F24 / 249824G / 2498-X24, FIRMWARE UPGRADE RENEWAL, 1 YEAR<br>Brocade template p/n 53-10022710-01 / 80-1006148-01 | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | SVC-UPGRADE | [***] | [***] | 2498-F24 / 249824G / 2498-X24, FIRMWARE UPGRADE RENEWAL, 2 YEAR<br>Brocade template p/n 53-1002270-01 / 80-1006-149-01 | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | **BROCADE 6505 Switch (IBM 2498-F24 / 249824G / 2498-X24) OPTIONAL SOFTWARE** | | | | | | | |
| [redacted] | IB-SMEDEBIB2-01<br>Oct 30, 2012 = IB-SMEDEBIB3-01<br>**Dec 3, 2013 = IB-SMEDEBIB3-02** | [***] | [***] | S/W, Enterprise Bundle (TRK, APM, AN, EF, and SAO)<br>Oct 30, 2012:<br>S/W, Enterprise Bundle (TRK, APM, AN, FW, and SAO)<br>**Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-SMED12POD-8G | [***] | [***] | S/W, 12 Port-on-Demand with 12 x 8G SWL SFPs | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-SMED12POD-16G | [***] | [***] | S/W, 12 Port-On-Demand with 12 x 16G SWL SFPs | [***] | [redacted] | [redacted] | [redacted] |
| **BROCADE 6510 Switch (IBM 2498-F48)** | | | | | | | | |
| [redacted] | IB-6510-24-16G-R-W-U | [***] | [***] | 6510, 24P, 24 16GB SWL SFPs, port side exhaust; FF, EGM, & FW<br>Aug 1, 2011: Added thin rack mount kit | [***] | [redacted] | [***] | [***] |
| [redacted] | IB-6510-24-8G-R-W-U | [***] | [***] | 6510, 24P, 24 8GB SWL SFPs, port side exhaust; FF, EGM, & FW.<br>Aug 1, 2011: Added thin rack mount kit | [***] | [redacted] | [***] | [***] |
| [redacted] | XIB-6510-24-0000-R | [***] | [***] | FRU, Brocade 6510, 24P, BR, AC, Port side exhaust air flow | [***] | [redacted] | [redacted] | [***] |
| [redacted] | **BROCADE 6510 Switch (IBM 2498-F48) MAINTENANCE RENEWALS** | | | | | | | |
| [redacted] | SVC-UPGRADE | [***] | [***] | 2498-F48, FIRMWARE UPGRADE RENEWAL, 1 YEAR<br>(BRCD template p/n 80-1005316-01) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | SVC-UPGRADE | [***] | [***] | 2498-F48, FIRMWARE UPGRADE RENEWAL, 2 YEAR<br>(BRCD template p/n 80-1005317-01) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | **BROCADE 6510 Switch (IBM 2498-F48) / 6505 Switch (IBM 2498-F24) ACCESSORIES & FRU's** | | | | | | | |
| [redacted] | IB-R000291 | [***] | [***] | Brocade, 6500 Thin Fixed Rack Mount Kit | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-R000292 | [***] | [***] | Brocade, 6500 Thin Mid-Mount Rack Kit | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-R000291 | [***] | [***] | FRU, 6500 Thin Fixed Rack Mount Kit | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-R000292 | [***] | [***] | FRU, 6500 Thin Mid-Mount Rack Kit | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | **BROCADE 6510 Switch (IBM 2498-F48) OPTIONAL SOFTWARE** | | | | | | | |
| [redacted] | IB-MIDREBIB-01<br>Sep 15, 2012 = IB-MIDREBIB2-01<br>**Dec 3, 2013 = IB-MIDREBIB2-02** | [***] | [***] | S/W, Enterprise Bundle (TRK, APM, AN, EF and SAO)<br>**Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MIDR10G-01-M | [***] | [***] | SW, Integrated 10G FC License | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-MIDR12POD-8G | [***] | [***] | S/W, 12 Port-on-Demand with 12BR 8G SWL SFPs | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-MIDR12POD-16G | [***] | [***] | S/W, 12 Port-On-Demand with 12BR 16G SWL SFPs | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | Added Oct 30, 2012 to Brocade 6510/IBM 2498-F48:<br>**IB-MIDRCUP-20-M** | [***] | [***] | S/W, Control Unit Port (CUP) | [***] | | [redacted] | [redacted] |
| **BROCADE 6520 Switch (IBM 2498-F96 and IBM 2498-N96)** | | | | | | | | |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| | IB-6520-48-16G-R-W-U | [***] | [***] | 6520, 48P, 48 16GB SWL SFPs, port side exhaust. Includes fixed rack mount kit. FOS includes: FF, EGM, SAO, and AN. | [***] | | [***] | [***] |
| | IB-6520-48-8G-R-W-U | [***] | [***] | 6520, 48P, 48 8GB SWL SFPs, port side exhaust. Includes fixed rack mount kit. FOS includes: FF, EGM, SAO, and AN. | [***] | | [***] | [***] |
| | IB-6520-48-16G-F-W-U | [***] | [***] | 6520, 48P, 48 16GB SWL SFPs, NON-port side exhaust. Includes fixed rack mount kit. FOS includes: FF, EGM, SAO, and AN | [***] | | [***] | [***] |
| | IB-6520-48-8G-F-W-U | [***] | [***] | 6520, 48P, 48 8GB SWL SFPs, NON-port side exhaust. Includes fixed rack mount kit. FOS includes: FF, EGM, SAO, and AN | [***] | | [***] | [***] |
| | IB-R000162 | [***] | [***] | Brocade Fixed Rack Mount Kit | [***] | | | |
| | **BROCADE 6520 Switch (IBM 2498-F96 and IBM 2498-F96) FRU's** | | | | | | | |
| | XIB-6520-48-0000-R | [***] | [***] | FRU, Brocade 6520, 48P, AC, Port side exhaust air flow (no P/S or fans) | [***] | | | [***] |
| | XIB-6520-48-0000-F | [***] | [***] | FRU, Brocade 6520, 48P, AC, Non-Port side exhaust air flow (no P/S or fans) | [***] | | | [***] |
| | XIB-R000162 | [***] | [***] | **FRU Fixed Rack Mount Kit** | [***] | | | |
| | XIB-FAN-80-R | [***] | [***] | FRU, FAN, 80MM, Port Side Exhaust AF | [***] | | | |
| | XIB-FAN-80-F | [***] | [***] | FRU, FAN, 80MM, Non-Port Side Exhaust AF | [***] | | | |
| | XIB-1100WPSAC-R | [***] | [***] | FRU 1100W PSAC, Port Side Exhaust AF | [***] | | | |
| | XIB-1100WPSAC-F | [***] | [***] | FRU 1100W PSAC, Non-Port Side Exhaust AF | [***] | | | |
| | **BROCADE 6520 Switch (IBM 2498-F96 and IBM 2498-N96) MAINTENANCE RENEWALS** | | | | | | | |
| | SVC-UPGRADE | [***] | [***] | SAN96B-5 FIRMWARE UPGRADE RENEWAL, 1 YEAR Paper pack template p/n 80-1007436-* | [***] | | | |
| | SVC-UPGRADE | [***] | [***] | SAN96B-5, FIRMWARE UPGRADE RENEWAL, 2 YEAR. Paper pack template p/n 80-1007437-* | [***] | | | |
| | **BROCADE 6520 Switch (IBM 2498-F96 and IBM 2498-N96) OPTIONAL SOFTWARE** | | | | | | | |
| | IB-MENTFWH-01 | [***] | [***] | S/W, Fabric Watch | [***] | | | |
| | IB-MENTEB4-01 **Dec 3, 2013 = IB-MENTEB4-02** | [***] | [***] | S/W, Enterprise Bundle (TRK, FW, APM, and EF) **Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | | | |
| | IB-MENT10G-01-M | [***] | [***] | SW, 10G ETHERNET | [***] | [***] | | |
| | IB-ENTPOD-8G | [***] | [***] | S/W, 24 Port-on-Demand with 24BR 8G SWL SFPs | [***] | | | |
| | IB-ENTPOD-16G | [***] | [***] | S/W, 24 Port-On-Demand with 24BR 16G SWL SFPs | [***] | | | |

