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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 27, 2013

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
(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 ☒ 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 ☒ 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	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The number of shares outstanding of the registrant's common stock as of May 24, 2013, was 443,780,216 shares.

BROCADE COMMUNICATIONS SYSTEMS, INC.

FORM 10-Q

QUARTER ENDED APRIL 27, 2013

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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, expense savings or targets, 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,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “may,” 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.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(In thousands, except per share amounts)			
Net revenues				
Product	$ 451,746	$ 456,104	$ 953,993	$ 932,406
Service	87,038	87,335	173,520	171,675
Total net revenues	538,784	543,439	1,127,513	1,104,081
Cost of revenues				
Product	164,599	164,177	338,974	339,584
Service	40,073	42,180	80,502	82,646
Total cost of revenues	204,672	206,357	419,476	422,230
Gross margin	334,112	337,082	708,037	681,851
Operating expenses:				
Research and development	98,429	92,931	196,119	182,250
Sales and marketing	145,316	158,855	294,327	311,543
General and administrative	20,037	18,790	39,114	37,140
Amortization of intangible assets	13,151	14,737	28,007	29,730
Total operating expenses	276,933	285,313	557,567	560,663
Income from operations	57,179	51,769	150,470	121,188
Interest expense	(10,432)	(12,729)	(36,800)	(25,775)
Interest and other income (loss), net	31	(452)	97	(1,448)
Income before income tax	46,778	38,588	113,767	93,965
Income tax expense (benefit)	(171)	(708)	88,073	(3,915)
Net income	$ 46,949	$ 39,296	$ 25,694	$ 97,880
Net income per share — basic	$ 0.10	$ 0.09	$ 0.06	$ 0.22
Net income per share — diluted	$ 0.10	$ 0.08	$ 0.06	$ 0.21
Shares used in per share calculation — basic	453,133	457,541	453,988	455,017
Shares used in per share calculation — diluted	466,919	476,848	466,620	472,793

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
	(In thousands)			
Net income	$ 46,949	$ 39,296	$ 25,694	$ 97,880
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on cash flow hedges:				
Change in unrealized gains and losses	(1,915)	(113)	(1,992)	(4,282)
Net (gains) losses reclassified into earnings	(32)	1,599	(210)	2,923
Net unrealized gains (losses) on cash flow hedges	(1,947)	1,486	(2,202)	(1,359)
Foreign currency translation adjustments	(1,762)	84	(2,142)	(1,476)
Total other comprehensive income (loss)	(3,709)	1,570	(4,344)	(2,835)
Total comprehensive income	$ 43,240	$ 40,866	$ 21,350	$ 95,045

See accompanying notes to condensed consolidated financial statements.

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

	April 27, 2013	October 27, 2012
	(In thousands, except par value)	
Assets		
Current assets:		
Cash and cash equivalents	$ 764,298	$ 713,226
Accounts receivable, net of allowances for doubtful accounts of $831 and $833 at April 27, 2013, and October 27, 2012, respectively	239,311	233,139
Inventories	52,911	68,179
Deferred tax assets	54,710	91,539
Prepaid expenses and other current assets	53,265	49,496
Total current assets	1,164,495	1,155,579
Property and equipment, net	499,968	518,940
Goodwill	1,647,767	1,624,089
Intangible assets, net	85,807	109,265
Non-current deferred tax assets	80,824	136,175
Other assets	31,962	37,213
Total assets	$ 3,510,823	$ 3,581,261
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 101,266	$ 117,350
Accrued employee compensation	133,788	182,597
Deferred revenue	226,228	216,283
Current portion of long-term debt	2,306	1,977
Other accrued liabilities	85,634	92,261
Total current liabilities	549,222	610,468
Long-term debt, net of current portion	596,971	599,203
Non-current deferred revenue	76,218	76,907
Non-current income tax liability	38,514	55,387
Other non-current liabilities	3,305	3,476
Total liabilities	1,264,230	1,345,441
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: 452,841 and 456,913 shares at April 27, 2013, and October 27, 2012, respectively	453	457
Additional paid-in capital	1,998,617	2,009,190
Accumulated other comprehensive loss	(14,208)	(9,864)
Retained earnings	261,731	236,037
Total stockholders' equity	2,246,593	2,235,820
Total liabilities and stockholders' equity	$ 3,510,823	$ 3,581,261

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	April 27, 2013	April 28, 2012
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 25,694	$ 97,880
Adjustments to reconcile net income to net cash provided by operating activities:		
Excess tax benefits from stock-based compensation	(5,440)	(1,332)
Non-cash tax charges	78,206	—
Depreciation and amortization	93,358	97,524
Loss on disposal of property and equipment	3,046	296
Amortization of debt issuance costs and original issue discount	665	2,626
Original issue discount and debt issuance costs related to lenders that did not participate in refinancing	5,360	—
Net gains on investments	—	(24)
Provision for doubtful accounts receivable and sales allowances	4,560	5,864
Non-cash compensation expense	38,322	45,677
Changes in assets and liabilities:		
Accounts receivable	(10,561)	25,440
Inventories	16,605	(7,379)
Prepaid expenses and other assets	(1,714)	300
Deferred tax assets	322	192
Accounts payable	(14,692)	(6,689)
Accrued employee compensation	(54,163)	8,643
Deferred revenue	7,924	7,657
Other accrued liabilities	(8,387)	(9,356)
Net cash provided by operating activities	179,105	267,319
Cash flows from investing activities:		
Proceeds from sale of subsidiary	—	35
Purchases of property and equipment	(31,568)	(38,269)
Net cash paid in connection with acquisition	(44,629)	—
Net cash used in investing activities	(76,197)	(38,234)
Cash flows from financing activities:		
Proceeds from senior unsecured notes	296,250	—
Payment of principal related to senior secured notes	(300,000)	—
Payment of principal related to the term loan	—	(120,000)
Payment of debt issuance costs related to senior unsecured notes	(549)	—
Payment of principal related to capital leases	(975)	(920)
Common stock repurchases	(86,179)	(25,066)
Proceeds from issuance of common stock	35,899	47,261
Excess tax benefits from stock-based compensation	5,440	1,332
Net cash used in financing activities	(50,114)	(97,393)
Effect of exchange rate fluctuations on cash and cash equivalents	(1,722)	(1,555)
Net increase in cash and cash equivalents	51,072	130,137
Cash and cash equivalents, beginning of period	713,226	414,202
Cash and cash equivalents, end of period	$ 764,298	$ 544,339
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 22,593	$ 23,568
Cash paid for income taxes	$ 8,557	$ 474
Supplemental schedule of non-cash investing activities:		
Acquisition of property and equipment through capital leases	$ 999	$ —

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 October 27, 2012, 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 October 27, 2012.

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. Fiscal year 2013 is a 52-week fiscal year, and the second quarter of 2013 was a 13-week quarter. Fiscal year 2012 was a 52-week year, and the second quarter of 2012 was a 13-week 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, commissions, facilities lease losses, impairment of goodwill and intangible assets, litigation, income taxes and investments. 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 six months ended April 27, 2013, as compared to the significant accounting policies disclosed in Brocade's Annual Report on Form 10-K for the fiscal year ended October 27, 2012.

New Accounting Pronouncements or Updates Recently Adopted

In June 2011 and December 2011, the FASB issued updates to ASC 220 Comprehensive Income ("ASC 220"): Presentation of Comprehensive Income. The amendments from these updates increase the prominence of items reported in other comprehensive income and eliminate the option to present components of other comprehensive income as part of the statement of equity. The Company adopted these updates in the first quarter of fiscal year 2013, presenting the required information in the Condensed Consolidated Statements of Comprehensive Income.

Recent Accounting Pronouncements or Updates That Are Not Yet Effective

In February 2013, the FASB issued an update to ASC 220: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. Under this update, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income ("AOCI") by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. This update to ASC 220 should be applied prospectively and will be adopted by the Company in the first quarter of fiscal year 2014. The adoption of this update to ASC 220 will not have an impact on the Company’s financial position, results of operations or cash flows. The Company will include additional information required by this update prospectively starting from the first quarter of fiscal year 2014.

In March 2013, the FASB issued an update to ASC 830 Foreign Currency Matters (“ASC 830”): 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 an entity ceases to have a controlling financial interest resulting in the complete or substantially complete liquidation of a subsidiary or group of assets within a foreign entity. This update to ASC 830 should be applied prospectively and will be adopted by the Company in the first quarter of fiscal year 2015. The Company does not expect the adoption of this update to ASC 830 to have a material impact on its financial position, results of operations or cash flows.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable. The Company’s 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 April 27, 2013, two customers accounted for 17% and 11%, respectively, of total accounts receivable, for a combined total of 28% of total accounts receivable. As of October 27, 2012, three customers accounted for 16%, 12% and 10%, respectively, 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 April 27, 2013, three customers accounted for 18%, 16% and 11%, respectively, of the Company’s total net revenues for a combined total of 45% of total net revenues. For the three months ended April 28, 2012, four customers accounted for 20%, 15%, 13% and 10% respectively, of the Company’s total net revenues for a combined total of 58% 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 contract manufacturers (“CMs”) for the manufacturing 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 product components from single or limited supplier sources.

3. Acquisitions

On November 9, 2012, the Company completed its acquisition of Vyatta, Inc. (“Vyatta”), a privately held developer of a software-based network operating system suite headquartered in Belmont, California. Vyatta became a wholly-owned subsidiary of the Company as a result of the acquisition. The Vyatta operating suite is deployed on conventional computer hardware platforms for multiple applications in network virtualization, software-defined networking (“SDN”) and private/public cloud computing platforms. This acquisition complements Brocade’s investments in Ethernet switches and router fabrics and enables Brocade to pursue new market opportunities in data center virtualization, public cloud, enterprise virtual private cloud and managed services.

The results of operations of Vyatta are included in the Company’s Condensed Consolidated Statement of Operations from the date of the acquisition. The Company does not consider the acquisition of Vyatta to be material to its results of operations or financial position, and therefore, Brocade is not presenting pro-forma financial information of combined operations.

The total purchase price was $44.8 million, consisting of $43.6 million cash consideration and $1.2 million related to prepaid license fees paid by the Company to Vyatta that was effectively settled at the recorded amount as a result of the acquisition. Of the cash consideration paid, $7.0 million will be held in escrow for a period of 18 months from the closing of the acquisition and will be released subject to resolution of certain contingencies. In addition, the Company paid direct acquisition costs of $0.4 million.