## 16Gbit/sec DIRECTORS

| **BLADES & ACCESSORIES FOR SAN384B-2 (2499-416) AND SAN768B-2 (2499-816) (Refer to End of Life Products)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | IB-DCX8510-0102 | [***] | [***] | Port blade, FC16-32, 32P. NO SFP's | [***] | | | [***] |
| | IB-DCX8510-0148 | [***] | [***] | Port blade, FC16-48, 48P. NO SFP's | [***] | | | [***] |
| | IB-DCX8510-2102 | [***] | [***] | Port blade, FC16-32, 32P, 32 16G SWL SFP, IB | [***] | | | [***] |
| | IB-DCX8510-2148 | [***] | [***] | Port blade, FC16-48, 48P, 48 16G SWL SFP, IB | [***] | | | [***] |
| | IB-DCX8510-5102 | [***] | [***] | Port blade, FC16-32, 32P, 32 16G LWL, 10KM, SFP, IB | [***] | | | [***] |
| | IB-DCX8510-5148 | [***] | [***] | Port blade, FC16-48, 48P, 48 16G LWL, 10KM, SFP, IB | [***] | | | [***] |
| | IB-DCX8514-0150 | [***] | [***] | Core blade, 2 x 16GB core | [***] | | | [***] |
| | IB-DCX8518-0150 | [***] | [***] | Core blade, 2 x 16GB core | [***] | | | [***] |
| | IB-DCX8510-2164 | [***] | [***] | PORT BLADE, FC16-64, 64P, Qty 16-16G QSFP, BR | [***] | | | [***] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| | **ACCESSORIES & FRU's** | | | | | | | |
| | IB-000195 | [***] | [***] | KIT, LBL, FIPS 140-2 LVL2 SEALS | [***] | | | |
| | XIB-000195 | [***] | [***] | FRU KIT, LBL, FIPS 140-2 LVL2 SEALS | [***] | | | |
| | **IB-8510ICLKIT2KM-01-M** | [***] | [***] | **2KM ICL POD KIT; 1 X ICL LIC AND 8 X 2KM QSFPS** | [***] | [***] | | |
| | **BLADE FRU'S (Refer to End of Life Products)** | | | | | | | |
| | XIB-DCX8510-0102 | [***] | [***] | FRU, PORT BLADE, FC16-32, 32P, DCX8510 | [***] | | | [***] |
| | XIB-DCX8510-0148 | [***] | [***] | FRU, PORT BLADE, FC16-48, 48P, DCX8510 | [***] | | | [***] |
| | XIB-DCX8514-0106 | [***] | [***] | FRU, DCX8510-4, CR16-4, 16Gb CORE BLADE | [***] | | | [***] |
| | XIB-DCX8518-0106 | [***] | [***] | FRU, DCX8518-0106, DCX, CR16-8, 16Gb CORE BLADE | [***] | | | [***] |
| | XIB-DCX8510-0164 | [***] | [***] | FRU, PORT BLADE, 64P, DCX8510, 0 SFPS, BR | [***] | | | [***] |
| | **OPTIONAL SOFTWARE:** | | | | | | | |
| | IB-DCX4ENTICL-01-M | [***] | [***] | S/W, ENTERPRISE ICL LICENSE FOR DCX8510-4 FABRIC CONFIGURATIONS OF 5-10 chassis w ICL connectivity | [***] | [***] | | |
| | IB-DCX8ENTICL-01-M | [***] | [***] | S/W, ENTERPRISE ICL LICENSE FOR DCX8510-8FABRIC CONFIGURATIONS OF 5-10 chassis w ICL connectivity | [***] | [***] | | |
| | IB-8510ICLKIT-01-M | [***] | [***] | S/W, 1 x ICL POD License + 16x (4x16Gbps QSFP), 100m | [***] | [***] | | |
| | IB-MENTFV-01 | [***] | [***] | Fabric Vision license (enterprise tier) | [***] | | | |
| | IB-SMEDFV-01 | [***] | [***] | Fabric Vision license (entry switch) | [***] | | | |
| | IB-EXTSFV-01 | [***] | [***] | Fabric Vision license for Extension | [***] | | | |
| **IBM SYSTEM STORAGE SAN384B-2 (2499-416)** | | | | | | | | |
| | IB-DCX8514-0002-W-U | [***] | [***] | DCX8510-4, 2PS, 0P, 2CP, 2 16GB CORE, 0 SFP, EGM, EB (includes: AN, EF, APM, TRK, FW, and SAO), IB **Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | | [***] | [***] |
| | **IBM 2499-416 MAINTENANCE RENEWALS** | | | | | | | |
| | SVC-UPGRADE | [***] | [***] | 2499-416, FIRMWARE UPGRADE RENEWAL, 1 YEAR (BRCD template p/n 80-1005498-01) | [***] | | | |
| | SVC-UPGRADE | [***] | [***] | 2499-416, FIRMWARE UPGRADE RENEWAL, 2 YEAR (BRCD template p/n 80-1005499-01) | [***] | | | |
| | **IBM 2499-416 FRU'S** | | | | | | | |
| | XIB-DCX8514-0010 | [***] | [***] | FRU, DCX8510-4 CHASSIS | [***] | | | [***] |
| **IBM SYSTEM STORAGE SAN768B-2 (2499-816)** | | | | | | | | |
| | IB-DCX8518-0001-W-U | [***] | [***] | DCX 8518-8,2PS, 0P, 2CP, 2 16GB core, 0 SFP, EB (includes: AN, EF, APM, TRK, FW, SAO), IB **Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | | [***] | [***] |
| | **IBM 2499-816 MAINTENANCE RENEWALS** | | | | | | | |
| | SVC-UPGRADE | [***] | [***] | 2499-816, FIRMWARE UPGRADE RENEWAL, 1 YEAR (BRCD template p/n 80-1005500-01) | [***] | | | |
| | SVC-UPGRADE | [***] | [***] | 2499-816, FIRMWARE UPGRADE RENEWAL, 2 YEAR (BRCD template p/n 80-1005501-01) | [***] | | | |
| | **IBM 2499-816 FRU'S** | | | | | | | |
| | XIB-DCX8518-0010 | [***] | [***] | FRU, DCX8518-8, Chassis, IB | [***] | | | [***] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Brocade Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| **TRANSCEIVERS (Refer to END OF LIFE Section for EOL part numbers)** | | | | | | | | |
| [redacted] | IB-000139 | [***] | [***] | SFP, SWL, 4G, 1-pack | [***] | [***] | [***] | [***] |
| [redacted] | IB-000141 | [***] | [***] | SFP, SWL, 4G, 8-pack | [***] | [***] | [***] | [***] |
| [redacted] | IB-000142 | [***] | [***] | SFP, LWL, 4G, 4km,1-pack | [***] | [***] | [***] | [***] |
| [redacted] | IB-000143 | [***] | [***] | SFP, LWL, 4G, 4km,8-pack | [***] | [***] | [***] | [***] |
| [redacted] | IB-000144 | [***] | [***] | SFP, LWL, 4G, 10km, 1-pack | [***] | [***] | [***] | [***] |
| [redacted] | IB-000146 | [***] | [***] | SFP, ELWL, 4G, 30km, 1-pack | [***] | [***] | [***] | [***] |
| [redacted] | IB-000153 | [***] | [***] | 8G (10km) LWL SFP (single pack) | [***] | [***] | [***] | [***] |
| [redacted] | IB-000157 | [***] | [***] | SFP, LWL, 4G, 10km, 8-pack | [***] | [***] | [***] | [***] |
| [redacted] | IB-000163 | [***] | [***] | Brocade P3 SFP+, SWL, 8G, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | IB-000164 | [***] | [***] | Brocade P3 SFP+, SWL, 8G, 8-PACK | [***] | [***] | [***] | [***] |
| [redacted] | IB-000172 | [***] | [***] | 8G (10km) LWL SFP (8 pack) | [***] | [***] | [***] | [***] |
| [redacted] | IB-000174 | [***] | [***] | SFP, 8G 25km ELWL single pack | [***] | [***] | [***] | [***] |
| [redacted] | IB-000181 | [***] | [***] | SFP+, SR, 10G, 8-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-000182 | [***] | [***] | SFP+, LR, 10G, 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-000183 | [***] | [***] | SFP+, LR, 10G, 8-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-000190 | [***] | [***] | Brocade SFP, 1GE COPPER, 1-PK, ROHS | [***] | [***] | [***] | [***] |
| [redacted] | IB-000192 | [***] | [***] | Brocade SFP, SWL,16G,1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | IB-000193 | [***] | [***] | Brocade SFP, SWL, 16G, 8-PACK | [***] | [***] | [***] | [***] |
| [redacted] | IB-000217 | [***] | [***] | Brocade SFP, LWL, 10GFC, 10KM, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | IB-000218 | [***] | [***] | Brocade SFP, SWL, 10GFC, 10KM, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | IB-001180 | [***] | [***] | SFP+, SR, 10G, 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-000198 | [***] | [***] | Brocade SFP, LWL, 16G, 10KM, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | IB-000199 | [***] | [***] | Brocade SFP, LWL, 16G, 10KM, 8-PACK | [***] | [***] | [***] | [***] |
| [redacted] | IB-000258 | [***] | [***] | Brocade SFP, ELWL, 16G, 25KM, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | **IB-000255** | **[***]** | **[***]** | **QSFP (4x16G), 2KM, 1-PK** | **[***]** | **[***]** | **[***]** | **[***]** |
| [redacted] | IB-10G-SFPP-USR | [***] | [***] | SFP+ 10G,USR OPTIC,1PK,BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-10G-SFPP-USR-8 | [***] | [***] | SFP+ 10G,USR OPTIC,8PK,BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-40G-QSFP-SR4 | [***] | [***] | 40G-QSFP-SR4 | [***] | [***] | [***] | [***] |
| [redacted] | IB-40G-QSFP-LR4 | [***] | [***] | 40G-QSFP-LR4 OPTIC (LC) | [***] | [***] | [***] | [***] |
| **TRANSCEIVERS (FRU'S)** | | | | | | | | |
| [redacted] | XIB-000139 | [***] | [***] | SFP,SWL,4G,1-PK,BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000142 | [***] | [***] | SFP,LWL,4G,4km 1-PK | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000144 | [***] | [***] | SFP,LWL,4G,10KM,1-PK,BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000146 | [***] | [***] | SFP,ELWL,4G,30KM,1-PK,BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000153 | [***] | [***] | 8G (FRU) 10km LWL SFP (single pack) | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000160 | [***] | [***] | 8G, 1-pk mSFP | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000163 | [***] | [***] | FRU, P3 SFP+, SWL, 8G, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000174 | [***] | [***] | FRU, 8G 25km ELWL single pack | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000182 | [***] | [***] | FRU, SFP+, LR, 10G, 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000190 | [***] | [***] | Brocade SFP, 1GE COPPER, 1-PK, ROHS | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000192 | [***] | [***] | FRU, SFP+, SWL, 16G, 1-PACK, BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000217 | [***] | [***] | FRU SFP+, LWL, 10GFC, 10KM, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000218 | [***] | [***] | FRU SFP+SWL, 10GFC, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | XIB-001180 | [***] | [***] | FRU, SFP+, SR, 10G, 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000198 | [***] | [***] | FRU, SFP+, LWL, 16G, 10KM, 1-PACK | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000258 | [***] | [***] | Brocade SFP, ELWL, 16G, 25KM, 1-PACK, BR | [***] | [***] | [***] | [***] |

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Brocade Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| [redacted] | XIB-000232 | [***] | [***] | Brocade QSFP, SWL, 1x (4x16Gbps) FC, 1-PACK, BR, 100m | [***] | [***] | [***] | [***] |
| [redacted] | **XIB-000255** | **[***]** | **[***]** | **FRU, QSFP (4x16G), 2KM, 1-PK** | **[***]** | **[***]** | **[***]** | **[***]** |
| [redacted] | XIB-10G-SFPP-USR | [***] | [***] | SFP+ 10G,USR OPTIC,1PK,BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-40G-QSFP-SR4 | [***] | [***] | 40G-QSFP-SR4 | [***] | [***] | [***] | [***] |
| [redacted] | XIB-40G-QSFP-LR4 | [***] | [***] | 40G-QSFP-LR4 OPTIC (LC) | [***] | [***] | [***] | [***] |
| [redacted] | XIB-000245 | [***] | [***] | FRU, QSFP, SWL, 4X16G FC-COMPLIANT, 1-PK, BR | [***] | [***] | [***] | [***] |
| **CABLES** | | | | | | | | |
| [redacted] | IB-TWX-0101 | [***] | [***] | Direct Attached SFP+ Copper, 1Mtr 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-TWX-0108 | [***] | [***] | Direct Attached SFP+ Copper 1Mtr 8-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-TWX-0301 | [***] | [***] | Direct Attached SFP+ Copper 3Mtr 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-TWX-0308 | [***] | [***] | Direct Attached SFP+ Copper 3Mtr 8-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-TWX-0501 | [***] | [***] | Direct Attached SFP+ Copper 5Mtr 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | IB-TWX-0508 | [***] | [***] | Direct Attached SFP+ Copper 5Mtr 8-PK, BR | [***] | [***] | [***] | [***] |
| **CABLES (FRU'S)** | | | | | | | | |
| [redacted] | XIB-TWX-0101 | [***] | [***] | Direct Attached SFP+ Copper 1Mtr 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-TWX-0301 | [***] | [***] | Direct Attached SFP+ Copper 3Mtr 1-PK, BR | [***] | [***] | [***] | [***] |
| [redacted] | XIB-TWX-0501 | [***] | [***] | Direct Attached SFP+ Copper 5Mtr 1-PK, BR | [***] | [***] | [***] | [***] |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | |
|---|---|---|---|---|---|
| **Brocade Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Out of Warranty** |
| **DIRECTOR PRODUCTS (part numbers for DCX RMA purposes only)** | | | | | |
| [redacted] | XIB-DCX-0101 | [redacted] | [***] | DCX, PORT BLADE, 16P, CONDOR 2, BR | [***] |
| [redacted] | XIB-DCX-0102 | [redacted] | [***] | DCX, PORT BLADE, 32P, CONDOR 2, BR | [***] |
| [redacted] | XIB-DCX-0148 | [redacted] | [***] | DCX, PORT BLADE, 48P, CONDOR 2, BR | [***] |
| [redacted] | XIB-000139 | [redacted] | [redacted] | FRU,SFP,SWL,4G,1-PK | N/A |
| [redacted] | XIB-000142 | [redacted] | [redacted] | FRU,SFP,LWL,4G,4KM,1-PK | N/A |
| [redacted] | XIB-000144 | [redacted] | [redacted] | FRU,SFP,LWL,4G,10KM,1-PK | N/A |
| [redacted] | XIB-000146 | [redacted] | [redacted] | FRU,SFP,LWL,4G,30KM,1-PK | N/A |
| [redacted] | XIB-000147 | [redacted] | [redacted] | FRU,SFP,SWL,8G,1-PK | N/A |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**For purpose of calculating the fees for the annual Software Maintenance Support Program as described in Section 9.7, the annual Software Maintenance Fee per Unit for each part number where it is applicable as follows:

| Supplier Part Number | | Buyer Part Number | | | |
|---|---|---|---|---|---|
| **Brocade Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Product Description** | **Software Maintenance Fee per Unit (annualized)** |
| | IB-1200CUP-10-M | | [***] | CUP for 2109-M12 (single switch fabric) | [***] |
| | IB-1200CUP-20-M | | [***] | CUP for 2109-M14 (single switch fabric) | [***] |
| | IB-1200CUS-10-M | | [***] | CUP for 2109-M12 (in cascaded fabrics) | [***] |
| | IB-1200CUS-20-M | | [***] | CUP for 2109-M14 (in cascaded fabrics) | [***] |
| | IB-1200SEC-01-M | | [***] | Secure Fabric OS (SW12000/24000) | [***] |
| SW210E | IB-210E-0000-B<br>IB-210E-R0000-M | [***] | [***] | SW210E, 8 active ports, 0 Eports. Includes Web Tools and Zoning (2005 B16) | [***] |
| SW210E | IB-210E-1000-B<br>IB-210E-R1000-M | [***] | [***] | SW210E, 8 active ports, 0 Eports. Includes Web Tools and Zoning (2005 16B) | [***] |
| | IB-24000-0003-B | | [***] | 32 Port Fibre Channel Director (SW24000) Includes 2 Meteor Port Blades, 2 Meteor CP Blades, 2 Power Supplies, 3 Blowers, 6 Port Blade Filler Panels, 1 Cable Management Pillar, 2 Power Supply Filler Panels, Fabric OS, Advanced Web Tools, Advanced Zoning, F | [***] |
| | IB-24000-0301-B | | [***] | Meteor Upgrade kit. Includes: 2 Meteor 16 port blades and 2 Meteor CP blades | [***] |
| [redacted] | **IB-310-0008-M** | [***] | [***] | 310, without Eport, 1 power supply, Qty-8 8G SWL SFPS. | [***] |
| | IB-310-1000-M | [***] | [***] | 8p, without Eport, 1 power supply, 0 SFPs<br>Advanced Zoning & Webtools | [***] |
| | IB-310-1004-M | | [***] | 8p, without Eport, 1 power supply, 8 4G SWL SFPs<br>Advanced Zoning & Webtools | [***] |
| | IB-310-1008-M | | [***] | 8p, without Eport, 1 power supply, 8 8G SWL SFPs<br>Advanced Zoning & Webtools | [***] |
| Brocade 300 | IB-320-0000-M | [***] | [***] | 8p, 1 power supply, 0 SFPs<br>Advanced Zoning, Webtools, Full Fabric, EGM | [***] |
| | IB-320-0004-M | | [***] | 8p, 1 power supply, 8 4G SWL SFPs<br>Advanced Zoning, Webtools, Full Fabric, EGM | [***] |
| | IB-320-0008-M | | [***] | 8p, 1 power supply, 8 8G SWL SFPs<br>Advanced Zoning, Webtools, Full Fabric, EGM | [***] |
| | IB-3250SEC-01-M | | [***] | Secure Fabric OS (SW3250) | [***] |
| SW3252 | IB-3252-0000-B | [***] | [***] | 8 Port Fibre Channel Two Domain Switch Single Power Supply (SW3250),Includes Web Tools and Advance Zoning COO - China | [***] |
| SW3252 | IB-3252-D0000-B | [***] | [***] | 8 Port Fibre Channel Two Domain Switch Single Power Supply (SW3250),Includes Web Tools and Advance Zoning COO - United States | [***] |
| | IB-3850SEC-01-M | | [***] | Secure Fabric OS (SW3850) | [***] |
| SW3854 | IB-3854-0000-B | [***] | [***] | 16 Port Fibre Channel Four Domain Switch, Two Fixed Power Supplies (SW3850),Includes Web Tools, Advance Zoning, and Fabric Watch COO - China | [***] |
| SW3854 | IB-3854-D0000-B | [***] | [***] | 16 Port Fibre Channel Four Domain Switch, Two Fixed Power Supplies (SW3850),Includes Web Tools, Advance Zoning, and Fabric Watch COO - United States | [***] |
| | IB-3900SEC-10-M | [***] | [***] | Secure Fabric OS (SW4100, SW210E, SW7500) | [***] |
| SW4100 | IB-4120-0000-B<br>IB-4120-R0000-M | [***] | [***] | 16 active ports, 4g Fiber Channel Switch (SW4100) with two power supplies; includes Fabric Watch, Web Tools, Advanced Zoning, NPIV | [***] |
| SW4100 | IB-4120-1000-B<br>IB-4120-R1000-M | [***] | [***] | IBM 2005 32B: 16 active ports, 4g Fiber Channel Switch (SW4100) with two power supplies; includes Fabric Watch, Web Tools, Advanced Zoning, NPIV | [***] |
| SW48000 | IB-48000-0000-B<br>IB-48000-R0000-M | [***] | [***] | SW48000, zero port, 2CP, 2PS, 2 PS filler panels, 8 port blade filler panels (2109 M48); Fabric OS, Full Fabric, Advanced Web Tools, Advanced Zoning, Fabric Watch, Performance Monitoring, Trunking, NPIV | [***] |
| | IB-48000-0150-M | [***] | [***] | SW48000, FR4-18i FCR and FCIP blade, no SFPs | [***] |
| | IB-48000-0152-M | [***] | [***] | FC4-16IP, 8 port FC plus 8 port GigE iSCSI blade (Ironman) for Brocade 48000.- Blade requires minimum FOS 5.3.0- Maximum 4 blades per system.- Requires 4 power supplies in system. | [***] |
| | IB-48000-0153-M | [***] | [***] | FC10-6, 6 port 10Gbit FC blade (Xenon) for Brocade 48000.- Blade requires minimum FOS 5.3.0- Requires 4 power supplies in system- Maximum 8 per system. | [***] |
| | IB-48KCUP-01-M | [***] | [***] | S/W, Director CUP for single switch fabrics | [***] |
| | IB-48KCUS-01-M | [***] | [***] | S/W, Director CUP for cascaded fabrics | [***] |
| | IB-48KFCI-01-M<br>IB-48KFCI-02-M | [***] | [***] | SW48000 FCIP license for FR4-18i Port Blade, includes compression & encryption | [***] |
| | IB-48KFIA-01-M | [***] | [***] | Brocade Accelerator for FICON for 48K, including FICON XRC emulation and tape pipelining | [***] |
| | IB-48KSEC-01-M | [***] | [***] | S/W, SECURE FABRIC OS | [***] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**For purpose of calculating the fees for the annual Software Maintenance Support Program as described in Section 9.7, the annual Software Maintenance Fee per Unit for each part number where it is applicable as follows:

| Supplier Part Number | | Buyer Part Number | | | |
|---|---|---|---|---|---|
| **Brocade Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Product Description** | **Software Maintenance Fee per Unit (annualized)** |
| SW4900 | IB-4920-0000-M | [***] | [***] | SW4900 32P, no SFP's<br>Advanced Webtools, Advanced Zoning, Fabric Watch, and Full Fabric; NPIV now included in FOS v5.1.0 | [***] |
| Brocade 5000 | IB-5020-0000-M | [***] | [***] | 16port with 2 P/S, 2 Fans, no SFP's, and no documentation;<br>WebTools, Advanced Zoning, Fabric Watch | [***] |
| Brocade 5000 | IB-5020-1000-M | [***] | [***] | 16port with 2 P/S, 2 Fans, no SFP's, and no documentation;<br>WebTools, Advanced Zoning, Fabric Watch | [***] |
| Brocade 5100 | IB-5120-0000-M | [***] | [***] | 24p, 2 PS/Fan combo<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| | IB-5120-0004-M | | [***] | 24p, 2 PS/Fan Combo, 24 4G SWL SFPs<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| | IB-5120-0008-M | | [***] | 24p, 2 PS/Fan Combo 24 8G SWL SFPs<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| | IB-5120-1000-M | [***] | [***] | 24p, 2 PS/Fan combo<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| | IB-5120-1004-M | | [***] | 24p, 2 PS/Fan Combo, 24 4G SWL SFPs<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| | IB-5120-1008-M | | [***] | 24p, 2 PS/Fan Combo, 24 8G SWL SFPs<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| Brocade 5300 | IB-5320-0000-M | [***] | [***] | 48p, 2 power supplies, 3 fans, 0 SFPs<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| | IB-5320-0004-M | | [***] | 48p, 2 power supplies, 3 fans, 48 4G SWL SFPs<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| | IB-5320-0008-M | | [***] | 48p, 2 power supplies 3 fans 48 8G SWL SFPs<br>Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] |
| [redacted] | IB-6505-12-16G-0R1-W-U | [***] | [***] | 6505, 12P, Qty-12 16GB SFPS, AC, thin / fixed rack mount kit, one power supply | [***] |
| [redacted] | IB-6505-12-16G-0R-W-U | [***] | [***] | 6505, 12P, 12 x 16GB SWL SFPs; Includes FF and EGM, thin / fixed rack mount kit (IB-R000291) and one power supply. | [***] |
| [redacted] | IB-6505-12-8G-0R1-W-U | [***] | [***] | 6505, 12P, Qty-12 8GB SFPS, AC, thin / fixed rack mount kit, one power supply | [***] |
| [redacted] | IB-6505-12-8G-0R-W-U | [***] | [***] | 6505, 12P, 12 x 8GB SWL SFPs; Includes FF and EGM, thin / fixed rack mount kit (IB-R000291) and one power supply. | [***] |
| [redacted] | IB-6505-12-G16-0R-W-U | [***] | [***] | 6505, 12P, 12 x 16GB SWL SFPs; Includes FF and EGM, thin / fixed rack mount kit (IB-R000291), and two power supplies; one power supply will be installed and the other will be included in the shipment. | [***] |
| [redacted] | IB-6505-12-G8-0R-W-U | [***] | [***] | 6505, 12P, 12 x 8GB SWL SFPs; Includes FF and EGM, thin / fixed rack mount kit (IB-R000291), and two power supplies; one power supply will be installed and the other will be included in the shipment. | [***] |
| | IB-6510-24-16G-R-W-U | [***] | [***] | 6510, 24P, 24 16GB SWL SFPs, port side exhaust; FF, EGM, & FW<br><br>Aug 1, 2011: Added thin rack mount kit | [***] |
| | IB-6510-24-8G-R-W-U | [***] | [***] | 6510, 24P, 24 8GB SWL SFPs, port side exhaust; FF, EGM, & FW.<br><br>Aug 1, 2011: Added thin rack mount kit | [***] |
| SW7420 | IB-7422-D0100-B<br>IB-7422-R0100-M | [***] | [***] | 8 port Multi-Protocol Router | [***] |
| SW7500 | IB-7500-0000-M | [***] | [***] | SW7500,18P,2PS, no SFP's<br>Advanced Webtools, Advanced Zoning, Full Fabric, Extended Fabrics, Fabric Watch; NPIV now included in FOS v5.1.0 | [***] |
| Brocade 7500E | IB-7500E-0000-M | [***] | [***] | 4port, 2 P/S, 3 Fans, 0 SFPs<br>Fabric Watch, Extended Fabric, HPE | [***] |
| | IB-7500EUG-01-M | [***] | [***] | Full HPE upgrade license with 14p activation | [***] |
| | IB-7500FCI-01-M<br>IB-7500FCI-02-M (12/1/06) | [***] | [***] | SW7500 - FCIP License, includes compression & encryption | [***] |
| | IB-7500FIA-01-M | [***] | [***] | Brocade Accelerator for FICON for 7500, including FICON XRC emulation and tape pipelining | [***] |
| | IB-7800UG-0001-M | [***] | [***] | S/W, 7800 UPGRADE, Port Activation 12 Fiber Channel and 4 IP<br>Ships as a paperpack and qty-12 8Gb SWL SFP's | [***] |
| [redacted] | IB-7840-0001-W-U | [***] | [***] | 7840,42P,24 16G SW SFPS,0 1/10/40GBE SFP, Rail Kit, 2 P/S, 3 Fans<br>Enterprise Bundle (FV, TRK, EF) and Advanced Extension (AEX) | [***] |
| [redacted] | IB-7840-0002-W-U | [***] | [***] | 7840,42P,24 16G LW SFPS,0 1/10/40GBE SFP, Rail Kit, 2 P/S, 3 Fans<br>Enterprise Bundle (FV, TRK, EF) and Advanced Extension (AEX) | [***] |
| | IB-8510ICLKIT-01-M | [***] | [***] | S/W, 1 x ICL POD License + 16x (4x16Gbps QSFP), 100m | [***] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**For purpose of calculating the fees for the annual Software Maintenance Support Program as described in Section 9.7, the annual Software Maintenance Fee per Unit for each part number where it is applicable as follows:

| Supplier Part Number | | Buyer Part Number | | | |
|---|---|---|---|---|---|
| **Brocade Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Product Description** | **Software Maintenance Fee per Unit (annualized)** |
| [redacted] | **IB-8510ICLKIT2KM-01-M** | [***] | [***] | **2KM ICL POD KIT; 1 X ICL LIC AND 8 X 2KM QSFPS** | [***] |
| | IB-DCX-0001-M | | [***] | DCX, 2-PS, 0-P, 2-CP, 2-Core, 0-SFP with Door, 14U rack mount kit, and cable mgt comb, accessory tray, Cable Retainer Kit, SFP Extraction Tool,Web Tools, Advanced Zoning, Enterprise SW Bundle. June 4, 2010 = Server Application Optimization License included in the Enterprise SW Bundle **Dec 3, 2013 = Added Fabric Vision (FV)** | [***] |
| | IB-DCX10GE-01-M | [***] | [***] | S/W, 10 Gigabit Ethernet | [***] |
| [redacted] | IB-DCX4ENTICL-01-M | [***] | [***] | S/W, ENTERPRISE ICL LICENSE FOR DCX8510-4 FABRIC CONFIGURATIONS OF 5-10 chassis w ICL connectivity | [***] |
| | IB-DCX4SCUP-01-M | [***] | [***] | DCX-4S, CUP FOR SINGLE SWITCH | [***] |
| | IB-DCX4SIR-01-M | [***] | [***] | DCX-4S Integrated Routing | [***] |
| | IB-DCX8514-0001-W-U | [***] | [***] | DCX8510-4, 2PS, 0P, 2CP, 2 16GB CORE, 0 SFP, EGM, EB (includes: AN, EF, APM, TRK, FW, and SAO), IB | [***] |
| | IB-DCX8518-0001-W-U | [***] | [***] | DCX 8518-8,2PS, 0P, 2CP, 2 16GB core, 0 SFP, EB (includes: AN, EF, APM, TRK, FW, SAO), IB | [***] |
| [redacted] | IB-DCX8ENTICL-01-M | [***] | [***] | S/W, ENTERPRISE ICL LICENSE FOR DCX8510-8FABRIC CONFIGURATIONS OF 5-10 chassis w ICL connectivity | [***] |
| | IB-DCXAEX-01-M | [***] | [***] | S/W, ADVANCED EXTENSION | [***] |
| | IB-DCXAFI-01-M | [***] | [***] | S/W, ADVANCED ACCELERATOR FOR FICON | [***] |
| | IB-DCXCUP-01-M | [***] | [***] | S/W, CUP For Single Switch, PP, DCX | [***] |
| | IB-DCXFCI-01-M | [***] | [***] | High-performance FCIP/FC Extension for FR4-181 (IBM p/n 21R9956) | [***] |
| | IB-DCXFIA-01-M | [***] | [***] | Brocade Accelerator for FICON for DCX, including FICON XRC emulation and tape pipelining | [***] |
| [redacted] | IB-DCXICLKIT-01-M | [***] | [***] | S/W, 1 x ICL POD License + 16x (4x16Gbps QSFP) | [***] |
| | IB-DCXIR-01-M | [***] | [***] | S/W, INTEGRATED ROUTING | [***] |
| | IB-EXTSAEX-01-M | [***] | [***] | S/W, ADVANCED EXTENSION | [***] |
| | IB-EXTSAFI-01-M | [***] | [***] | S/W, ADVANCED ACCELERATOR FOR FICON | [***] |
| | IB-EXTSCUP-01-M | [***] | [***] | S/W, FICON CUP for Single Switch | [***] |
| | IB-EXTSIR-01-M | [***] | [***] | S/W, INTEGRATED ROUTING | [***] |
| | IB-FCOE10-2400-M P/N change 11/1/10: IB-FCOE10-2410-M | [***] | [***] | Brocade FCoE 10-24, 24 ports 10GbE CEE blade for DCX and DCX-4S, with FCOE software, 24 10GbE SR SFP+ | [***] |
| | IB-FMG4-0001-S | | [***] | Fabric Manager 4.x-Enterprise (Unlimited copies per one server/PC) | [***] |
| | IB-FMG4-0010-S | | [***] | Fabric Manager 4.x with 10 Domains | [***] |
| | IB-FMG4-7000-S | | [***] | Fabric Manager 4.x -3.0 to 4.x Upgrade to Enterprise (Unlimited copies per one server/PC) | [***] |
| | IB-FMG4-9000-S | | [***] | Fabric Manager 4.x Upgrade from 10 Domains to Unlimited Domains | [***] |
| | IB-FS818-0001-M P/N Change 11/1/10: IB-FS818-0010-M | [***] | [***] | Brocade Encryption Blade. Base unit 48Gb Crypto, (16 8G SWL SFPs) | [***] |
| | IB-FS818-0020-M | [***] | [***] | FS8-18, 16PFC, 48GB Crypto, 16 8G SWL P3 SFP | [***] |
| | IB-FX824-0001-M | [***] | [***] | FX8-24 Blade, 22P, Qty-0 8Gb SWL SFPs, Qty-0 1GE SFPs | [***] |
| | IB-FX824-1001-M | [***] | [***] | FX8-24 Blade, 22P, 0 8Gb SWL SFPs, 0 1GE SFPs | [***] |
| [redacted] | IB-LEXTSAFI-01-M | [***] | [***] | S/W, PP, ADVANCED ACCELERATOR FOR FICON | [***] |
| [redacted] | IB-LEXTSUG1-01-M | [***] | [***] | S/W, PP, 7840 WAN RATE UPGRADE 1 | [***] |
| [redacted] | IB-LEXTSUG2-01-M | [***] | [***] | S/W, PP, 7840 WAN RATE UPGRADE 2 | [***] |
| | IB-MENT10G-01-M | [***] | [***] | SW, 10G ETHERNET | [***] |
| | IB-MENTCUP-01-M | [***] | [***] | FICON with CUP Activation | [***] |
| | IB-MENTCUP-20-M | [***] | [***] | S/W, Control Unit Port (CUP) | [***] |
| | IB-MENTIR-01-M | [***] | [***] | S/W, INTEGRATED ROUTING | [***] |
| | IB-MENTSEC-10-M | [***] | [***] | SW4900: Advanced Security Activation | [***] |
| | IB-MIDR10G-01-M | [***] | [***] | SW, Integrated 10G FC License | [***] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**For purpose of calculating the fees for the annual Software Maintenance Support Program as described in Section 9.7, the annual Software Maintenance Fee per Unit for each part number where it is applicable as follows:

| Supplier Part Number | | Buyer Part Number | | | |
|---|---|---|---|---|---|
| **Brocade Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Product Description** | **Software Maintenance Fee per Unit (annualized)** |
| | IB-MIDRCUP-10-M | [***] | [***] | CUP for 2109-F32, 2005-B32/32B (single switch fabric) | [***] |
| | IB-MIDRCUP-20-M | [***] | [***] | S/W, Control Unit Port (CUP) | [***] |
| | IB-MIDRCUS-10-M | [***] | [***] | CUP for 2109-F32, 2005-B32/32B (in cascaded fabrics) | [***] |
| | IB-MIDRIR-01-M | [***] | [***] | S/W, INTEGRATED ROUTING | [***] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| **1Gbit/sec Switch Products and Software** | | | | | | | | |
| **SW2400 & SW2800** | | | | | | | | |
| SW2400 | IB-2401-0001 | [redacted] | [***] | 8-Port Fibre Channel Switch Single Power Supply (SW2400)Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product | [***] | [redacted] | [redacted] | [redacted] |
| SW2800 | IB-2801-0001 | [redacted] | [***] | 16 Port Fibre ChannelSwitch Single Power Supply (SW2800)Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-000001 | [redacted] | [***] | SilkWorm 2000 Power Supply | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-000002 | [redacted] | [***] | Mainboard, SW 2400 (8-port) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-000003 | [redacted] | [***] | Fan Tray, SW 2400 (8-port) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-000004 | [redacted] | [***] | Chassis, SW 2400 (8-port) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-000005 | [redacted] | [***] | Mainboard, SW 2800 (16-port) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-000006 | [redacted] | [***] | Fan Tray, SW 2800 (16-port) | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-000007 | [redacted] | [***] | Chassis, SW 2800 (16-port) with operator panel / LCD | [***] | [redacted] | [redacted] | [redacted] |
| **2Gbit/sec Switch Products and Software** | | | | | | | | |
| **SW3200** | | | | | | | | |
| [redacted] | IB-3200-0000 | [***] | [***] | 8 Port Fibre Channel Switch Single Power Supply (SW3200)Includes Web Tools and Advance Zoning (to be included prior to 10/28/03 for availability for Buyer customer shipments) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | IB-3200-0001 | [***] | [***] | 8 Port Fibre Channel Switch Single Power Supply (SW3200)Includes Web Tools, Full Fabric Upgrade Zoning and Fabric Watch | [***] | [redacted] | [redacted] | [***] |
| **SW3800** | | | | | | | | |
| [redacted] | IB-3801-0000 | [***] | [***] | 16 Port Fibre ChannelSwitch Single Power Supply (SW3800)Includes Web tools, Advance Zoning and Fabric Watch - whole unit switch Product | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-3800-0001 | [redacted] | [***] | Fan (SW3800) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-3800-0002 | [redacted] | [***] | Power Supply (SW3800) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-3800-0003 | [redacted] | [***] | Mainboard FRU (SW3800) | [***] | [redacted] | [redacted] | [***] |
| **SW3900** | | | | | | | | |
| [redacted] | IB-3902-0000 | [***] | [***] | 32 Port Fibre ChannelSwitch Double Power Supply (SW3900)Includes, Webtools, Advance Zoning, Fabric Watch, Trunking, and Performance Monitor - whole unit switch Product | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-3900-0001 | [redacted] | [***] | Mainboard FRU (SW3900) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-3900-0002 | [redacted] | [***] | Power Supply (SW3900) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-3900-0003 | [redacted] | [***] | Fan (SW3900) | [***] | [redacted] | [redacted] | [***] |
| **SW325x & SW385x** | | | | | | | | |
| SW3252 | IB-3252-0000-B | [***] | [***] | 8 Port Fibre Channel Two Domain Switch Single Power Supply (SW3250),Includes Web Tools and Advance Zoning COO - China | [***] | [***] | [redacted] | [***] |
| SW3252 | IB-3252-D0000-B | [***] | [***] | 8 Port Fibre Channel Two Domain Switch Single Power Supply (SW3250),Includes Web Tools and Advance Zoning COO - United States | [***] | [***] | [redacted] | [***] |
| SW3854 | IB-3854-0000-B | [***] | [***] | 16 Port Fibre Channel Four Domain Switch, Two Fixed Power Supplies (SW3850),Includes Web Tools, Advance Zoning, and Fabric Watch COO - China | [***] | [***] | [redacted] | [***] |
| SW3854 | IB-3854-D0000-B | [***] | [***] | 16 Port Fibre Channel Four Domain Switch, Two Fixed Power Supplies (SW3850),Includes Web Tools, Advance Zoning, and Fabric Watch COO - United States | [***] | [***] | [redacted] | [***] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| | XIB-3252-0000 | | [***] | 8 port Switch FRUCOO - China | [***] | | | [***] |
| | XIB-3252-D0000 | | [***] | 8 port Switch FRUCOO - United States | [***] | | | [***] |
| | XIB-3854-0000 | | [***] | 16 port Switch FRUCOO - China | [***] | | | [***] |
| | XIB-3854-D0000 | | [***] | 16 port Switch FRUCOO - United States | [***] | | | [***] |
| **4Gbit/sec Switch Products and Software** | | | | | | | | |
| **SW210E** | | | | | | | | |
| | IB-210E-0000-B IB-210E-R0000-M | [***] | [***] | SW210E, 8 active ports, 0 Eports. Includes Web Tools and Zoning (2005 B16) | [***] | [***] | | [***] |
| | IB-210E-1000-B IB-210E-R1000-M | [***] | [***] | SW210E, 8 active ports, 0 Eports. Includes Web Tools and Zoning (2005 16B) | [***] | [***] | | [***] |
| | XIB-210E-0000 XIB-210E-R0000 | | [***] | FRU, SW210E, 8 active ports, 0 Eports. Includes Web Tools and Zoning (2005 B16) | [***] | | | [***] |
| | XIB-210E-1000 XIB-210E-R1000 | | [***] | FRU, SW210E, 8 active ports, 0 Eports. Includes Web Tools and Zoning (2005 16B) | [***] | | | [***] |
| **SW4100** | | | | | | | | |
| | IB-4120-0000-B IB-4120-R0000-M | [***] | [***] | 16 active ports, 4g Fiber Channel Switch (SW4100) with two power supplies; includes Fabric Watch, Web Tools, Advanced Zoning, NPIV | [***] | [***] | | [***] |
| | IB-4120-1000-B IB-4120-R1000-M | [***] | [***] | IBM 2005 32B: 16 active ports, 4g Fiber Channel Switch (SW4100) with two power supplies; includes Fabric Watch, Web Tools, Advanced Zoning, NPIV | [***] | [***] | | [***] |
| | XIB-4120-0000 XIB-4120-R0000 | | [***] | 16 port 4g switch FRU (SW4100); includes two power supplies, Fabric Watch, Web Tools, Advanced Zoning, NPIV | [***] | | | [***] |
| | XIB-4120-1000 XIB-4120-R1000 | | [***] | 1 IBM 2005 32B: 16 port 4g switch FRU (SW4100); includes two power supplies, Fabric Watch, Web Tools, Advanced Zoning, NPIV | [***] | | | [***] |
| | XIB-4100-0003 XIB-4100-R0003 | | [***] | Power Supply FRU (SW4100) | [***] | | | |
| | XIB-4100-0004 XIB-4100-R0004 | | [***] | Fan FRU (SW4100) | [***] | | | |
| **SW4900** | | | | | | | | |
| | IB-4920-0000-M | [***] | [***] | SW4900 32P, no SFP's Advanced Webtools, Advanced Zoning, Fabric Watch, and Full Fabric; NPIV now included in FOS v5.1.0 | [***] | [***] | | [***] |
| | XIB-4920-0000 | | [***] | SW4900 32P, no SFP's Base pricing includes: Advanced Webtools, Full Fabric, Advanced Zoning, Fabric Watch NPIV now included in FOS v5.1.0 | [***] | | | [***] |
| | XIB-4900-0004 | | [***] | SW4900 - Fan FRU | [***] | | | |
| **BROCADE 5000** | | | | | | | | |
| | IB-5020-0000-M | [***] | [***] | 16port with 2 P/S, 2 Fans, no SFP's, and no documentation; WebTools, Advanced Zoning, Fabric Watch | [***] | [***] | | [***] |
| | IB-5020-1000-M | [***] | [***] | 16port with 2 P/S, 2 Fans, no SFP's, and no documentation; WebTools, Advanced Zoning, Fabric Watch | [***] | [***] | | [***] |
| | XIB-5020-0000 | | [***] | FRU: 16port switch with 2 P/S, 2 Fans, docs, no SFP's WebTools, Advanced Zoning, Fabric Watch | [***] | | | [***] |
| | XIB-5020-1000 | | [***] | FRU: 16port switch with 2 P/S, 2 Fans, docs, no SFP's WebTools, Advanced Zoning, Fabric Watch | [***] | | | [***] |
| | XIB-5000-0003 | | [***] | FRU: P/S and Fan | [***] | | | |
| **SW7500** | | | | | | | | |
| | IB-7500-0000-M | [***] | [***] | SW7500,18P,2PS, no SFP's Advanced Webtools, Advanced Zoning, Full Fabric, Extended Fabrics, Fabric Watch; NPIV now included in FOS v5.1.0 | [***] | [***] | | [***] |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| | XIB-7500-0000 | | [***] | SW7500,18P,2PS, no SFP's Advanced Webtools, Advanced Zoning, Full Fabric, Extended Fabrics, Fabric Watch; NPIV included in FOS v5.1.0 | [***] | | | [***] |
| | XIB-7500-0004 | | [***] | SW7500 - Fan FRU | [***] | | | |
| **BROCADE 7500E** | | | | | | | | |
| | IB-7500E-0000-M | [***] | [***] | 4port, 2 P/S, 3 Fans, 0 SFPs Fabric Watch, Extended Fabric, HPE | [***] | [***] | | [***] |
| | XIB-7500E-0000 | | [***] | Switch FRU (4p, 2 P/S, 3 fans, 0 SFPs) Fabric Watch, Extended Fabric, HPE | [***] | | | [***] |
| **8Gbit/sec Switch Products and Software** | | | | | | | | |
| **BROCADE 300** | | | | | | | | |
| | **BROCADE 300 BUNDLED WITH SFP'S** | | | | | | | |
| | IB-320-0004-M | | [***] | 8p, 1 power supply, 8 4G SWL SFPs Advanced Zoning, Webtools, Full Fabric, EGM | [***] | [***] | | |
| | IB-310-1004-M | | [***] | 8p, without Eport, 1 power supply, 8 4G SWL SFPs Advanced Zoning & Webtools | [***] | [***] | | |
| | **BROCADE 300 FRU's** | | | | | | | |
| | **BROCADE 300 OPTIONAL SOFTWARE** | | | | | | | |
| | IB-SMEDPOD4-01 | | [***] | S/W, Port-On-Demand (8P) 8 4G SWL SFPs | [***] | | | |
| **BROCADE 5100** | | | | | | | | |
| | **BROCADE 5100 BUNDLED WITH SFP'S** | | | | | | | |
| | IB-5120-0008-M | | [***] | 24p, 2 PS/Fan Combo 24 8G SWL SFPs Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***] | | |
| | IB-5120-1008-M | | [***] | 24p, 2 PS/Fan Combo, 24 8G SWL SFPs Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***] | | |
| | IB-5120-0004-M | | [***] | 24p, 2 PS/Fan Combo, 24 4G SWL SFPs Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***] | | |
| | IB-5120-1004-M | | [***] | 24p, 2 PS/Fan Combo, 24 4G SWL SFPs Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***] | | |
| | **BROCADE 5100 FRU's** | | | | | | | |
| | XIB-5120-0000 | | [***] | FRU switch, 24p AAS | [***] | | | [***] |
| | XIB-5120-1000 | | [***] | FRU switch, 24p HVEC | [***] | | | [***] |
| | **BROCADE 5100 OPTIONAL SOFTWARE** | | | | | | | |
| | IB-MIDRPOD4-01 | | [***] | S/W, Port-On-Demand (8P) 8 4G SWL SFPs | [***] | | | |
| **BROCADE 5300** | | | | | | | | |
| | IB-5320-0000-M | [***] | [***] | 48p, 2 power supplies, 3 fans, 0 SFPs Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***] | | [***] |
| | **BROCADE 5300 BUNDLED WITH SFP'S** | | | | | | | |
| | IB-5320-0004-M | | [***] | 48p, 2 power supplies, 3 fans, 48 4G SWL SFPs Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***] | | |
| | IB-5320-0008-M | | [***] | 48p, 2 power supplies 3 fans 48 8G SWL SFPs Advanced Zoning, Webtools, Fabric Watch, Full Fabric, EGM | [***] | [***] | | |
| | **BROCADE 5300 FRU's** | | | | | | | |
| | XIB-5320-0000 | | [***] | FRU switch, 48p | [***] | | | [***] |
| | XIB-MIDR-0003 | | [***] | NOTE: Brocade 5300 P/S FRU (same as the SW4900 / B64 & SW7500 / R18 Power Supply) **Last order = Jun 22, 2014** | | | | |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| | XIB-5300-0001 | | [***] | Brocade 5300 Fan FRU | [***] | | | |
| | **BROCADE 5300 OPTIONAL SOFTWARE** | | | | | | | |
| | IB-MENTPOD4-01 | | [***] | S/W, Port-On-Demand (16P) 16 4G SWL SFPs | [***] | | | |
| **FCoE Switch Products and Software** | | | | | | | | |
| **BROCADE 8000** | | | | | | | | |
| | IB-8000-0018-W-U | [***] | [***] | 3758-B32; 8000, 24P CEE and 8P FC, with 8 x 8G SWL SFP+ ; 3 Fans; 2 P/S | [***] | | [***] | [***] |
| | IB-8000-1018-W-U | [***] | [***] | 375832E; 8000, 24P CEE and 8P FC, with 8 x 8G SWL SFP+; 3 Fans; 2 P/S | [***] | | [***] | [***] |
| | **BROCADE 8000 FRU's** | | | | | | | |
| | XIB-8000-0000 | [***] | [***] | FRU 8000, 8P FC, 24P CEE with 0 8G SWL SFP+; 3 fans; 2 P/S | [***] | | | [***] |
| | XIB-8000-1000 | [***] | [***] | 8000, 24P CEE and 8P FC, with 0 8G SWL SFP+ ; 3 Fans; 2 P/S | [***] | | | [***] |
| | XIB-350WPS-0001 | [***] | [***] | FRU, 350W P/S | [***] | | | |
| **BROCADE 8000 (CEE Only)** | | | | | | | | |
| | IB-8000-0001-W-U | [***] | [***] | 3758-L32 / 375832L; 8000, 24P CEE; 3 Fans and 2 P/S | [***] | | [***] | [***] |
| | **BROCADE 8000 CEE Only FRU's** | | | | | | | |
| | XIB-8000-0010 | [***] | [***] | FRU 8000, 24P CEE with 3 fans and 2 P/S | [***] | | | [***] |
| **ENCRYPTION PRODUCTS** | | | | | | | | |
| **BROCADE ENCRYPTION SWITCH (IBM 2498-E32)** | | | | | | | | |
| | IB-BES20-0008-W-U | [***] | [***] | Brocade Encryption Switch, 32 8G SWL | [***] | | [***] | [***] |
| **BROCADE FS8-18 ENCRYPTION BLADE** | | | | | | | | |
| | IB-FS818-0001-M Nov 1, 2010 = IB-FS818-0010-M | [***] | [***] | Brocade Encryption Blade. Base unit 48Gb Crypto, (16 8G SWL SFPs) | [***] | [***] | | [***] |
| | **BROCADE ENCRYPTION SWITCH AND FS8-18 ENCRYPTION BLADE FRU's** | | | | | | | |
| | XIB-BES-0000 | [***] | [***] | FRU, BES, 32P, 48G ENC, 0 SFPs, 0 PS, 0 FAN, BR | [***] | | | [***] |
| | XIB-FS818-0001 | [***] | [***] | FRU, Encryption blade, 16P, 48Gb Crypto, 0 SFPs | [***] | | | [***] |
| | XIB-001173 | [***] | [***] | Smart Card FRU, EACH | [***] | | | |
| **MULTI-PROTOCOL ROUTER** | | | | | | | | |
| **SW7420** | | | | | | | | |
| | IB-7422-D0100-B IB-7422-R0100-M | [***] | [***] | 8 port Multi-Protocol Router | [***] | [***] | | [***] |
| | IB-7420POD-10 | [***] | [***] | 8 ports on demand (Plant only) | [***] | | | |
| | IB-7420POD-20 | [***] | [***] | 8 ports on demand (Field only) | [***] | | | |
| | XIB-7422-0100 XIB-7422-R0100 | | [***] | 8 port Multi-Protocol Router FRU Switch | [***] | | | [***] |
| | XIB-7420-0004 XIB-7420-R0004 | | [***] | Fan FRU | [***] | | | |
| | XIB-7420-0005 XIB-7420-R0005 | | [***] | Power Supply FRU | [***] | | | |
| **DIRECTOR PRODUCTS AND SOFTWARE** | | | | | | | | |
| **SW12000** | | | | | | | | |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| [redacted] | IB-12000-0003 | [***] | [***] | 32 Port Fibre Channel Core Switch (SW12000) Includes 2 Stiletto Port Blades, 2 CP Blades, 4 Power Supplies, 3 Blowers, 6 Port Blade Filler Panels, 1 Cable Management Pillar, Fabric OS, Advanced Web Tools, Advanced Zoning, Fabric Watch, Performance Monitoring, Trunking. | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | IB-12000-0201 | [redacted] | [***] | Switch Blade 16 port, 2GB | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-12000-0010 | [redacted] | [***] | Chassis FRU, includes backplane, blower and power supply backplane, AC and blower harness. | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0103 | [redacted] | [***] | Control Processor Blade | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-12000-0120<br>XIB-12000-R0120 | [redacted] | [***] | Rack Mounting Kit 14U, FRU | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0122<br>XIB-12000-R0122 | [redacted] | [***] | Blower Assembly, FRU | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0123<br>XIB-12000-R0123 | [redacted] | [***] | Rear WWN Bezel Assy | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0124<br>XIB-12000-R0124 | [redacted] | [***] | WWN Card | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0127 | [redacted] | [***] | Chassis Door, Includes Plastic and Metal door Components and IBM Front Badge | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0128 | [redacted] | [***] | Stiletto Port Blade Slot Filler Panel, SW12000, FRU | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0131 | [redacted] | [***] | Cable Management Tray | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0132 | [redacted] | [***] | Cable Management Pillar, FRU | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-12000-0201 | [redacted] | [***] | Switch Blade 16 port, 2Gb, FRU | [***] | [redacted] | [redacted] | [***] |
| **SW24000** | | | | | | | | |
| [redacted] | IB-24000-0003-B | [***] | [***] | 32 Port Fibre Channel Director (SW24000) Includes 2 SW24000 Port Blades, 2 SW24000 CP Blades, 2 Power Supplies, 3 Blowers, 6 Port Blade Filler Panels, 1 Cable Management Pillar, 2 Power Supply Filler Panels, Fabric OS, Advanced Web Tools, Advanced Zoning, Fabric Watch, Performance Monitoring, Trunking | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-24000-0201 | [redacted] | [***] | SW24000, 16 Port Upgrade Blade | [***] | [redacted] | [redacted] | [***] |
| [redacted] | IB-24000-0301-B | [redacted] | [***] | SW24000 Upgrade kit. Includes: 2 SW24000 16 port blades and 2 SW24000 CP blades | [***] | [***] | [redacted] | [redacted] |
| [redacted] | XIB-24000-0010 | [redacted] | [***] | SW24000 FRU Chassis , includes backplane, blower and power supply backplane, AC and blower harness | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-24000-0103 | [redacted] | [***] | SW24000 Control Processor Blade, FRU | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-24000-0127 | [redacted] | [***] | SW24000 FRU, Chassis Door. Includes Plastic and Metal door Components and IBM Front Badge | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-24000-0130<br>XIB-24000-R0130 | [redacted] | [***] | FRU, Power Supply Filler Panels | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-24000-0201 | [redacted] | [***] | SW24000 Switch Blade 16 port, 2Gb, FRU | [***] | [redacted] | [redacted] | [***] |
| **SW48000** | | | | | | | | |
| [redacted] | IB-48000-0000-B<br>IB-48000-R0000-M | [***] | [***] | SW48000, zero port, 2CP, 2PS, 2 PS filler panels, 8 port blade filler panels (2109 M48); Fabric OS, Full Fabric, Advanced Web Tools, Advanced Zoning, Fabric Watch, Performance Monitoring, Trunking, NPIV | [***] | [***] | [redacted] | [redacted] |
| [redacted] | IB-48000-0101<br>IB-48000-R0101 | [***] | [***] | SW48000, 4g 16 PORT CARD, (Upgrade Blade) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | IB-48000-0102<br>IB-48000-R0102 | [***] | [***] | SW48000, 4g 32 PORT CARD, (Upgrade) | [***] | [redacted] | [redacted] | [***] |
| [redacted] | XIB-48000-0010<br>XIB-48000-R0010 | [redacted] | [***] | FRU, CHASSIS, SW48000 includes backplane, blower and power supply backplane, AC and blower harness | [***] | [redacted] | [redacted] | [redacted] |
| [redacted] | XIB-48000-0101<br>XIB-48000-R0101 | [redacted] | [***] | FRU, 4g 16 PORT CARD, SW48000 (FRU) | [***] | [redacted] | [redacted] | [***] |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| | XIB-48000-0102<br>XIB-48000-R0102 | | [***] | FRU, 4g 32 PORT CARD, SW48000 (FRU) | [***] | | | [***] |
| | XIB-48000-0103<br>XIB-48000-R0103 | | [***] | FRU, CP CARD, SW48000 | [***] | | | [***] |
| | XIB-48000-0105<br>XIB-48000-R0105 | | [***] | FRU, CABLE MGT COMB, SW48000 | [***] | | | |
| | XIB-48000-0111<br>XIB-48000-R0111 | | [***] | FRU, CHASSIS DOOR, SW48000 | [***] | | | |
| | XIB-48000-0128<br>XIB-48000-R0128 | | [***] | FRU, PORT CARD SLOT FILLER PANEL (SW48000) | [***] | | | |
| | IB-48000-0150-M | [***] | [***] | SW48000, FR4-18i FCR and FCIP blade, no SFPs | [***] | [***] | | [***] |
| | XIB-48000-0150 | | [***] | (FRU) SW48000, FR4-18i FCR and FCIP blade, no SFPs | [***] | | | [***] |
| | IB-48000-0148 | [***] | [***] | SW48000, 48-port FC Switching Blade (FC4-48) | [***] | | | [***] |
| | IB-48000-0140 | [***] | [***] | 384 Cable Management Tray (field upgrade) | [***] | | | |
| | XIB-48000-0148 | | [***] | FRU, 48-port FC Switching Blade for SW48000 | [***] | | | [***] |
| | IB-48000-0152-M | [***] | [***] | FC4-16IP, 8 port FC plus 8 port GigE iSCSI blade (Ironman) for Brocade 48000.- Blade requires minimum FOS 5.3.0- Maximum 4 blades per system.- Requires 4 power supplies in system. | [***] | [***] | | [***] |
| | XIB-48000-0152 | | [***] | FRU, FC4-16IP Port Card for Brocade 48000. Blade requires minimum FOS 5.3.0 on CP.Requires 4 power supplies in system | [***] | | | |
| | IB-48000-0153-M | [***] | [***] | FC10-6, 6 port 10Gbit FC blade (Xenon) for Brocade 48000.- Blade requires minimum FOS 5.3.0- Requires 4 power supplies in system- Maximum 8 per system. | [***] | [***] | | [***] |
| | XIB-48000-0153 | | [***] | FRU, FC10-6, 6 Port 10G FC blade (Xenon) for Brocade 48000Blade requires minimum FOS 5.3.0 on CP.Requires 4 power supplies in system | [***] | | | |
| | IB-48000-0303<br>IB-48000-R0303 | [***] | [***] | 4Gb Upgrade Kit to include cable management comb and M48 door with no badge | [***] | | | |
| **BROCADE DCX-4S** | | | | | | | | |
| | IB-DCX4S-0002-W-U | [***] | [***] | DCX-4S, 2PS, 0P, 2CP, 2CR, 0 SFP, EGM, EB (AN, TRK, APM, FW, EGM)<br>**June 4, 2010 = Server Application Optimization License included in the Enterprise Bundle**<br>**Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | | [***] | [***] |
| | **BROCADE DCX-4S - FRU's** | | | | | | | |
| | XIB-DCX4S-0106 | [***] | [***] | FRU, CR4S-8, CORE BLADE | [***] | | | [***] |
| | XIB-DCX4S-0010 | [***] | [***] | FRU, DCX-4S, CHASSIS | [***] | | | [***] |
| | XIB-000305 | [***] | [***] | FRU, EMI PLUG | [***] | | | |
| | **BROCADE DCX-4S - OPTIONAL SOFTWARE** | | | | | | | |
| | IB-DCX4SICL-01 | [***] | [***] | DCX-4S, ICL LICENSE FOR SINGLE SWITCH | [***] | | | |
| **BROCADE DCX (DATA CENTER BACKBONE)** | | | | | | | | |
| | IB-DCX-0001-M | | [***] | DCX, 2-PS, 0-P, 2-CP, 2-Core, 0-SFP with Door, 14U rack mount kit, and cable mgt comb, accessory tray, Cable Retainer Kit, SFP Extraction Tool,Web Tools, Advanced Zoning, Enterprise SW Bundle.<br>June 4, 2010 = Server Application Optimization License included in the Enterprise SW Bundle<br>**Dec 3, 2013 = Added Fabric Vision (FV)** | [***] | [***] | | |
| | IB-DCX-0107 | [***] | [***] | BR DCX, ICL Cable Kit (qty-2 ICL Cables) | [***] | | | |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| Model | Brocade P/N | IBM Model or FC # | IBM PN / NUMA-Q PN | Description | Unit Price | **Software Maintenance (included in unit price of product) | Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product) | Out of Warranty Pricing |
| | DCX - OPTIONAL SOFTWARE | | | | | | | |
| | IB-DCXICL-01 | [***] | [***] | BR DCX, ICL License | [***] | | | |
| | IB-DCX8LICL-01 | [***] | [***] | S/W, 8-link Inter Chassis Link license | [***] | | | |
| | DCX - FRU's | | | | | | | |
| | XIB-DCX-0010 | | [***] | DCX, Chassis, BR | [***] | | | |
| | XIB-DCX-0106 | | [***] | DCX, CR8, Core Blade, BR | [***] | | | [***] |
| | XIB-DCX-0107 | | [***] | DCX, ICL Cable, 5M, BR | [***] | | | |
| | DCX BLADE - BUNDLED WITH SFP'S | | | | | | | |
| | IB-DCX-1101 | | [***] | DCX, Port Blade, 16P, 16 SWL 4G SFPs | [***] | | | |
| | IB-DCX-1102 | | [***] | DCX, Port Blade, 32P, 32 SWL 4G SFPs | [***] | | | |
| | IB-DCX-1148 | | [***] | DCX, Port Blade, 48P, 48 SWL 4G SFPs | [***] | | | |
| | IB-DCX-4101 | | [***] | DCX, Port Blade, 16P, 16 LWL 10KM 4G SFPs | [***] | | | |
| | IB-DCX-4102 | | [***] | DCX, Port Blade, 32P, 32 LWL 10KM 4G SFPs | [***] | | | |
| | IB-DCX-4148 | | [***] | DCX, Port Blade, 48P, 48 LWL 10KM 4G SFPs | [***] | | | |
| BROCADE FX8-24 DCX EXTENSION BLADE | | | | | | | | |
| | IB-FX824-0001-M | [***] | [***] | FX8-24 Blade, 22P, Qty-0 8Gb SWL SFPs, Qty-0 1GE SFPs | [***] | [***] | | [***] |
| BROCADE FX8-24 DCX EXTENSION BLADE | | | | | | | | |
| | IB-FX824-0001-M | [***] | [***] | FX8-24 Blade, 22P, Qty-0 8Gb SWL SFPs, Qty-0 1GE SFPs | [***] | [***] | | [***] |
| | BROCADE FX8-24 DCX EXTENSION BLADE - FRU's | | | | | | | |
| | XIB-FX824-0000 | [***] | [***] | FX8-24 Blade, 22P | [***] | | | [***] |
| 16Gbit/sec DIRECTORS | | | | | | | | |
| BLADES & ACCESSORIES FOR SAN384B-2 (2499-416) AND SAN768B-2 (2499-816) | | | | | | | | |
| | ACCESSORIES & FRU's | | | | | | | |
| | IB-DCXICLKIT-01-M | [***] | [***] | S/W, 1 x ICL POD License + 16x (4x16Gbps QSFP) | [***] | [***] | | |
| BLADES & ACCESSORIES FOR SAN384B-2 (2499-416) AND SAN768B-2 (2499-816) | | | | | | | | |
| | IB-FS818-0020-M | [***] | [***] | FS8-18, 16PFC, 48GB Crypto, 16 8G SWL P3 SFP | [***] | [***] | | [***] |
| | IB-DCX8510-2032 | [***] | [***] | Port blade, FC8-32E, 32p, 32 x 8G SWL SFP, IB | [***] | | | [***] |
| | IB-DCX8510-2048 | [***] | [***] | Port blade, FC8-48E, 48p, 48 x 8G SWL SFP, IB | [***] | | | [***] |
| | BLADE FRU'S | | | | | | | |
| | XIB-DCX8510-2032<br><br>Effective 3/1/12:<br>XIB-DCX8510-0032 | [***] | [***] | FRU, Port blade, FC8-32E, 32p | [***] | | | [***] |
| | XIB-DCX8510-2048<br><br>Effective 3/1/12:<br>XIB-DCX8510-0048 | [***] | [***] | FRU, Port blade, FC8-48E, 48p | [***] | | | [***] |
| FABRIC MANAGER | | | | | | | | |
| | BR-CD-FMG3.0.2 | | [***] | Fabric Manager 3.x | [***] | | | |
| | IB-FMG4-0001-S | | [***] | Fabric Manager 4.x-Enterprise (Unlimited copies per one server/PC) | [***] | [***] | | |
| | IB-FMG4-7000-S | | [***] | Fabric Manager 4.x -3.0 to 4.x Upgrade to Enterprise (Unlimited copies per one server/PC) | [***] | [***] | | |
| | IB-FMG4-0010-S | | [***] | Fabric Manager 4.x with 10 Domains | [***] | [***] | | |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