In connection with this acquisition, the Company allocated the total purchase consideration to the net assets and liabilities acquired, including identifiable intangible assets, based on their respective fair values at the acquisition date. The following table summarizes the allocation of the purchase price to the fair value of the assets and liabilities acquired (in thousands):

Assets acquired		
Cash	$	140
Accounts receivable		511
Identifiable intangible assets:		
In-process technology		21,590
Customer relationships		1,080
Core/developed technology		1,040
Non-compete agreements		810
Trade name		460
Total identifiable intangible assets		24,980
Goodwill [(1)]		25,586
Other assets		1,017
Total assets acquired		52,234
Liabilities assumed		
Deferred tax liability		3,401
Deferred revenue		1,333
Accounts payable and other accrued liabilities		2,731
Total liabilities assumed		7,465
Net assets acquired	$	44,769

(1) None of the goodwill recognized is expected to be deductible for income tax purposes.

The allocation of the purchase price reflects the Company's preliminary estimate in relation to the value of the Company's deferred tax liability which is subject to change during the Vyatta acquisition's measurement period.

4. Goodwill and Intangible Assets

The following table summarizes goodwill activity by reportable segment for the six months ended April 27, 2013 (in thousands):

	SAN Products	IP Networking Products	Global Services	Total
Balance at October 27, 2012				
Goodwill	$ 176,956	$ 1,337,549	$ 155,416	$ 1,669,921
Accumulated impairment losses	—	(45,832)	—	(45,832)
	176,956	1,291,717	155,416	1,624,089
Acquisitions	—	25,586	—	25,586
Tax and other adjustments during the six months ended April 27, 2013 [(1)]	(4)	(1,904)	—	(1,908)
Balance at April 27, 2013				
Goodwill	176,952	1,361,231	155,416	1,693,599
Accumulated impairment losses	—	(45,832)	—	(45,832)
	$ 176,952	$ 1,315,399	$ 155,416	$ 1,647,767

(1) The goodwill adjustments during the six months ended April 27, 2013, were primarily a result of tax benefits from the exercise of stock awards of acquired companies.

The Company conducts its goodwill impairment test annually, as of the first day of the second fiscal quarter, and whenever events or changes in facts and circumstances indicate that the fair value of the reporting unit may be less than 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 using various prices or market multiples applied to the reporting unit's operating results and then applying an appropriate control premium. For the fiscal year 2013 annual goodwill impairment test, the Company used a combination of approaches to estimate each reporting unit's fair value. The Company believed that at the time of impairment testing performed in the second fiscal quarter of 2013, the income approach and the market approach were equally representative of a reporting unit's fair value.

Determining the fair value of a reporting unit or an intangible asset 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 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;
- 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 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 the acquisitions that have occurred in the reporting units' comparable market segments. Based on the results of the annual goodwill impairment analysis performed during the second fiscal quarter of 2013, the Company determined that no impairment needed to be recorded.

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 following tables present details of the Company's intangible assets (in thousands, except for weighted-average remaining useful life):

April 27, 2013	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Useful Life (in years)
Trade name	$ 460	$ 53	$ 407	3.51
Core/developed technology	192,340	165,954	26,386	0.73
Customer relationships	287,090	250,381	36,709	0.79
Non-compete agreements	810	95	715	3.51
In-process research and development (1)	21,590	—	21,590	—
Total intangible assets (2)	$ 502,290	$ 416,483	$ 85,807	0.81

October 27, 2012	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Useful Life (in years)
Trade name	$ 100	$ 97	$ 3	0.17
Core/developed technology	218,845	173,070	45,775	1.14
Customer relationships	327,765	264,278	63,487	1.16
Total intangible assets	$ 546,710	$ 437,445	$ 109,265	1.16

(1) Acquired in-process research and development ("IPRD") is an intangible asset accounted for as an indefinite-lived asset until the completion or abandonment of the associated research and development effort. While accounted as an indefinite-lived asset, the IPRD intangible asset is subject to testing for impairment 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 IPRD is impaired. If the research and development effort associated with the IPRD is successfully completed, then the IPRD intangible asset will be amortized over its estimated useful life to be determined at the date the effort is completed. During the six months ended April 27, 2013, the IPRD intangible asset was not amortized due to the current stage of the associated research and development effort.

(2) During the six months ended April 27, 2013, $69.4 million of intangible assets became fully amortized and, therefore, were removed from the balance sheet.

The Company performed its annual development period's IPRD impairment test using measurement data as of the first day of the second fiscal quarter of 2013. During the test, the Company exercised 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 its IPRD asset is less than its carrying amount. After assessing the totality of events and circumstances, the Company determined that it is not more likely than not that the fair value of its IPRD assets is less than its carrying amount and no further testing is required.

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

	Three Months Ended		Six Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
Cost of revenues	$ 9,651	$ 10,713	$ 20,431	$ 24,803
Operating expenses	13,151	14,737	28,007	29,730
Total	$ 22,802	$ 25,450	$ 48,438	$ 54,533

The following table presents the estimated future amortization of intangible assets, including IPRD, that is estimated to be amortized in the remaining six months of fiscal year 2013, and thereafter, as of April 27, 2013 (in thousands):

Fiscal Year	Estimated Future Amortization
2013 (remaining six months)	$ 45,549
2014	21,312
2015	5,183
2016	4,871
2017	4,556
Thereafter	4,336
Total	$ 85,807

5. Balance Sheet Details

The following table provides details of selected balance sheet items (in thousands):

	April 27, 2013	October 27, 2012
Inventories:		
Raw materials	$ 14,534	$ 24,240
Finished goods	38,377	43,939
Total	$ 52,911	$ 68,179

	April 27, 2013	October 27, 2012
Property and equipment, net:		
Computer equipment	$ 17,439	$ 17,953
Software	54,942	51,680
Engineering and other equipment (1)	409,432	409,524
Furniture and fixtures (1)	31,230	30,516
Leasehold improvements	26,597	26,306
Land and building	384,666	384,666
Subtotal	924,306	920,645
Less: Accumulated depreciation and amortization (1), (2)	(424,338)	(401,705)
Total	$ 499,968	$ 518,940

(1) Engineering and other equipment, furniture and fixtures and accumulated depreciation and amortization include the following amounts under capital leases as of April 27, 2013, and October 27, 2012, respectively (in thousands):

	April 27, 2013	October 27, 2012
Cost	$ 11,612	$ 10,613
Accumulated depreciation	(4,468)	(3,647)
Total	$ 7,144	$ 6,966

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

	Three Months Ended		Six Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
Depreciation expense	$ 21,162	$ 21,969	$ 44,920	$ 42,991

6. Fair Value Measurements

The Company applies fair value measurements for both financial and nonfinancial assets and liabilities. The Company has no nonfinancial assets and liabilities that are required to be measured at fair value on a recurring basis as of April 27, 2013.

The fair value accounting guidance permits companies to elect fair value measurement for many financial instruments and certain other items that are otherwise 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 April 27, 2013, and October 27, 2012.

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.

Assets and liabilities measured and recorded at fair value on a recurring basis as of April 27, 2013, were as follows (in thousands):

		Fair Value Measurements Using		
	Balance as of April 27, 2013	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)	$ 238,972	$ 238,972	$ —	$ —
Derivative assets	1,934	—	1,934	—
Total assets measured at fair value	$ 240,906	$ 238,972	$ 1,934	$ —
Liabilities:				
Derivative liabilities	$ 1,481	$ —	$ 1,481	$ —
Total liabilities measured at fair value	$ 1,481	$ —	$ 1,481	$ —

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

Assets and liabilities measured and recorded at fair value on a recurring basis as of October 27, 2012, were as follows (in thousands):

		Fair Value Measurements Using		
	Balance as of October 27, 2012	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]	$ 308,960	$ 308,960	$ —	$ —
Derivative assets	2,941	—	2,941	—
Total assets measured at fair value	$ 311,901	$ 308,960	$ 2,941	$ —
Liabilities:				
Derivative liabilities	$ 296	$ —	$ 296	$ —
Total liabilities measured at fair value	$ 296	$ —	$ 296	$ —

(1) Money market funds are reported within “Cash and cash equivalents” in the Condensed Consolidated Balance Sheets.

During the six months ended April 27, 2013, the Company had no transfers between levels of the fair value hierarchy of its assets and liabilities measured at fair value.

7. Liabilities Associated with Facilities Lease Losses

The Company reevaluates its estimates and assumptions on a quarterly basis and makes adjustments to the reserve balance if necessary. The following table summarizes the activity related to the facilities lease loss reserve included in “Other accrued liabilities” and “Other non-current liabilities” in the Condensed Consolidated Balance Sheets, net of expected sublease income (in thousands):

	Lease Loss Reserve
Reserve balance at October 27, 2012	$ 2,582
Cash payments on facilities leases	(417)
Reserve balance at April 27, 2013	$ 2,165

Cash payments for facilities that are part of our lease loss reserve are expected to be paid over the respective lease terms through fiscal year 2017.

8. Borrowings

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

	Maturity	Stated Annual Interest Rate	April 27, 2013 Amount	April 27, 2013 Effective Interest Rate	October 27, 2012 Amount	October 27, 2012 Effective Interest Rate
Senior Secured Notes:						
2018 Notes	2013	6.625%	$ —	—%	$ 300,000	7.05%
2020 Notes	2020	6.875%	300,000	7.26%	300,000	7.26%
Senior Unsecured Notes:						
2023 Notes	2023	4.625%	300,000	4.83%	—	—%
Capital lease obligations	2016	5.699%	4,940	5.56%	4,916	5.80%
Total long-term debt			604,940		604,916	
Less:						
Unamortized discount			5,663		3,736	
Current portion of long-term debt			2,306		1,977	
Long-term debt, net of current portion			$ 596,971		$ 599,203	

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 (as described in Note 15, "Guarantor and Non-Guarantor Subsidiaries") and Wells Fargo Bank, National Association as the trustee. The Company irrevocably deposited the net proceeds from this offering, together with cash on hand, with the trustee to redeem all of the Company's outstanding 6.625% senior secured notes due 2018 (the "2018 Notes") as described below under "*Senior Secured Notes.*"

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 six months ended April 27, 2013.

As of April 27, 2013, the fair value of the Company's 2023 Notes was approximately $297.0 million, 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 but excluding 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 but excluding 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 but excluding 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 but excluding 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
- consolidate or merge with, 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 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 aggregate principal amount of the 2018 Notes and $300.0 million in aggregate principal amount of 6.875% senior secured notes due 2020 (the “2020 Notes” and together with the 2018 Notes, the “Senior Secured Notes”) pursuant to separate indentures, each dated as of January 20, 2010, between the Company, certain domestic subsidiaries of the Company that have guaranteed the Company's obligations under the Senior Secured Notes and Wells Fargo Bank, National Association as the trustee (the “2020 Indenture” and “2018 Indenture”, respectively). The Senior Secured Notes bear interest payable semi-annually. During the six months ended April 27, 2013, the Company paid $300.0 million to pay in full the principal of the 2018 Notes. The Company’s obligations under the 2020 Notes are—and prior to January 22, 2013, the Company’s obligations under the 2018 Notes were—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. See Note 15, “Guarantor and Non-Guarantor Subsidiaries.”

As of April 27, 2013, and October 27, 2012, the fair value of the Senior Secured Notes was approximately $330.0 million and $638.3 million, respectively, estimated based on broker trading prices.

On January 22, 2013, the Company called the 2018 Notes for redemption at a redemption price equal to 103.313% of the principal amount of the 2018 Notes and irrevocably deposited $311.9 million with the trustee for the 2018 Notes to discharge the 2018 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 2018 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 2018 Notes, $9.9 million representing the difference between the redemption price and the principal amount of the 2018 Notes (“Call Premium”) and $2.0 million of unpaid interest payable up to the redemption date of February 21, 2013, but excluding the date of redemption. On February 21, 2013, the trustee redeemed the 2018 Notes using the deposited amount, extinguishing the Company’s $300.0 million liability in relation to the principal amount of the 2018 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 2018 Notes, which totaled $15.3 million. The Company reported this expense within “Interest expense” in the Condensed Consolidated Statements of Operations for the six months ended April 27, 2013.

On or after January 2015, the Company may redeem all or a part of the 2020 Notes at the redemption prices set forth in the 2020 Indenture, plus accrued and unpaid interest and special interest, if any, to the applicable redemption date. In addition, at any time prior to January 2015, the Company may, on one or more than one occasion, redeem some or all of the 2020 Notes at any time at a redemption price equal to 100% of the principal amount of the 2020 Notes redeemed, plus a “make-whole” premium determined as of the applicable redemption date, and accrued and unpaid interest and special interest, if any, to the applicable redemption date.

If the Company experiences specified change of control triggering events, it must offer to repurchase the 2020 Notes at a repurchase price equal to 101% of the principal amount of the 2020 Notes repurchased, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date. If the Company or its subsidiaries sell assets under certain specified circumstances, the Company must offer to repurchase the 2020 Notes at a repurchase price equal to 100% of the principal amount of the 2020 Notes repurchased, plus accrued and unpaid interest and special interest, if any, to the applicable repurchase date.

The 2020 Indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to:

- pay dividends, make investments or make other restricted payments;
- incur additional indebtedness;
- sell assets;
- enter into transactions with affiliates;
- incur liens;
- permit consensual encumbrances or restrictions on the Company’s restricted subsidiaries’ ability to pay dividends or make certain other payments to the Company;
- consolidate, merge, sell or otherwise dispose of all or substantially all of the Company’s or its restricted subsidiaries’ assets; and
- designate subsidiaries as unrestricted.

These covenants are subject to a number of limitations and exceptions set forth in the 2020 Indenture. The 2020 Indenture also includes customary events of default, including cross-defaults to other debt of the Company and its subsidiaries. Prior to discharge, the 2018 Indenture contained substantially similar covenants and events of default to those in the 2020 Indenture.

Senior Secured Credit Facility

In October 2008, the Company entered into a credit facility 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 Company’s obligations under the Senior Secured Credit Facility are 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. The credit facility agreement was subsequently amended in January 2010 and June 2011 to extend the maturity date of the Senior Secured Credit Facility to October 31, 2014.

There was no principal amount outstanding under the term loan facility as of either April 27, 2013, or October 27, 2012.

The Company may draw additional proceeds from the revolving credit facility in the future for ongoing working capital and other general corporate purposes. There were no principal amounts outstanding under the revolving credit facility, and the full $125.0 million was available for future borrowing under the revolving credit facility as of April 27, 2013, and October 27, 2012.

The credit agreement contains financial covenants that require the Company to maintain a minimum consolidated fixed charge coverage ratio, a maximum consolidated leverage ratio and a maximum consolidated senior secured leverage ratio. The credit agreement also includes customary non-financial covenants (similar in nature to those under the Senior Secured Notes) and customary events of default, including cross-defaults to the Company’s material indebtedness and change of control.

Debt Maturities

As of April 27, 2013, our aggregate debt maturities based on outstanding principal were as follows (in thousands):

Fiscal Year	Principal Balances
2013 (remaining six months)	$ 1,116
2014	2,413
2015	1,180
2016	231
2017	—
Thereafter	600,000
Total	$ 604,940

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 six months ended April 27, 2013, and April 28, 2012, respectively (in thousands):

	Accrued Warranty Six Months Ended	
	April 27, 2013	April 28, 2012
Beginning balance	$ 14,453	$ 11,298
Liabilities accrued for warranties issued during the period	2,263	4,640
Warranty claims paid and used during the period	(3,910)	(536)
Changes in liability for pre-existing warranties during the period	(1,607)	(1,040)
Ending balance	$ 11,199	$ 14,362

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 product, 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 April 27, 2013, 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 CMs under which Brocade provides twelve-month 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.

As of April 27, 2013, the Company's aggregate commitment to the CMs for inventory components used in the manufacture of Brocade products was $205.8 million, which the Company expects to utilize during future normal ongoing operations within the next twelve months, net of a purchase commitments reserve of $3.4 million. The Company's purchase commitments reserve reflects the Company's estimate of purchase commitments it does not expect to consume in normal ongoing operations.

Income Taxes

The Company has several ongoing income tax audits. For additional discussion, see Note 12, "Income Taxes," of the Notes to Condensed Consolidated Financial Statements. The Company believes it has adequate reserves for all open tax years.

Legal Proceedings

Stockholder Litigation

In the litigation matter Stephen Knee vs. Brocade Communications Systems, Inc., et al., the Court granted final approval of the settlement on December 14, 2012, and a final judgment was then entered on December 19, 2012. Brocade completed the payment of attorney fees and expenses to plaintiff's counsel in an amount immaterial to Brocade in accordance with the settlement and the final judgment.

Intellectual Property Litigation

On June 21, 2005, Enterasys Networks, Inc. ("Enterasys") filed a lawsuit against Foundry Networks, LLC (formerly Foundry Networks, Inc.) ("Foundry") (and Extreme Networks, Inc.) in the United States District Court for the District of Massachusetts alleging that certain of Foundry's products infringe six of Enterasys' patents and seeking injunctive relief, as well as unspecified damages. The Court severed the claims against Extreme from the claims against Foundry for trial, and Enterasys subsequently added Brocade as a defendant. On May 1, 2013, the Court entered an order of dismissal with prejudice pursuant to a settlement and patent cross-license agreement reached by the parties on April 19, 2013. As a result of this agreement, Brocade recorded a charge to "Cost of revenues, product" in the Condensed Consolidated Statements of Operations for the three months ended April 27, 2013.

On September 6, 2006, ChriMar Systems, Inc. ("ChriMar") filed a lawsuit against Foundry in the United States District Court for the Eastern District of Michigan alleging that certain of Foundry's products infringe ChriMar's U.S. Patent 5,406,260 and seeking injunctive relief, as well as unspecified damages. On August 1, 2012, the Court issued an order granting summary judgment in favor of Brocade and dismissed the case.

ChriMar appealed the District Court's ruling to the Federal Circuit Court of Appeals. On April 4, 2013 (Case No. 2012-1641), the Federal Circuit Court of Appeals affirmed the District Court ruling in favor of Brocade which invalidated ChriMar's 5,406,260 patent and dismissed the case.

On August 4, 2010, Brocade and Foundry (collectively and for this paragraph only, "Brocade") filed a lawsuit against A10 Networks, Inc. ("A10"), A10's founder and other individuals in the United States District Court for the Northern District of California. On October 29, 2010, Brocade filed an amended complaint. In the amended complaint, Brocade alleged that A10 and the individual defendants have misappropriated Brocade's trade secrets, infringed Brocade's copyrighted works, interfered with existing contracts between Brocade and its employees, whereby certain of Brocade's current and ex-employees breached contracts, and breached their fiduciary duties and duties of loyalty to Brocade, and that certain of A10's products infringe 13 of Brocade's patents. Brocade sought injunctive relief, as well as monetary damages. On May 16, 2011, A10 filed an answer and counterclaim alleging that certain of Brocade's products infringe a patent recently acquired by A10 and seeking injunctive relief, as well as unspecified damages. In addition, A10 filed petitions with the USPTO to have each of the 13 patents reexamined, in view of prior art that A10 alleges invalidates the patents. The petitions were granted, and reexaminations of the patents are in progress. On January 6, 2012, the Court granted Brocade's summary judgment motion of non-infringement of the A10 patent. Trial on Brocade's claims against A10 and the individual defendants commenced on July 16, 2012. On August 6, 2012, the jury found A10 responsible for intellectual property infringement and unfair competition, and awarded damages to Brocade. On January 11, 2013, the Court issued an order that affirmed the jury's finding of A10's liability for patent and copyright infringement, trade secret misappropriation and unfair competition due to A10's interference with the employment contract of a Foundry Networks employee beginning in 2007. The Court also confirmed the jury's award of $60 million to Brocade in damages for copyright infringement. The Court did, however, vacate the jury's award of damages for patent infringement and its award of punitive damages for A10's and Lee Chen's interference with the employment contract of the Foundry employee, and the Court ordered a new trial to redetermine the amount of any such damages. On January 11, 2013, the Court also issued a permanent injunction prohibiting A10 from shipping any A10 products that infringe Brocade's patents. On January 23, 2013, the Court issued a permanent injunction prohibiting A10 from further use of the misappropriated trade secrets. On February 8, 2013, A10 filed a Notice of Appeal of the permanent injunctions. A10 also asked the Court to stay both of the injunctions pending appeal. On February 12, 2013, the Court denied A10's request to stay the injunctions. Both of the Court-ordered permanent injunctions against A10 are in effect and, among other restrictions imposed by the Court, prohibit A10 from shipping any of its infringing products. A retrial on the sole issue of the amount of patent damages to be awarded to Brocade for A10's infringement was set for May 20, 2013. On May 20, 2013, before the start of the retrial, Brocade and A10 reached an agreement to settle all matters between the parties including the lawsuit A10 filed against Brocade on September 9, 2011 (as further described in Note 16, "Subsequent Event").