| Supplier Part Number | | Buyer Part Number | | | | - M | - U | |
|---|---|---|---|---|---|---|---|---|
| **Model** | **Brocade P/N** | **IBM Model or FC #** | **IBM PN / NUMA-Q PN** | **Description** | **Unit Price** | ****Software Maintenance (included in unit price of product)** | **Non Defect Based SW Technical Support & SW Upgrades - 13 Months (included in unit price of product)** | **Out of Warranty Pricing** |
| | IB-FMG4-9000-S | | [***] | Fabric Manager 4.x Upgrade from 10 Domains to Unlimited Domains | [***] | [***] | | |
| **TRANSCEIVERS** | | | | | | | | |
| | IB-000147 | [***] | [***] | SFP, SWL, 8G, 1-pack | [***] | [***] | [***] | [***] |
| | IB-000148 | [***] | [***] | SFP, SWL, 8G, 8-pack | [***] | [***] | [***] | [***] |
| | IB-000300 | [***] | [***] | Copper SFP | [***] | [***] | [***] | [***] |
| | XIB-000147 | [***] | [***] | SFP,SWL,8G,1-PK,BR | [***] | [***] | [***] | [***] |
| | XIB-000300 | [***] | [***] | Copper SFP | [***] | [***] | [***] | [***] |
| | XIB-000228 | [***] | [***] | FRU, QSFP, SWL, 1x (4x16Gbps) FC, 1-PACK, BR | [***] | [***] | [***] | [***] |
| | IB-000228 | [***] | [***] | Brocade, SWL, 1, 16x (4x16Gbps QSFP); 16 QSFP's | [***] | [***] | [***] | [***] |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

# IBM and Brocade
## Statement of Work

**Base Agreement # ROC-P-68**
**SOW # 7 (Contract Number 4907015087.0)**

**SOW #7**
**Amendment # 11**

This Amendment # 11 is subject to the terms and conditions and forms a part of Statement of Work 7, as amended, and its related Agreement # ROC-P-68 (collectively, "Agreement") between International Business Machines Corporation ("Buyer" or "IBM") and Brocade Communications Systems, Inc. and Brocade Communications Switzerland, SarL (individually and collectively, "Supplier" or "Brocade"). For good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

**PURPOSE:**

The purpose of this Amendment # 11 is to add IBM Network Advisor 12.4.x as a Licensed Work under this SOW #7.

NOW, THEREFORE, THE FOLLOWING CHANGES ARE MADE TO SOW #7 BY THIS AMENDMENT #11:

1. Delete Table 4, IBM Network Advisor Pricing, to Attachment A, and replace with the updated Table 4, IBM Network Advisor Pricing, to Attachment A, as set forth in substantially the form attached hereto as Exhibit 2 to this Amendment.

2. Delete Exhibit 1, Attachment F-3, and replace with updated Exhibit 1, Attachment F-3.

**(The remainder of this page intentionally left blank)**

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be executed by their respective duly authorized representatives.