General

From time to time, the Company is subject to other legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights, patents and/or other intellectual property rights and commercial contract disputes. Third parties assert patent infringement claims against the Company from time to time in the form of letters, lawsuits and other forms of communication. In addition, from time to time, the Company receives notification from customers claiming that they are entitled to indemnification or other obligations from the Company related to infringement claims made against them by third parties. Litigation, even if the Company is ultimately successful, can be costly and divert management's attention away from the day-to-day operations of the Company.

On a quarterly basis, the Company reviews relevant information with respect to litigation contingencies and updates its accruals, disclosures and, when possible, estimates of reasonably possible losses or ranges of loss based on such reviews. However, litigation is inherently unpredictable, outcomes are typically uncertain, and the Company's past experience does not provide any additional visibility or predictability to estimate the range of loss that may occur because the costs, outcome and status of these types of claims and proceedings have varied significantly in the past. Other than in the Stephen Knee v. Brocade litigation matter for which the Company has paid the settlement amount and the Enterasys litigation matter for which the Company has paid Enterasys a settlement amount on April 29, 2013, subsequent to the end of the second quarter of fiscal year 2013, the Company is not currently able to reasonably estimate the possible loss or range of loss from the above legal proceedings and, accordingly, the Company is unable to estimate the effects of the above on its financial condition, results of operations or cash flows.

The Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

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 enter into derivative instruments to manage credit risk. However, the Company manages its exposure to credit risk through its investment policies. The Company generally enters into derivative 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 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 is 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 six months ended April 27, 2013, were the Chinese yuan, the euro, the Japanese yen, the Indian rupee, the British pound, the Singapore dollar 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 always entirely eliminate, the impact of foreign currency exchange rate movements.

The Company's foreign currency risk management program includes foreign currency derivatives with 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 fifteen 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 six months ended April 27, 2013, and April 28, 2012, respectively.

Ineffective cash flow hedges are included in the Company's net income as part of "Interest and other income (loss), net." The amount recorded on ineffective cash flow hedges was not significant for the three and six months ended April 27, 2013, and April 28, 2012, 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		Six Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
Cost of revenues	$ (4)	$ (217)	$ 29	$ (412)
Research and development	60	(181)	55	(346)
Sales and marketing	(24)	(1,321)	142	(2,384)
General and administrative	(3)	(90)	5	(165)
Total	$ 29	$ (1,809)	$ 231	$ (3,307)

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. The net foreign currency exchange gains and losses recorded as part of "Interest and other income (loss), net" were losses of $0.1 million and gains of $0.1 million for the three and six months ended April 27, 2013, respectively, and losses of $0.2 million and $1.4 million for the three and six months ended April 28, 2012, respectively.

Gross unrealized loss positions are recorded within "Other accrued liabilities" and "Other non-current liabilities," and gross unrealized gain positions are recorded within "Prepaid expenses and other current assets." As of April 27, 2013, the Company had gross unrealized loss positions of $1.4 million and $0.1 million, and gross unrealized gain positions of $1.9 million included in "Other accrued liabilities," "Other non-current liabilities" and "Prepaid expenses and other current assets," respectively.

Volume of Derivative Activity

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

In United States dollars	Derivatives Designated as Hedging Instruments: As of April 27, 2013	Derivatives Designated as Hedging Instruments: As of October 27, 2012	Derivatives Not Designated as Hedging Instruments: As of April 27, 2013	Derivatives Not Designated as Hedging Instruments: As of October 27, 2012
Euro	$ 38,039	$ 43,357	$ —	$ —
British pound	14,819	20,499	—	—
Indian rupee	21,607	16,046	—	—
Singapore dollar	8,849	12,918	—	—
Japanese yen	12,700	3,776	6,398	12,068
Swiss franc	6,325	8,575	—	—
Total	$ 102,339	$ 105,171	$ 6,398	$ 12,068

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. All of the Company's foreign currency forward contracts are single delivery, which are settled at maturity involving one cash payment exchange.

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: April 27, 2013	Three Months Ended: April 28, 2012	Six Months Ended: April 27, 2013	Six Months Ended: April 28, 2012
Cost of revenues	$ 3,541	$ 4,596	$ 7,487	$ 8,971
Research and development	4,500	5,603	9,185	10,631
Sales and marketing	8,012	10,687	16,157	20,463
General and administrative	3,119	2,972	5,493	5,612
Total stock-based compensation	$ 19,172	$ 23,858	$ 38,322	$ 45,677

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

	Three Months Ended: April 27, 2013	Three Months Ended: April 28, 2012	Six Months Ended: April 27, 2013	Six Months Ended: April 28, 2012
Stock options, including variable options	$ 781	$ 455	$ 990	$ 730
Restricted stock awards and restricted stock units ("RSUs")	13,479	19,650	27,149	36,721
Employee stock purchase plan ("ESPP")	4,912	3,753	10,183	8,226
Total stock-based compensation	$ 19,172	$ 23,858	$ 38,322	$ 45,677

The following table presents unrecognized compensation expense, net of estimated forfeitures, of the Company's equity compensation plans as of April 27, 2013, which is expected to be recognized over the following weighted-average periods (in thousands, except for weighted-average period):

	Unrecognized Compensation Expense	Weighted-Average Period (in years)
Stock options	$ 4,951	1.78
RSUs	$ 80,584	1.88
ESPP	$ 9,984	0.87

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

	Six Months Ended April 27, 2013		Six Months Ended April 28, 2012	
	Granted (in thousands)	Weighted-Average Grant Date Fair Value	Granted (in thousands)	Weighted-Average Grant Date Fair Value
Stock options	2,625	$ 2.37	160	$ 2.39
RSUs	4,646	$ 5.61	1,491	$ 5.60

The total intrinsic value of stock options exercised for the six months ended April 27, 2013, and April 28, 2012, was $13.3 million and $19.8 million, respectively.

12. Income Taxes

In general, the Company's provision for income taxes differs from the tax computed at the U.S. federal statutory income tax rate due to state taxes, the effect of non-U.S. operations, non-deductible stock-based compensation expense and adjustments to unrecognized tax benefits.

For the three and six months ended April 27, 2013, the Company recorded an income tax benefit of $0.2 million and tax expense of $88.1 million, respectively. The tax reported included a discrete benefit of $10.6 million from reserve releases resulting from the settlement of an IRS audit for the three months ended April 27, 2013, and a discrete charge of $78.2 million to reduce previously recognized California deferred tax assets due to California law changes, partially offset by a discrete benefit from an increase in the federal research and development tax credit of $5.7 million that was reinstated on January 2, 2013, for two years and made retroactive to January 1, 2012, for the six months ended April 27, 2013.

For the three and six months ended April 28, 2012, the Company recorded an income tax benefit of $0.7 million and $3.9 million, respectively, primarily due to a discrete benefit from net reserve releases related to settling tax audits and from expiring statutes of limitations, offset by a decrease to the federal research and development tax credit which expired on December 31, 2011, and, therefore, was not applicable in 2012.

The total amount of unrecognized tax benefits of $72.9 million, net of federal benefit, as of April 27, 2013, would affect the Company's effective tax rate, if recognized. Although the timing of the closure of audits is highly uncertain, it is reasonably possible that the balance of unrecognized tax benefits could change during the remainder of fiscal year 2013.

The IRS and other tax authorities regularly examine the Company's income tax returns. The IRS is currently examining fiscal years 2009 and 2010. In addition, the Company is in negotiations with foreign tax authorities to obtain correlative relief on transfer pricing adjustments previously settled with the IRS. 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. The Company believes that before the end of fiscal year 2013, it is reasonably possible that either certain audits will conclude or the statutes of limitations relating to certain income tax examination periods will expire, or both. After the Company reaches settlement with the tax authorities, the Company expects to record a corresponding adjustment to our unrecognized tax benefits. Taking into consideration the inherent uncertainty as to settlement terms, the timing of payments and the impact of such settlements on other uncertain tax positions, the Company estimates the range of potential decreases in underlying uncertain tax positions is between $0 and $3.9 million in the next twelve months.

The Company believes that sufficient positive evidence exists from historical operations and projections of taxable income in future years to conclude that it is more likely than not that the Company will realize its deferred tax assets except for California deferred tax assets and capital loss carryforwards. Accordingly, the Company applies a valuation allowance to the California deferred tax assets due to the recent change in California law and to capital loss carryforwards due to the limited carryforward periods of these tax assets.

13. 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. Currently, the Company's CODM is its Chief Executive Officer.

Brocade is organized into four operating segments, of which two are individually reportable segments: Storage Area Networking ("SAN") Products, formerly referred to as Data Storage Products, and Global Services. The other two operating segments, Ethernet Switching & Internet Protocol ("IP") Routing and Application Delivery Products ("ADP"), combine to form a third reportable segment: IP Networking Products, formerly referred to as Ethernet Products. These segments are organized principally by product category.

Financial decisions and the allocation of resources are based on the information from the Company's internal management reporting system. At this point in time, the Company does not track all of its assets by operating segments. The majority of the Company's assets as of April 27, 2013, were attributable to its United States operations.