ACCEPTED AND AGREED TO:
**International Business Machines Corporation**

By: /s/ David Lake
(Authorized signature)

Name David Lake
(Type or print)

Title Procurement GCM

Date 6-10-15

ACCEPTED AND AGREED TO:
**Brocade Communications Systems, Inc.**

By: /s/ Charles Leeming
(Authorized signature)

Name Charles Leeming
(Type or print)

Title Global VP, OEM, Distribution & Channels

Date 6-10-15

ACCEPTED AND AGREED TO:
**Brocade Communications Switzerland, SarL**

By: /s/ Pierre MATTENBERGER
(Authorized signature)

Name Pierre MATTENBERGER
(Type or print)

Title Director

Date June 9th, 2015

**Exhibit 1**
**Attachment F-3**

# Branding, Description of Licensed Work, and Milestone Schedules For Network Advisor

***1.0 Buyer Branded Version of Supplier's OEM Software Product***
The Licensed Work will be comprised of a Buyer-branded version of Supplier's Brocade Network Advisor software product. The Buyer branded version will be called "IBM Network Advisor." Supplier consents to the use by Buyer the name "IBM Network Advisor", "Network Advisor". The Licensed Work will be provided by Supplier to Buyer in Object Code format.

***2.0 Description of Licensed Works***

***2.1 Description of Licensed Work for IBM Network Advisor***

| Code Name | Version | Description | Documentation | Format | Delivery Requirements |
|---|---|---|---|---|---|
| Network Advisor | **12.0.x**<br>**12.1.x**<br>**12.3.x**<br>**[***]** | IBM Network Advisor | Online | Object Code | CD, License key documentation<br>**[***]** |

**2.1.1 Operating System Requirements**
Brocade Network Advisor operating system requirements can be found in Brocade documentation located on line via our partner web portal. To access, log in to MyBrocade -> documentation -> management software. Brocade Network Advisor Installation Guide (by version). Specific document part numbers listed below.

**IBM Network Advisor v12.0.x**
Brocade Network Advisor
Installation and Migration Guide
PN: 53-1002699-01
Date: December 17, 2012

**IBM Network Advisor v12.1.x**
Brocade Network Advisor
Installation and Migration Guide
PN: 53-1002950-01
Date: July 26, 2013

**IBM Network Advisor v12.3.x**
Brocade Network Advisor
SAN Installation and Migration Guide
PN: 53-1003158-01
Date: July 11, 2014

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

[***]

**2.2 Documentation : Supplier will provide Buyer with IBM branded customer documentation.**

a) Internal (standard Supplier documentation)
b) External (on-line documentation)
c) No other related written materials

**2.2.1 Other Materials:**

a) Quality Plan: Supplier will provide Buyer with quality plan upon Buyer's request
b) Test Results: Supplier will provide Buyer with available test results upon Buyer's request
c) Test Cases: Supplier will provide Buyer with available test cases upon Buyer's request.
d) Maintenance and Support Reports (including information required and format)
e) Promotional Materials: Buyer and Supplier will mutually determine what promotional materials are needed for the Licensed Works.
f) Education/Training material: Buyer and Supplier will mutually determine what Education and Training materials are needed for the Licensed Works.

**2.2.2 Code deposited on** CD media and shipped to Buyer as directed on Buyer's purchase order. **Beginning with v12.3, Code is available on IBM's support download site only**.

***3. Identification of Tools***

No tools are provided for the Licensed Works.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

# TABLE 4 - IBM NETWORK ADVISOR PRICING

**4907015087 (SOW-7) - AMENDMENT 11**
**Product Price List and Description**
**Date: JUNE 5, 2015 FINAL**

| BROCADE | IBM | IBM (End-Customer P/N) | | | IBM NETWORK ADVISOR | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Brocade p/n | IBM Hub Stock P/N | US Feature Code | LA/EMEA Feature Code | AP/ Canada Feature Code | Feature Description | Unit Price | Software Maintenance | TOTAL UNIT PRICE | |
| **IBM Machine Type / Model: 5639-NAT** | | | | | **IBM System Storage Data Center Fabric Manager v12.x** | | | | |
| IB-NA-SAN-ENT3-M | | [***] | [***] | [***] | NA Ent v12 Per Install with 1 Year SW Maintenance | [***] | [***] | [***] | **(-M = 13 months SW Maintenance )** |
| IB-NA-SAN-PLU-UPG3-M | | [***] | [***] | [***] | Add NA Ent to ProPlus v12 Per Install with 1 Year SW Maintenance | [***] | [***] | [***] | **(-M = 13 months SW Maintenance )** |
| IB-NA-SAN-PLU3-M | | [***] | [***] | [***] | NA ProPlus v12 Per Install with 1 Year SW Maintenance | [***] | [***] | [***] | **(-M = 13 months SW Maintenance )** |
| **NA v12 Media Kits** | | | | | | | | | |
| IB-NA-SAN-12ENT | LCD7-5634-00 | [***] | [***] | [***] | NA v12 Media Kit Enterprise Code DVD and LEF CD. **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |
| IB-NA-SAN-12PLU-UPG | LCD7-5636-00 | [***] | [***] | [***] | NA v12 Media Kit upgrade Code DVD and LEF CD **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |
| IB-NA-SAN-12PLU | LCD7-5635-00 | [***] | [***] | [***] | NA v12 Media Kit ProPlus Code DVD and LEF CD **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |
| **NA v12.1 Media Kits** | | | | | | | | | |
| IB-NA-SAN-121ENT | LCD7-5634-01 | [***] | [***] | [***] | NA v12.1 Media Kit Enterprise Code DVD and LEF CD. **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |
| IB-NA-SAN-121PLU-UPG | LCD7-5636-01 | [***] | [***] | [***] | NA v12.1 Media Kit upgrade Code DVD and LEF CD **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |
| IB-NA-SAN-121PLU | LCD7-5635-01 | [***] | [***] | [***] | NA v12.1 Media Kit ProPlus Code DVD and LEF CD **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |
| **NA v12.3 [***] Paperpack** | | | | | | | | | |
| IB-NA-SAN-123ENT | SC27-6629-00 | [***] | [***] | [***] | IBM Network Advisor paperpack includes Enterprise Transaction Key **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

# TABLE 4 - IBM NETWORK ADVISOR PRICING

**4907015087 (SOW-7) - AMENDMENT 11**
**Product Price List and Description**
**Date: JUNE 5, 2015 FINAL**

| BROCADE | IBM | IBM (End-Customer P/N) | | | IBM NETWORK ADVISOR | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Brocade p/n** | **IBM Hub Stock P/N** | **US Feature Code** | **LA/EMEA Feature Code** | **AP/ Canada Feature Code** | **Feature Description** | **Unit Price** | **Software Maintenance** | **TOTAL UNIT PRICE** | |
| IB-NA-SAN-123PLU-UPG | SC27-6631-00 | [***] | [***] | [***] | IBM Network Advisor paperpack includes Pro Plus to Enterprise UpgradeTransaction Key **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |
| IB-NA-SAN-123PLU | SC27-6632-00 | [***] | [***] | [***] | IBM Network Advisor paperpack includes Pro Plus Transaction Key **MUST be ordered in quantity of 50 units (MOQ)** | [***] | | [***] | |
| **IBM Machine Type / Model: 5639-NA2** | | | | | **IBM NETWORK ADVISOR 1 Yr Renewal** | | | | |
| N/A | | [***] | [***] | [***] | Per Install SW Maintenance NoCharge Registration | [***] | [***] | [***] | |
| IB-NA-SAN-ENT-SVC-MAINT | | [***] | [***] | [***] | Per Install SW Maintenance 1 Year Renewal | [***] | [***] | [***] | |
| N/A | | [***] | [***] | [***] | Per Install SW Maintenance NoCharge Registration | [***] | [***] | [***] | |
| IB-NA-SAN-PLU-SVC-MAINT | | [***] | [***] | [***] | Per Install SW Maintenance 1 Year Renewal | [***] | [***] | [***] | |
| **IBM Machine Type / Model: 5639-NA3** | | | | | **IBM NETWORK ADVISOR 1 Yr After License** | | | | |
| IB-NA-SAN-ENT-SVC-MAINT1A | | [***] | [***] | [***] | Per Install SW Maintenance 1 Year After License | [***] | [***] | [***] | |
| IB-NA-SAN-PLU-SVC-MAINT1A | | [***] | [***] | [***] | Per Install SW Maintenance 1 Year After License | [***] | [***] | [***] | |
| **IBM Machine Type / Model: 5639-NA4** | | | | | **IBM NETWORK ADVISOR 3 Yr Registration** | | | | |
| IB-NA-SAN-ENT-SVC-MAINT3R | | [***] | [***] | [***] | Per Install SW Maintenance 3 Year Registration | [***] | [***] | [***] | **(2yr SVC additional to 1yr -M)** |
| IB-NA-SAN-PLU-SVC-MAINT3R | | [***] | [***] | [***] | Per Install SW Maintenance 3 Year Registration | [***] | [***] | [***] | **(2yr SVC additional to 1yr -M)** |
| **IBM Machine Type / Model: 5639-NA5** | | | | | **IBM NETWORK ADVISOR 3 Yr Renewal** | | | | |
| IB-NA-SAN-ENT-SVC-MAINT3 | | [***] | [***] | [***] | Per Install SW Maintenance 3 Year Renewal | [***] | [***] | [***] | **(3yr duration renewal)** |
| IB-NA-SAN-PLU-SVC-MAINT3 | | [***] | [***] | [***] | Per Install SW Maintenance 3 Year Renewal | [***] | [***] | [***] | **(3yr duration renewal)** |
| **IBM Machine Type / Model: 5639-NA6** | | | | | **IBM NETWORK ADVISOR 3 Yr After License** | | | | |
| IB-NA-SAN-ENT-SVC-MAINT3A | | [***] | [***] | [***] | Per Install SW Maintenance 3 Year After License | [***] | [***] | [***] | **(3yr duration renewal)** |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

# TABLE 4 - IBM NETWORK ADVISOR PRICING

**4907015087 (SOW-7) - AMENDMENT 11**
**Product Price List and Description**
**Date: JUNE 5, 2015 FINAL**

| BROCADE | IBM | IBM (End-Customer P/N) | | | IBM NETWORK ADVISOR | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Brocade p/n | IBM Hub Stock P/N | US Feature Code | LA/EMEA Feature Code | AP/ Canada Feature Code | Feature Description | Unit Price | Software Maintenance | TOTAL UNIT PRICE | |
| IB-NA-SAN-PLU-SVC-MAINT3A | | [***] | [***] | [***] | Per Install SW Maintenance 3 Year After License | [***] | [***] | [***] | **(3yr duration renewal)** |



[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

# TABLE 4 - IBM NETWORK ADVISOR PRICING

**4907015087 (SOW-7) - AMENDMENT 11**
**Product Price List and Description**
**Date: JUNE 5, 2015 FINAL**

| BROCADE | IBM | IBM (End-Customer P/N) | | | IBM NETWORK ADVISOR | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Brocade p/n** | **IBM Hub Stock P/N** | **US Feature Code** | **LA/EMEA Feature Code** | **AP/ Canada Feature Code** | **Feature Description** | **[***]** | **[***]** | **[***]** | |
| **IBM Machine Type / Model: 5639-NA1** | | | | | **IBM System Storage Data Center Fabric Manager v11.x** | | | | **NOTES** |
| IB-NA-SAN-ENT2-M | | [***] | [***] | [***] | NA Ent V11 Per Install with 1 Year SW Maintenance | [***] | [***] | [***] | **(-M = 13 months SW Maintenance )** |
| IB-NA-SAN-PLU-UPG2-M | | [***] | [***] | [***] | Add NA Ent to ProPlus V11 Per Install with 1 Year SW Maintenance | [***] | [***] | [***] | **(-M = 13 months SW Maintenance )** |
| IB-NA-SAN-PLU2-M | | [***] | [***] | [***] | NA ProPlus V11 Per Install with 1 Year SW Maintenance | [***] | [***] | [***] | **(-M = 13 months SW Maintenance )** |
| IB-NA-SAN-ENT | LK4T-4924-01 | [***] | | | NA V11 Media Kit Enterprise Code DVD and LEF CD **MUST be ordered in quantity of 50 units** | [***] | | [***] | |
| IB-NA-SAN-PLU-UPG | LK4T-4926-01 | [***] | | | NA V11 Media Kit upgrade Code DVD and LEF CD **MUST be ordered in quantity of 50 units** | [***] | | [***] | |
| IB-NA-SAN-PLU | LK4T-4925-01 | [***] | | | NA V11 Media Kit ProPlus Code DVD and LEF CD **MUST be ordered in quantity of 50 units** | [***] | | [***] | |


[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**Exhibit 10.3**

**BROCADE COMMUNICATIONS SYSTEMS, INC.**
**2009 DIRECTOR PLAN**
**RESTRICTED STOCK UNIT AGREEMENT**

**NOTICE OF GRANT**

**%%FIRST_NAME%-% %%MIDDLE_NAME%-% %%LAST_NAME%-%**

You ("Grantee") have been granted an award of Restricted Stock Units under the Company's 2009 Director Plan (the "Plan"). The date of this Restricted Stock Unit Agreement (the "Agreement") is the Grant Date defined below. Subject to the provisions of Appendix A and the Plan, which are attached hereto and incorporated herein in their entirety, the principal features of this award are as follows:

| | |
|---|---|
| **Grant Date:** | **%%AWARD_DATE,'Month DD,YYYY'%-%** (the "Grant Date") |
| **Number of Restricted Stock Units:** | **%%TOTAL_SHARES_GRANTED,'999,999,999'%-%** (the "Number of Restricted Stock Units") |
| **Vesting Schedule**: | [___] (the "Vesting Schedule"). |

Your acceptance of this award and your acknowledgement here and/or online each indicates your agreement and understanding that this award is subject to all of the terms and conditions contained in Appendix A and the Plan. For example, important additional information on vesting and forfeiture of the Restricted Stock Units is contained in Sections 3 through 5 and Section 7 of Appendix A. **PLEASE BE SURE TO READ ALL OF APPENDIX A AND THE PLAN, WHICH CONTAIN THE SPECIFIC TERMS AND CONDITIONS OF THIS AWARD.**

| **BROCADE COMMUNICATIONS SYSTEMS, INC.** | **GRANTEE** |
|---|---|
| **Signature** | **Signature** |
| **Print Name** | **Print Name** |
| **Title** | |

## APPENDIX A

## TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

1. Grant.

(a) The Company hereby grants to the Grantee under the Plan an award of the Number of Restricted Stock Units set forth on the Notice of Grant, subject to all of the terms and conditions in this Agreement and the Plan. For each Restricted Stock Unit that vests, the Grantee will be entitled to receive one (1) Share (subject to automatic adjustment for stock splits, combinations and other adjustments contemplated in the Plan).