Summarized financial information by reportable segment for the three and six months ended April 27, 2013, and April 28, 2012, based on the internal management reporting system, is as follows (in thousands):

	SAN Products	IP Networking Products	Global Services	Total
Three months ended April 27, 2013				
Net revenues	$ 319,088	$ 132,658	$ 87,038	$ 538,784
Cost of revenues	87,897	76,702	40,073	204,672
Gross margin	$ 231,191	$ 55,956	$ 46,965	$ 334,112
Three months ended April 28, 2012				
Net revenues	$ 342,922	$ 113,182	$ 87,335	$ 543,439
Cost of revenues	90,357	73,820	42,180	206,357
Gross margin	$ 252,565	$ 39,362	$ 45,155	$ 337,082
Six months ended April 27, 2013				
Net revenues	$ 680,822	$ 273,171	$ 173,520	$ 1,127,513
Cost of revenues	184,850	154,124	80,502	419,476
Gross margin	$ 495,972	$ 119,047	$ 93,018	$ 708,037
Six months ended April 28, 2012				
Net revenues	$ 695,794	$ 236,612	$ 171,675	$ 1,104,081
Cost of revenues	186,195	153,389	82,646	422,230
Gross margin	$ 509,599	$ 83,223	$ 89,029	$ 681,851

14. 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		Six Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
Basic net income per share				
Net income	$ 46,949	$ 39,296	$ 25,694	$ 97,880
Weighted-average shares used in computing basic net income per share	453,133	457,541	453,988	455,017
Basic net income per share	$ 0.10	$ 0.09	$ 0.06	$ 0.22
Diluted net income per share				
Net income	$ 46,949	$ 39,296	$ 25,694	$ 97,880
Weighted-average shares used in computing basic net income per share	453,133	457,541	453,988	455,017
Dilutive potential common shares in the form of stock options	3,744	9,112	4,109	9,501
Dilutive potential common shares in the form of other share-based awards	10,042	10,195	8,523	8,275
Weighted-average shares used in computing diluted net income per share	466,919	476,848	466,620	472,793
Diluted net income per share	$ 0.10	$ 0.08	$ 0.06	$ 0.21
Antidilutive potential common shares in the form of (1)				
Stock options	14,940	14,750	15,382	17,284
Other share-based awards	6	108	250	592

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

15. Guarantor and Non-Guarantor Subsidiaries

On January 20, 2010, the Company issued $600.0 million aggregate principal amount of the 2018 Notes and 2020 Notes. In addition, on January 22, 2013, the Company issued $300.0 million aggregate principal amount of the 2023 Notes. The Company’s obligations under the 2023 Notes and the 2020 Notes are, and prior to January 22, 2013, the Company’s obligations under the 2018 Notes were, guaranteed by certain of the Company’s domestic subsidiaries (the “Subsidiary Guarantors”). Each of the Subsidiary Guarantors is 100% owned by the Company and all guarantees are joint and several. The senior secured notes are not guaranteed by certain of the Company’s domestic subsidiaries and all of the Company’s foreign subsidiaries (the “Non-Guarantor Subsidiaries”).

Pursuant to the terms of the Indentures governing the Senior Secured Notes, the guarantees are full and unconditional, but are subject to release under the following circumstances:

- upon the sale of the subsidiary or all or substantially all of its assets;
- upon the discharge of the guarantees under the credit facility and any other debt guaranteed by the applicable subsidiary provided that the credit facility has been paid in full and the applicable series of senior secured notes have an investment grade rating from both Standard & Poor’s and Moody’s;
- upon designation of the subsidiary as an “unrestricted subsidiary” under the applicable Indenture;
- upon the merger, consolidation or liquidation of the subsidiary into the Company or another subsidiary guarantor; and
- upon legal or covenant defeasance or the discharge of the Company’s obligations under the applicable indenture.

The guarantees of the 2018 Notes were released on January 22, 2013, upon the discharge of the 2018 Indenture.

Pursuant to the terms of the Indenture governing the 2023 Notes, the guarantees are full and unconditional but are subject to release under the following circumstances:

- upon the sale of the subsidiary or all or substantially all of its assets;
- upon the discharge of the guarantees under the Senior Secured Credit Facility, the 2020 Notes and any other debt guaranteed by the applicable subsidiary;
- upon the merger, consolidation or liquidation of the subsidiary into the Company or another subsidiary guarantor; and
- upon legal or covenant defeasance or the discharge of the Company's obligations under the applicable indenture.

Because the guarantees are subject to release under the above described circumstances, they would not be deemed "full and unconditional" for purposes of Rule 3-10 of Regulation S-X. However, as these circumstances are customary, the Company concluded that it may rely on Rule 3-10 of Regulation S-X, as the other requirements of Rule 3-10 have been met.

The following tables present condensed consolidated financial statements for the parent company, the Subsidiary Guarantors and the Non-Guarantor Subsidiaries, respectively.

The following is the condensed consolidated balance sheet as of April 27, 2013 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 258,692	$ 3,318	$ 502,288	$ —	$ 764,298
Accounts receivable, net	150,993	347	87,971	—	239,311
Inventories	42,637	—	10,274	—	52,911
Intercompany receivables	—	483,744	—	(483,744)	—
Other current assets	93,396	371	13,265	943	107,975
Total current assets	545,718	487,780	613,798	(482,801)	1,164,495
Property and equipment, net	483,495	697	15,776	—	499,968
Investment in subsidiaries	949,737	—	—	(949,737)	—
Other non-current assets	1,738,214	106,730	1,416	—	1,846,360
Total assets	$ 3,717,164	$ 595,207	$ 630,990	$ (1,432,538)	$ 3,510,823
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$ 77,885	$ 71	$ 23,310	$ —	$ 101,266
Current portion of long-term debt	2,306	—	—	—	2,306
Intercompany payables	414,746	—	68,998	(483,744)	—
Other current liabilities	307,135	7,453	130,119	943	445,650
Total current liabilities	802,072	7,524	222,427	(482,801)	549,222
Long-term debt, net of current portion	596,971	—	—	—	596,971
Other non-current liabilities	71,528	2,428	44,081	—	118,037
Total liabilities	1,470,571	9,952	266,508	(482,801)	1,264,230
Total stockholders' equity	2,246,593	585,255	364,482	(949,737)	2,246,593
Total liabilities and stockholders' equity	$ 3,717,164	$ 595,207	$ 630,990	$ (1,432,538)	$ 3,510,823

The following is the condensed consolidated balance sheet as of October 27, 2012 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 284,466	$ 680	$ 428,080	$ —	$ 713,226
Accounts receivable, net	150,367	(1,847)	84,619	—	233,139
Inventories	55,084	—	13,095	—	68,179
Intercompany receivables	—	478,133	—	(478,133)	—
Other current assets	124,690	514	15,606	225	141,035
Total current assets	614,607	477,480	541,400	(477,908)	1,155,579
Property and equipment, net	500,530	213	18,197	—	518,940
Investment in subsidiaries	871,157	—	—	(871,157)	—
Other non-current assets	1,814,729	90,766	1,247	—	1,906,742
Total assets	$ 3,801,023	$ 568,459	$ 560,844	$ (1,349,065)	$ 3,581,261
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$ 92,661	$ —	$ 24,689	$ —	$ 117,350
Current portion of long-term debt	2,226	(249)	—	—	1,977
Intercompany payables	434,981	—	43,152	(478,133)	—
Other current liabilities	346,959	7,628	136,329	225	491,141
Total current liabilities	876,827	7,379	204,170	(477,908)	610,468
Long-term debt, net of current portion	599,203	—	—	—	599,203
Other non-current liabilities	89,173	2,429	44,168	—	135,770
Total liabilities	1,565,203	9,808	248,338	(477,908)	1,345,441
Total stockholders' equity	2,235,820	558,651	312,506	(871,157)	2,235,820
Total liabilities and stockholders' equity	$ 3,801,023	$ 568,459	$ 560,844	$ (1,349,065)	$ 3,581,261

The following is the condensed consolidated statement of operations for the three months ended April 27, 2013 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ 313,525	$ 1,056	$ 224,203	$ —	$ 538,784
Intercompany revenues	6,453	—	6,470	(12,923)	—
Total net revenues	319,978	1,056	230,673	(12,923)	538,784
Cost of revenues	131,123	11,649	59,726	2,174	204,672
Intercompany cost of revenues	(18,103)	—	31,026	(12,923)	—
Total cost of revenues	113,020	11,649	90,752	(10,749)	204,672
Gross margin (loss)	206,958	(10,593)	139,921	(2,174)	334,112
Operating expenses	196,641	10,232	72,234	(2,174)	276,933
Intercompany operating expenses (income)	(42,281)	(7,446)	49,727	—	—
Total operating expenses	154,360	2,786	121,961	(2,174)	276,933
Income (loss) from operations	52,598	(13,379)	17,960	—	57,179
Other income (expense)	(7,421)	50	(3,030)	—	(10,401)
Income (loss) before income tax provision and equity in net earnings (losses) of subsidiaries	45,177	(13,329)	14,930	—	46,778
Income tax expense (benefit)	(2,817)	866	1,780	—	(171)
Equity in net earnings (losses) of subsidiaries	(1,045)	—	—	1,045	—
Net income (loss)	$ 46,949	$ (14,195)	$ 13,150	$ 1,045	$ 46,949

The following is the condensed consolidated statement of operations for the three months ended April 28, 2012 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ 352,760	$ 1,250	$ 189,429	$ —	$ 543,439
Intercompany revenues	13,947	—	7,349	(21,296)	—
Total net revenues	366,707	1,250	196,778	(21,296)	543,439
Cost of revenues	141,052	10,852	51,546	2,907	206,357
Intercompany cost of revenues	(6,792)	—	28,088	(21,296)	—
Total cost of revenues	134,260	10,852	79,634	(18,389)	206,357
Gross margin (loss)	232,447	(9,602)	117,144	(2,907)	337,082
Operating expenses	216,870	15,162	56,188	(2,907)	285,313
Intercompany operating expenses (income)	(30,169)	(6,539)	36,708	—	—
Total operating expenses	186,701	8,623	92,896	(2,907)	285,313
Income (loss) from operations	45,746	(18,225)	24,248	—	51,769
Other expense	(12,915)	(111)	(155)	—	(13,181)
Income (loss) before income tax provision and equity in net earnings (losses) of subsidiaries	32,831	(18,336)	24,093	—	38,588
Income tax expense (benefit)	(2,565)	—	1,857	—	(708)
Equity in net earnings (losses) of subsidiaries	3,900	—	—	(3,900)	—
Net income (loss)	$ 39,296	$ (18,336)	$ 22,236	$ (3,900)	$ 39,296

The following is the condensed consolidated statement of operations for the six months ended April 27, 2013 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ 676,580	$ 2,123	$ 448,810	$ —	$ 1,127,513
Intercompany revenues	16,234	—	9,825	(26,059)	—
Total net revenues	692,814	2,123	458,635	(26,059)	1,127,513
Cost of revenues	267,745	22,213	125,291	4,227	419,476
Intercompany cost of revenues	(27,222)	—	53,281	(26,059)	—
Total cost of revenues	240,523	22,213	178,572	(21,832)	419,476
Gross margin (loss)	452,291	(20,090)	280,063	(4,227)	708,037
Operating expenses	410,404	21,053	130,337	(4,227)	557,567
Intercompany operating expenses (income)	(74,885)	(14,277)	89,162	—	—
Total operating expenses	335,519	6,776	219,499	(4,227)	557,567
Income (loss) from operations	116,772	(26,866)	60,564	—	150,470
Other expense	(33,352)	(44)	(2,916)	(391)	(36,703)
Income (loss) before income tax provision and equity in net earnings (losses) of subsidiaries	83,420	(26,910)	57,648	(391)	113,767
Income tax expense	83,035	866	4,172	—	88,073
Equity in net earnings (losses) of subsidiaries	25,699	—	—	(25,699)	—
Net income (loss)	$ 26,084	$ (27,776)	$ 53,476	$ (26,090)	$ 25,694

The following is the condensed consolidated statement of operations for the six months ended April 28, 2012 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ 692,904	$ 2,739	$ 408,438	$ —	$ 1,104,081
Intercompany revenues	24,607	—	14,069	(38,676)	—
Total net revenues	717,511	2,739	422,507	(38,676)	1,104,081
Cost of revenues	272,188	27,988	116,924	5,130	422,230
Intercompany cost of revenues	(15,166)	—	53,842	(38,676)	—
Total cost of revenues	257,022	27,988	170,766	(33,546)	422,230
Gross margin (loss)	460,489	(25,249)	251,741	(5,130)	681,851
Operating expenses	415,125	30,489	120,179	(5,130)	560,663
Intercompany operating expenses (income)	(66,925)	(12,561)	79,486	—	—
Total operating expenses	348,200	17,928	199,665	(5,130)	560,663
Income (loss) from operations	112,289	(43,177)	52,076	—	121,188
Other expense	(23,197)	(106)	(3,920)	—	(27,223)
Income (loss) before income tax provision and equity in net earnings (losses) of subsidiaries	89,092	(43,283)	48,156	—	93,965
Income tax expense (benefit)	(8,122)	—	4,207	—	(3,915)
Equity in net earnings (losses) of subsidiaries	666	—	—	(666)	—
Net income (loss)	$ 97,880	$ (43,283)	$ 43,949	$ (666)	$ 97,880

The following is the condensed consolidated statement of comprehensive income (loss) for the three months ended April 27, 2013 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net income (loss)	$ 46,949	$ (14,195)	$ 13,150	$ 1,045	$ 46,949
Other comprehensive income (loss), net of tax:					
Unrealized losses on cash flow hedges:					
Change in unrealized gains and losses	—	—	(1,915)	—	(1,915)
Net gains reclassified into earnings	—	—	(32)	—	(32)
Net unrealized losses on cash flow hedges	—	—	(1,947)	—	(1,947)
Foreign currency translation adjustments	100	—	(1,862)	—	(1,762)
Total other comprehensive income (loss)	100	—	(3,809)	—	(3,709)
Total comprehensive income (loss)	$ 47,049	$ (14,195)	$ 9,341	$ 1,045	43,240

The following is the condensed consolidated statement of comprehensive income (loss) for the three months ended April 28, 2012 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net income (loss)	$ 39,296	$ (18,336)	$ 22,236	$ (3,900)	$ 39,296
Other comprehensive income (loss), net of tax:					
Unrealized gains on cash flow hedges:					
Change in unrealized gains and losses	—	—	(113)	—	(113)
Net losses reclassified into earnings	—	—	1,599	—	1,599
Net unrealized gains on cash flow hedges	—	—	1,486	—	1,486
Foreign currency translation adjustments	(8)	—	92	—	84
Total other comprehensive income (loss)	(8)	—	1,578	—	1,570
Total comprehensive income (loss)	$ 39,288	$ (18,336)	$ 23,814	$ (3,900)	$ 40,866

The following is the condensed consolidated statement of comprehensive income (loss) for the six months ended April 27, 2013 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net income (loss)	$ 26,084	$ (27,776)	$ 53,476	$ (26,090)	$ 25,694
Other comprehensive income (loss), net of tax:					
Unrealized losses on cash flow hedges:					
Change in unrealized gains and losses	—	—	(1,992)	—	(1,992)
Net gains reclassified into earnings	—	—	(210)	—	(210)
Net unrealized losses on cash flow hedges	—	—	(2,202)	—	(2,202)
Foreign currency translation adjustments	1,126	(628)	(2,640)	—	(2,142)
Total other comprehensive income (loss)	1,126	(628)	(4,842)	—	(4,344)
Total comprehensive income (loss)	$ 27,210	$ (28,404)	$ 48,634	$ (26,090)	$ 21,350

The following is the condensed consolidated statement of comprehensive income (loss) for the six months ended April 28, 2012 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net income (loss)	$ 97,880	$ (43,283)	$ 43,949	$ (666)	$ 97,880
Other comprehensive income (loss), net of tax:					
Unrealized losses on cash flow hedges:					
Change in unrealized gains and losses	—	—	(4,282)	—	(4,282)
Net losses reclassified into earnings	—	—	2,923	—	2,923
Net unrealized losses on cash flow hedges	—	—	(1,359)	—	(1,359)
Foreign currency translation adjustments	134	—	(1,610)	—	(1,476)
Total other comprehensive income (loss)	134	—	(2,969)	—	(2,835)
Total comprehensive income (loss)	$ 98,014	$ (43,283)	$ 40,980	$ (666)	$ 95,045

The following is the condensed consolidated statement of cash flows for the six months ended April 27, 2013 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net cash provided by operating activities	$ 96,996	$ 2,521	$ 79,588	$ —	$ 179,105
Cash flows from investing activities:					
Purchases of property and equipment	(27,887)	(23)	(3,658)	—	(31,568)
Net cash acquired (paid) in connection with acquisition	(44,769)	140	—	—	(44,629)
Net cash provided by (used in) investing activities	(72,656)	117	(3,658)	—	(76,197)
Cash flows from financing activities:					
Proceeds from senior unsecured notes	296,250	—	—	—	296,250
Payment of debt issuance costs related to senior unsecured notes	(549)	—	—	—	(549)
Payment of principal related to senior secured notes	(300,000)	—	—	—	(300,000)
Payment of principal related to capital leases	(975)	—	—	—	(975)
Common stock repurchases	(86,179)	—	—	—	(86,179)
Proceeds from issuance of common stock	35,899	—	—	—	35,899
Excess tax benefits from stock-based compensation	5,440	—	—	—	5,440
Net cash used in financing activities	(50,114)	—	—	—	(50,114)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	(1,722)	—	(1,722)
Net increase (decrease) in cash and cash equivalents	(25,774)	2,638	74,208	—	51,072
Cash and cash equivalents, beginning of period	284,466	680	428,080	—	713,226
Cash and cash equivalents, end of period	$ 258,692	$ 3,318	$ 502,288	$ —	$ 764,298

The following is the condensed consolidated statement of cash flows for the six months ended April 28, 2012 (in thousands):

	Brocade Communications Systems, Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net cash provided by operating activities	$ 215,395	$ 1,260	$ 50,664	$ —	$ 267,319
Cash flows from investing activities:					
Proceeds from sale of subsidiary	35	—	—	—	35
Purchases of property and equipment	(32,841)	—	(5,428)	—	(38,269)
Net cash used in investing activities	(32,806)	—	(5,428)	—	(38,234)
Cash flows from financing activities:					
Payment of principal related to the term loan	(120,000)	—	—	—	(120,000)
Payment of principal related to capital leases	(920)	—	—	—	(920)
Common stock repurchases	(25,066)	—	—	—	(25,066)
Proceeds from issuance of common stock	47,261	—	—	—	47,261
Excess tax benefits from stock-based compensation	1,332	—	—	—	1,332
Net cash used in financing activities	(97,393)	—	—	—	(97,393)
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	(1,555)	—	(1,555)
Net increase in cash and cash equivalents	85,196	1,260	43,681	—	130,137
Cash and cash equivalents, beginning of period	101,366	1,528	311,308	—	414,202
Cash and cash equivalents, end of period	$ 186,562	$ 2,788	$ 354,989	$ —	$ 544,339

16. Subsequent Event

On May 20, 2013, after the end of the second quarter of fiscal 2013, Brocade and A10 reached an agreement to settle the lawsuit that Brocade filed against A10, A10's founder and other individuals in the United States District Court for the Northern District of California on August 4, 2010, and to settle the lawsuit that A10 filed against Brocade on September 9, 2011, along with all related claims.

Among other agreed upon terms, A10 has granted the Company a broad patent license and agreed to pay the Company $5.0 million in cash and issue a $70.0 million unsecured convertible promissory note payable to the Company. The note will bear interest at 8% per annum and will be due in six months after the issuance date with up to 50% convertible, at the Company's sole option, into A10 preferred shares issued in a subsequent round of equity financing. The note may be prepaid at any time, however, in the event that the note is not paid in full within 90 days of its issuance, then the Company shall receive warrants to purchase A10 preferred shares and receive additional warrants every 30 days thereafter that the note is not paid in full. The gain related to the settlement, if any, will be recorded subsequent to the second quarter of fiscal year 2013.

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

You should read the following discussion and analysis in conjunction with the Condensed Consolidated Financial Statements and 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 14, 2012.

Overview

We are a leading supplier of networking equipment and software for businesses and organizations of many types and sizes, including global enterprises 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 business model is focused on two key markets: our Storage Area Networking (“SAN”) business, where we offer Fibre Channel (“FC”) SAN directors, fixed form factor switches and embedded switches, host bus adapters (“HBAs”) and server virtualization solutions, and our Internet Protocol (“IP”) Networking business, where we offer modular and stackable solutions, IP routers, Ethernet switches, Ethernet fabrics, converged adapters, as well as application delivery, security and wireless solutions. We also provide product-related customer support and services.

Growth opportunities in the SAN market are expected to be driven by key customer Information Technology (“IT”) initiatives such as server virtualization, enterprise mobility, data center consolidation, migration to higher performance technologies such as solid state storage and cloud computing initiatives. Our IP Networking business strategies are intended to increase new customer accounts and expand our market share through product innovation and the development of and expansion of our routes to market. 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 technologies, new product introductions and enhancing our existing partnerships and forming new ones through our various distribution channels.

We have recently announced that we are making certain changes in strategic direction focusing on key technology segments, as well as investing in data center and federal market opportunities. As part of this anticipated change in focus, we expect to reduce cost of revenues and other operating expenses by $100 million on an annualized basis by the second quarter of fiscal year 2014. This anticipated change in focus will also result in the rebalancing of resources away from certain non-key areas of our business and may impact our ability to generate revenue from certain markets, geographies and customers.

We continue to face multiple challenges, including aggressive price discounting from competitors, new product introductions from competitors, rapid adoption of new technologies by customers, uncertainty in the worldwide macroeconomic climate and its impact on IT spending patterns globally, as well as uncertain federal government spending in the United States. We are also cautious about the stability and health of certain international markets, including China and Europe, and current global and country specific dynamics, including inflationary risks in China and the continuing sovereign debt risk particularly in Europe. These factors may impact our business and that of our partners. While the diversification of our business model helps mitigate the effect of some of these challenges and we expect IT spending levels to generally rise in the long-term, it is difficult to offset short-term reductions in IT spending, which may adversely affect our financial results and stock price.