(b) When Shares are paid to the Grantee in payment for the Restricted Stock Units, par value ($.001 per share) will be deemed paid by the Grantee for each Restricted Stock Unit by services rendered by the Grantee, and will be subject to the appropriate tax withholdings.

2. Company's Obligation to Pay. Each Restricted Stock Unit has a value equal to the Fair Market Value of a Share on the date that the Restricted Stock Unit is granted. Unless and until the Restricted Stock Units have vested in the manner set forth in Sections 3 through 5, the Grantee will have no right to payment of such Restricted Stock Units. Prior to actual payment of Shares upon the vesting of any Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation. Payment of any vested Restricted Stock Units shall be made in whole Shares only and any fractional Shares will be forfeited at the time of payment.

3. Vesting Schedule/Period of Restriction. Except as provided in Sections 4 and 5, and subject to Section 7, the Restricted Stock Units awarded by this Agreement shall vest in accordance with the vesting provisions set forth on the Notice of Grant. Restricted Stock Units shall not vest in accordance with any of the provisions of this Agreement unless the Grantee shall continuously have served as a Director from the Grant Date until the dates the Restricted Stock Units are otherwise scheduled to vest.

4. [Reserved.]

5. Administrator Discretion. To the extent permitted under the Plan, the Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units at any time. Such acceleration may result in tax or other consequences to the Grantee. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. If the Administrator, in its discretion, accelerates the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units, the payment of such accelerated Restricted Stock Units nevertheless shall be made at the same time or times as if such Restricted Stock Units had vested in accordance with the vesting schedule set forth on the Notice of Grant and Section 1 of this Agreement or as otherwise provided herein (whether or not the Grantee remains a Director or employee of the Company as of such date(s)). The Grantee is hereby advised to consult with the Grantee's own personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

6. Payment after Vesting. Any Restricted Stock Units that vest in accordance with Sections 3 through 4 of this Agreement will be paid to the Grantee (or in the event of the Grantee's death, to his or her estate) as soon as practicable following the applicable vesting date, subject to Sections 9 and 21, but no later than March 15th of the calendar year following the applicable vesting date.

7. Forfeiture. The balance of the Restricted Stock Units that have not vested pursuant to Sections 3 through 5 at the time of the termination of the Grantee's relationship with the Company as a Service Provider for any or no reason (including, but not limited to, due to death or Disability) will be forfeited immediately and returned to the Company at no cost to the Company.

8. [Reserved.]

9. Withholding of Taxes.

(a) General. Regardless of any action the Company and/or any applicable employer of the Grantee (the "Employer") take with respect to any or all income tax (including U.S. federal, state, local and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholdings ("Tax-Related Items"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items legally due by the Grantee is and remains the Grantee's responsibility and that the Company and/or the Employer (i) make no guarantees or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the award, including the grant of the Restricted Stock Units, the vesting of the Restricted Stock Units, the delivery of Shares, the subsequent sale of any Shares received at vesting and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the award to reduce or eliminate the Grantee's liability for Tax-Related Items.

(b) Payment of Tax-Related Items. The Grantee authorizes the Company and/or the Employer, at its discretion, to satisfy the obligations with regard to all Tax-Related Items by withholding a portion of the Shares issued as payment for vested Restricted Stock Units that have an aggregate market value sufficient to pay all Tax-Related Items required to be withheld by the Company and/or the Employer with respect to the vesting of the Restricted Stock Units and issuance of the Shares, unless the Company, in its sole discretion, either requires or otherwise permits the Grantee to make alternate arrangements satisfactory to the Company for such withholdings in advance of the arising of any withholding obligations. The number of Shares withheld pursuant to the prior sentence will be rounded up to the nearest whole Share, with no refund for any value of the Shares withheld in excess of the tax obligation as a result of such rounding.

If the obligation of Tax-Related Items is satisfied by reducing the number of Shares delivered as described herein, the Grantee is deemed to have been issued the full number of Shares subject to the award of Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the award.

If the foregoing method of withholding is prohibited or insufficient to satisfy all Tax-Related Items required to be withheld by the Company and/or the Employer with respect to the vesting of the Restricted Stock Units and issuance of the Shares or if the Company, in its discretion, determines not to apply the foregoing method of withholding, then the Grantee hereby authorizes the Company and/or the Employer to satisfy such obligations by one or a combination of the following: (i) withholding from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer, to the maximum extent permitted by law; or (ii) selling the applicable number of Shares or arranging for the sale of the applicable number of Shares (in either case on the Grantee's behalf and at the Grantee's discretion pursuant to this authorization) issued in settlement of vested Restricted Stock Units and retaining the requisite proceeds from such sale.

Finally, the Grantee shall pay to the Company and/or the Employer any amount of Tax-Related Items that the Company and/or the Employer may be required to withhold as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver to the Grantee any Shares pursuant to the award if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items, as described in this Section 9.

10. Rights as Stockholder. Neither the Grantee nor any person claiming under or through the Grantee will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Grantee (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, the Grantee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

11. No Effect on Service or Employment. Subject to any written contract with the Grantee, the terms of the Grantee's service or employment with the Company and its Subsidiaries will be determined from time to time by the Company or the applicable Subsidiary, as the case may be, and the Company, or the Subsidiary, will have the right, which is hereby expressly reserved, to terminate or change the terms of the service or employment of the Grantee at any time for any reason whatsoever, with or without good cause. The transactions contemplated hereunder and the Vesting Schedule set forth on the first page of this Agreement do not constitute an express or implied promise of continued service or employment for any period of time. A leave of absence or an interruption in service (including an interruption during military service) authorized or acknowledged by the Company shall not be deemed a termination of the Grantee's relationship with the Company or its Subsidiary as a Service Provider for the purposes of this Agreement.

12. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of Stock Administrator, at 130 Holger Way, San Jose, California, 95134, USA, or at such other address as the Company may hereafter designate in writing, with a copy to the Company, C/O General Counsel, 130 Holger Way, San Jose, California, 95134, USA.

13. Grant is Not Transferable. Except to the limited extent provided in this Agreement or the Plan, this grant of Restricted Stock Units and the rights and privileges conferred hereby will not be sold, pledged, assigned, hypothecated, transferred or disposed of any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process, until the Grantee has been issued Shares in payment of the Restricted Stock Units. Upon any attempt to sell, pledge, assign, hypothecate, transfer or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void. Notwithstanding the foregoing, Grantee may, in a manner and in accordance with terms specified by the Administrator, transfer these Restricted Stock Units to Grantee's spouse, former spouse or dependent pursuant to a court-approved domestic relations order which relates to the provision of child support, alimony payments or marital property rights.

14. Restrictions on Sale of Securities. The Company expects that the Shares issued as payment for vested Restricted Stock Units under this Agreement will be registered under U.S. federal securities laws and will be freely tradable upon receipt. However, a Grantee's subsequent sale of the Shares may be subject to any market blackout-period that may be imposed by the Company and must comply with the Company's insider trading policies, and any other U.S. securities laws or other Applicable Laws.

15. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Additional Conditions to Issuance of Certificates for Shares. The Company shall not be required to issue any certificate or certificates for Shares hereunder prior to fulfillment of all the following conditions: (a) the admission of such Shares to listing on all stock exchanges on which such class of stock is then listed; (b) the completion of any registration or other qualification of such Shares under any U.S. state or federal or non-U.S. law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable; (c) the obtaining of any approval or other clearance from any U.S. state or federal or non-U.S. governmental agency, which the Administrator shall, in its absolute discretion, determine to be necessary or advisable; and (d) the lapse of such reasonable period of time following the Vesting Date of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience.

17. Plan Governs. This Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon the Grantee, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

19. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

20. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

21. Modifications to the Agreement. This Agreement, including Appendix A, together with the Plan, constitutes the entire understanding of the parties on the subjects covered, subject to any applicable pre-existing agreement or agreement entered into after the date hereof relating to full or partial acceleration of vesting in the event of a change of control of the Company (or similar event). The Grantee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein or expressly contemplated above. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Grantee, to comply with Section 409A of the Code or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code prior to the actual payment of Shares pursuant to this award of Restricted Stock Units. Notwithstanding the foregoing, if required by Section 409A of the Code, no Restricted Stock Units will be paid to the Grantee (or in the event of the Grantee's death, to his or her estate) earlier than six (6) months and one (1) day following the date of the termination of the Grantee's relationship with the Company as a Service Provider, subject to Section 9. In no event will the Company pay or reimburse the Grantee for any taxes or other costs under Section 409A of the Code.

22. Amendment, Suspension or Termination of the Plan. By accepting this Restricted Stock Unit Award, the Grantee expressly warrants that he or she has received a right to receive stock under the Plan, and has received, read and understood a description of the Plan. The Grantee understands that the Plan is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, except as otherwise provided in the Plan and/or the Agreement.

23. Labor Law and Nature of Grant. In accepting the award of Restricted Stock Units, the Grantee acknowledges that:

(a) the Plan is established voluntarily by the Company;

(b) the award of Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future awards of Restricted Stock Units, or benefits in lieu of Restricted Stock Units even if Restricted Stock Units have been awarded repeatedly in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(d) the Grantee's participation in the Plan is voluntary;

(e) the award is an extraordinary item that is outside the scope of the Grantee's employment or service contract, if any;

(f) the award is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) in the event that the Grantee is not an employee of the Company, the award will not be interpreted to form an employment or service contract or relationship with the Company; and, furthermore, the award will not be interpreted to form an employment or service contract or relationship with the Employer or any Parent or other successor or a Subsidiary of the Company;

(h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(i) the Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the acquisition or sale of Shares; and

(j) the Grantee is hereby advised to consult with the Grantee's own personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

24. Data Privacy. The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in the Notice of Grant and this Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Employer, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.

The Grantee understands that the Company and the Employer may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

The Grantee understands that Data will be transferred to E*Trade or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Grantee understands the recipients of Data may be located in the Grantee's country, in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the Grantee's local human resources representative. The Grantee authorizes the Company, E*Trade and any other potential recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. The Grantee understands, however, that refusing or withdrawing consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that he or she may contact his or her local human resources representative.

25. Notice of Governing Law. This award of Restricted Stock Units shall be governed by, and construed in accordance with, the laws of the State of California, without regard to principles of conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the award of Restricted Stock Units, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted on in the courts of Santa Clara County, California or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

26. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means, or to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

**Exhibit 31.1**

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15(d)- 14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lloyd A. Carney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended August 1, 2015 of Brocade Communications Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: September 4, 2015

/s/ Lloyd A. Carney

Lloyd A. Carney
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15(d)-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel W. Fairfax, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended August 1, 2015 of Brocade Communications Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 4, 2015

/s/ Daniel W. Fairfax

Daniel W. Fairfax
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Lloyd A. Carney, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Brocade Communications Systems, Inc. for the fiscal quarter ended August 1, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brocade Communications Systems, Inc.

Date: September 4, 2015

By: /s/ Lloyd A. Carney
Lloyd A. Carney
Chief Executive Officer
(Principal Executive Officer)

I, Daniel W. Fairfax, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Brocade Communications Systems, Inc. for the fiscal quarter ended August 1, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Brocade Communications Systems, Inc.

Date: September 4, 2015

By: /s/ Daniel W. Fairfax
Daniel W. Fairfax
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)