We expect the number of SAN and IP Networking products we ship to fluctuate depending on the demand for our existing and recently introduced products, 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.

Our plans for our operating cash flows are to provide liquidity for operations, to repurchase our stock to reduce the dilutive effects of our equity award programs and, from time-to-time, we may also opportunistically repurchase our stock under our previously announced stock repurchase programs. In addition, we may opportunistically use our operating cash flows to strengthen our networking portfolios through acquisitions and strategic investments.

Results of Operations

Our results of operations for the three and six months ended April 27, 2013, and April 28, 2012, are reported in this discussion and analysis as a percentage of total net revenues, except for gross margin with respect to each segment, which is indicated as a percentage of the respective 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					
	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
SAN Products	$ 319,088	59.2%	$ 342,922	63.1%	$ (23,834)	(7.0)%
IP Networking Products	132,658	24.6%	113,182	20.8%	19,476	17.2 %
Global Services	87,038	16.2%	87,335	16.1%	(297)	(0.3)%
Total net revenues	$ 538,784	100.0%	$ 543,439	100.0%	$ (4,655)	(0.9)%

	Six Months Ended					
	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
SAN Products	$ 680,822	60.4%	$ 695,794	63.0%	$ (14,972)	(2.2)%
IP Networking Products	273,171	24.2%	236,612	21.4%	36,559	15.5 %
Global Services	173,520	15.4%	171,675	15.6%	1,845	1.1 %
Total net revenues	$ 1,127,513	100.0%	$ 1,104,081	100.0%	$ 23,432	2.1 %

The decrease in total net revenues for the three months ended April 27, 2013, compared to the three months ended April 28, 2012, primarily reflects lower sales for our SAN products, partially offset by higher sales of our IP Networking products.

- The decrease in SAN product revenues was caused by a decrease in director, switch and server product revenues due to weaker demand from our OEMs and weaker end-user demand in the overall storage market, despite the strong growth in sales of our Gen 5 Fibre Channel products. The continued growth in our Gen 5 Fibre Channel products helped to increase our average selling price per port by 2.3% during the three months ended April 27, 2013, which partially offset the 9.0% decrease in the number of ports shipped during the same period;

- The increase in IP Networking product revenues primarily reflects higher revenues from our Ethernet switch and IP routing products, partially offset by a decrease in sales of our application delivery controllers. We estimate that revenues from our service provider end customers, and to a lesser extent, from our enterprise and U.S. federal government end customers, have all increased for the three months ended April 27, 2013, compared to the three months ended April 28, 2012. As the percentage of our IP Networking products being sold through two-tier distribution has increased, it has become increasingly difficult to quantify our revenues by end customer, and therefore, these results are based on our estimates; and

- The slight decrease in Global Services revenues was primarily attributable to a decrease in professional services and out-of-warranty repair revenues, partially offset by an increase in the sales of initial support contracts and renewal support contracts for both our SAN products and IP Networking products.

The increase in total net revenues for the six months ended April 27, 2013, compared to the six months ended April 28, 2012, reflects higher sales due to a combination of favorable factors for our IP Networking products and our Global Services offerings, partially offset by lower sales for our SAN products.

- The decrease in SAN product revenues was caused by a decrease in director and server product revenues due to weaker demand from our OEMs and weaker end-user demand in the overall storage market, despite the strong growth in sales of our Gen 5 Fibre Channel products. The continued growth in our Gen 5 Fibre Channel products helped to increase our average selling price per port by 4.4% during the six months ended April 27, 2013, which partially offset the 6.3% decrease in the number of ports shipped during the same period;

- The increase in IP Networking product revenues primarily reflects higher revenues from our Ethernet switch, IP routing and application delivery products. We estimate that revenues from our enterprise, service provider and U.S. federal government end customers have all increased for the six months ended April 27, 2013, compared to the six months ended April 28, 2012. As the percentage of our IP Networking products being sold through two-tier distribution has increased, it has become increasingly difficult to quantify our revenues by end customer, and therefore, these results are based on our estimates; and

- The increase in Global Services revenues was primarily attributable to an increase in the sales of initial support contracts and renewal support contracts for both our SAN products and IP Networking products, partially offset by a decrease in professional services and out-of-warranty repair revenues.

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

	Three Months Ended					
	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
United States	$ 314,581	58.4%	$ 354,009	65.1%	$ (39,428)	(11.1)%
Europe, the Middle East and Africa (1)	145,673	27.0%	109,985	20.2%	35,688	32.4 %
Asia Pacific	42,001	7.8%	43,809	8.1%	(1,808)	(4.1)%
Japan	27,356	5.1%	23,985	4.4%	3,371	14.1 %
Canada, Central and South America	9,173	1.7%	11,651	2.2%	(2,478)	(21.3)%
Total net revenues	$ 538,784	100.0%	$ 543,439	100.0%	$ (4,655)	(0.9)%

(1) Includes net revenues of $93.4 million and $58.1 million for the three months ended April 27, 2013, and the three months ended April 28, 2012, respectively, relating to the Netherlands.

	Six Months Ended					
	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
United States	$ 678,633	60.2%	$ 695,643	63.0%	$ (17,010)	(2.4)%
Europe, the Middle East and Africa (2)	288,091	25.5%	242,859	22.0%	45,232	18.6 %
Asia Pacific	89,052	7.9%	99,398	9.0%	(10,346)	(10.4)%
Japan	52,835	4.7%	42,629	3.9%	10,206	23.9 %
Canada, Central and South America	18,902	1.7%	23,552	2.1%	(4,650)	(19.7)%
Total net revenues	$ 1,127,513	100.0%	$ 1,104,081	100.0%	$ 23,432	2.1 %

(2) Includes net revenues of $177.4 million and $123.7 million for the six months ended April 27, 2013, and the six months ended April 28, 2012, 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 practices of our OEM partners, but we believe that if measured by end-user location, international revenues comprise a larger percentage of our total net revenues than the attributed revenues above may indicate.

International revenues for the three months ended April 27, 2013, and for the six months ended April 27, 2013, increased as a percentage of total net revenues compared to the three months ended April 28, 2012, and to the six months ended April 28, 2012, respectively, primarily due to higher revenues from our SAN product sales in Europe, the Middle East and Africa region relative to total net revenues.

A significant portion of our revenues are concentrated among a relatively small number of OEM customers. For the three months ended April 27, 2013, three customers accounted for 18%, 16%, and 11%, respectively, of our total net revenues for a combined total of 45% of total net revenues. For the three months ended April 28, 2012, four customers accounted for 20%, 15%, 13%, and 10%, respectively, of our total net revenues for a combined total of 58% 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 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					
	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Points Change
SAN Products	$ 231,191	72.5%	$ 252,565	73.7%	$ (21,374)	(1.2)%
IP Networking Products	55,956	42.2%	39,362	34.8%	16,594	7.4 %
Global Services	46,965	54.0%	45,155	51.7%	1,810	2.3 %
Total gross margin	$ 334,112	62.0%	$ 337,082	62.0%	$ (2,970)	— %

	Six Months Ended					
	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Points Change
SAN Products	$ 495,972	72.8%	$ 509,599	73.2%	$ (13,627)	(0.4)%
IP Networking Products	119,047	43.6%	83,223	35.2%	35,824	8.4 %
Global Services	93,018	53.6%	89,029	51.9%	3,989	1.7 %
Total gross margin	$ 708,037	62.8%	$ 681,851	61.8%	$ 26,186	1.0 %

For the three months ended April 27, 2013, compared to the three months ended April 28, 2012, total gross margin decreased in absolute dollars and remained flat as a percentage of total net revenues due to a combination of factors for our SAN products, IP Networking products and Global Services offerings.

Gross margin percentage by reportable segment increased or decreased for the three months ended April 27, 2013, compared to the three months ended April 28, 2012, primarily due to the following factors (the percentages below reflect the impact on gross margin):

- SAN gross margins relative to net revenues decreased due to a 1.7% increase in manufacturing overhead costs relative to net revenues primarily due to an increase in per product unit overhead cost, partially offset by a 0.2% decrease in discrete period costs relative to net revenues. Additionally, amortization of SAN-related intangible assets decreased by 0.4% relative to net revenues;

- IP Networking gross margins relative to net revenues increased due to a 4.5% decrease in manufacturing overhead costs, a 2.3% decrease in discrete period costs primarily due to lower reserves for excess and obsolete inventory, a 1.9% decrease in product costs and a 1.1% decrease in amortization of IP Networking-related intangible assets, in each case, relative to net revenues. These decreases were partially offset by the costs associated with certain Foundry pre-acquisition litigation which caused a 2.6% increase in costs, relative to net revenues; and

- Global Services gross margins relative to net revenues increased primarily due to a 1.7% decrease in service and support costs relative to net revenues. Additionally, stock-based compensation decreased by 0.5% relative to net revenues.

For the six months ended April 27, 2013, compared to the six months ended April 28, 2012, total gross margin increased in absolute dollars and as a percentage of total net revenues due to a combination of factors for our SAN products, IP Networking products and Global Services offerings.

Gross margin percentage by reportable segment increased or decreased for the six months ended April 27, 2013, compared to the six months ended April 28, 2012, primarily due to the following factors (the percentages below reflect the impact on gross margin):

- SAN gross margins relative to net revenues decreased due to a 1.5% increase in manufacturing overhead costs relative to net revenues primarily due to an increase in per product unit overhead cost, partially offset by a 0.4% decrease in discrete period costs relative to net revenues. Additionally, amortization of SAN-related intangible assets decreased by 0.7% relative to net revenues;

- IP Networking gross margins relative to net revenues increased due to a 3.5% decrease in manufacturing overhead costs, a 3.0% decrease in product costs, a 2.0% decrease in discrete period costs, as well as a 0.9% decrease in amortization of IP Networking-related intangible assets, in each case, relative to net revenues. These decreases were partially offset by the costs associated with certain Foundry pre-acquisition litigation which caused a 1.3% increase in costs, relative to net revenues; and

- Global Services gross margins relative to net revenues increased primarily due to a 1.4% decrease in service and support costs relative to net revenues, primarily due to a decrease in period costs due to improved utilization of service inventory assets within our spares depot, as well as decreases in facilities, IT and operating expenses. Additionally, stock-based compensation decreased by 0.4% relative to net revenues.

Stock-based compensation expense. Stock-based compensation expense is summarized as follows (in thousands, except percentages):

	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
Three months ended	$ 19,172	3.6%	$ 23,858	4.4%	$ (4,686)	(19.6)%
Six months ended	$ 38,322	3.4%	$ 45,677	4.1%	$ (7,355)	(16.1)%

The decrease in stock-based compensation expense for the three and six months ended April 27, 2013, compared to the three and six months ended April 28, 2012, was primarily due to a decline in our stock price in recent quarters which lowered the fair value of our restricted stock unit grants when compared to the fair value of earlier grants that have become fully vested over the same time period, full amortization of Foundry Networks acquisition-related employee restricted stock awards in the first fiscal quarter of 2013, and lower expenses related to our performance-based awards due to executive departures (see Note 11, “Stock-Based Compensation,” of the Notes to Condensed Consolidated Financial Statements). This was partially offset by additional compensation expense related to our 2009 Employee Stock Purchase Plan (“ESPP”) primarily as a result of the purchase price being reset to a lower dollar amount in the third quarter of fiscal year 2012.

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 related IT and facilities expenses.

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

	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
Three months ended	$ 98,429	18.3%	$ 92,931	17.1%	$ 5,498	5.9%
Six months ended	$ 196,119	17.4%	$ 182,250	16.5%	$ 13,869	7.6%

R&D expenses increased for the three months ended April 27, 2013, compared to the three months ended April 28, 2012, due to the following (in thousands):

	Increase (Decrease)
Salaries and other compensation	$ 5,633
Depreciation and amortization expense	866
Various individually insignificant items	102
The increase in R&D expenses was partially offset by a decrease in the following:	
Stock-based compensation expense	(1,103)
Total change	$ 5,498

Salaries and wages increased primarily due to an increase in salaries and incentive compensation for employees assumed as part of the Vyatta, Inc. (“Vyatta”) acquisition, as well as merit-based increases in salaries and headcount growth related to other Brocade personnel. Depreciation and amortization expense increased due to additional depreciation expenses related to equipment acquired for use in our engineering laboratories. These increases were partially offset by a decrease in stock-based compensation expense mainly due to a decline in grant date fair values of restricted stock units granted to employees in recent quarters due to lower stock prices (see Note 11, “Stock-Based Compensation,” of the Notes to Condensed Consolidated Financial Statements).

R&D expenses increased for the six months ended April 27, 2013, compared to the six months ended April 28, 2012, due to the following (in thousands):

	Increase (Decrease)
Salaries and other compensation	$ 10,040
Engineering expenses	3,251
Depreciation and amortization expense	1,756
Various individually insignificant items	268
The increase in R&D expenses was partially offset by a decrease in the following:	
Stock-based compensation expense	(1,446)
Total change	$ 13,869

Salaries and wages increased primarily due to an increase in salaries and incentive compensation for employees assumed as part of the Vyatta acquisition, as well as merit-based increases in salaries and headcount growth related to other Brocade personnel. Engineering expenses increased primarily due to higher engineering spending related to new product development and higher prototype costs. In addition, depreciation and amortization expense increased due to additional depreciation expenses related to equipment acquired for use in our engineering laboratories. These increases were partially offset by a decrease in stock-based compensation expense mainly due to a decline in grant date fair values of restricted stock units granted to employees in recent quarters due to lower stock prices (see Note 11, “Stock-Based Compensation,” of the Notes to Condensed Consolidated Financial Statements).

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 expenses related to IT, facilities and other shared functions.

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

	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
Three months ended	$ 145,316	27.0%	$ 158,855	29.2%	$ (13,539)	(8.5)%
Six months ended	$ 294,327	26.1%	$ 311,543	28.2%	$ (17,216)	(5.5)%

Sales and marketing expenses decreased for the three months ended April 27, 2013, compared to the three months ended April 28, 2012, due to the following (in thousands):

	Increase (Decrease)
Salaries and other compensation	$ (5,334)
Outside services and other marketing expenses	(3,061)
Expenses related to IT, facilities and other shared functions	(2,789)
Stock-based compensation expense	(2,675)
The decrease in sales and marketing expenses was partially offset by an increase in the following:	
Various individually insignificant items	320
Total change	$ (13,539)

Salaries and wages decreased primarily due to decreased headcount, which also resulted in lower variable compensation and commissions, partially offset by headcount growth from the Vyatta acquisition. Outside services and other marketing expenses decreased primarily due to less spending on conferences and trade shows, as well as on advertising, in the three months ended April 27, 2013. Expenses related to IT, facilities and other shared functions decreased primarily due to lower IT, legal and facilities expenses allocated to sales and marketing activities. Stock-based compensation expense decreased primarily due to a decline in grant date fair values of restricted stock units granted to employees in recent quarters due to lower stock prices (see Note 11, “Stock-Based Compensation,” of the Notes to Condensed Consolidated Financial Statements).

Sales and marketing expenses decreased for the six months ended April 27, 2013, compared to the six months ended April 28, 2012, due to the following (in thousands):

	Increase (Decrease)
Salaries and other compensation	$ (6,264)
Stock-based compensation expense	(4,305)
Outside services and other marketing expenses	(4,097)
Expenses related to IT, facilities and other shared functions	(3,362)
The decrease in sales and marketing expenses was partially offset by an increase in the following:	
Various individually insignificant items	812
Total change	$ (17,216)

Salaries and wages decreased primarily due to decreased headcount, which also resulted in lower commissions, partially offset by headcount growth from the Vyatta acquisition for the six months ended April 27, 2013. Stock-based compensation expense decreased primarily due to a decline in grant date fair values of restricted stock units granted to employees in recent quarters due to lower stock prices (see Note 11, “Stock-Based Compensation,” of the Notes to Condensed Consolidated Financial Statements). Outside services and other marketing expenses decreased primarily due to less spending on conferences and trade shows, as well as on advertising, in the six months ended April 27, 2013. Expenses related to IT, facilities and other shared functions decreased primarily due to lower IT, legal and facilities expenses allocated to sales and marketing activities.

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 and investor relations, as well as recruiting expenses, professional fees, other corporate expenses, and related IT and facilities expenses.

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

	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
Three months ended	$ 20,037	3.7%	$ 18,790	3.5%	$ 1,247	6.6%
Six months ended	$ 39,114	3.5%	$ 37,140	3.4%	$ 1,974	5.3%

G&A expenses increased for the three months ended April 27, 2013, compared to the three months ended April 28, 2012, due to the following (in thousands):

	Increase (Decrease)
Salaries and other compensation	$ 2,186
Various individually insignificant items	840
The increase in G&A expenses was partially offset by a decrease in the following:	
Outside services expense	(1,779)
Total change	$ 1,247

Salaries and wages expense increased primarily due to an increase in salaries and incentive compensation for employees assumed as part of the Vyatta acquisition, as well as merit-based increases in salaries and headcount growth related to other Brocade personnel. The increase in G&A expenses was partially offset by a decrease in expense associated with outside services primarily due to lower legal expense for ongoing litigation matters, as well as decreased costs with respect to IT-related projects.

G&A expenses increased for the six months ended April 27, 2013, compared to the six months ended April 28, 2012, due to the following (in thousands):

	Increase (Decrease)
Salaries and other compensation	$ 4,767
Depreciation and amortization expense	1,251
The increase in G&A expenses was partially offset by decreases in the following:	
Outside services expense	(3,785)
Various individually insignificant items	(259)
Total change	$ 1,974

Salaries and wages expense increased primarily due to an increase in salaries and incentive compensation for employees assumed as part of the Vyatta acquisition, as well as merit-based increases in salaries and headcount growth related to other Brocade personnel, and severance and recruiting costs related to the transition of our Chief Executive Officer. Depreciation and amortization expense increased primarily due to increased capital additions in recent periods. These increases were partially offset by a decrease in expense associated with outside services primarily due to lower legal expense for ongoing litigation matters, as well as decreased costs with respect to IT and finance-related projects.

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

	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
Three months ended	$ 13,151	2.4%	$ 14,737	2.7%	$ (1,586)	(10.8)%
Six months ended	$ 28,007	2.5%	$ 29,730	2.7%	$ (1,723)	(5.8)%

The decrease in amortization of intangible assets for the three and six months ended April 27, 2013, compared to the three and six months ended April 28, 2012, was primarily due to the full amortization of certain of our intangible assets, partially offset by the additional amortization of the Vyatta intangible assets acquired in the first fiscal quarter of 2013.

Interest expense. Interest expense primarily represents the interest cost associated with our term loan, senior secured notes and 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):

	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	(Increase)/ Decrease	% Change
Three months ended	$ (10,432)	(1.9)%	$ (12,729)	(2.3)%	$ 2,297	18.0 %
Six months ended	$ (36,800)	(3.3)%	$ (25,775)	(2.3)%	$ (11,025)	(42.8)%

In January 2013, we issued $300.0 million in aggregate principal amount of 4.625% Senior Notes due 2023 (the “2023 Notes”) in a private placement (the “Offering”). The proceeds from the Offering, together with cash on hand, were used on February 21, 2013, to redeem all of the outstanding 6.625% senior secured notes due 2018 (the “2018 Notes”), which had a higher interest rate, thereby resulting in the decrease in interest expense for the three months ended April 27, 2013, compared to the three months ended April 28, 2012. The transactions are described further below in “Liquidity and Capital Resources.” In accordance with the applicable accounting guidance for debt modification and extinguishment and for interest cost accounting, we recorded an expense of $15.3 million for the call premium, debt issuance costs and original issue discount relating to the 2018 Notes, thereby resulting in the increase in interest expense for the six months ended April 27, 2013, compared to the six months ended April 28, 2012, (additionally, see Note 8, “Borrowings,” of the Notes to Condensed Consolidated Financial Statements).

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

	April 27, 2013	% of Net Revenues	April 28, 2012	% of Net Revenues	Increase/ (Decrease)	% Change
Three months ended	$ 31	—%	$ (452)	(0.1)%	$ 483	(106.9)%
Six months ended	$ 97	—%	$ (1,448)	(0.1)%	$ 1,545	(106.7)%

Interest and other income (loss), net, were immaterial for the three and six months ended April 27, 2013. Other loss was primarily due to foreign exchange losses recognized during the three and six months ended April 28, 2012.

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

	Three Months Ended		Six Months Ended	
	April 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
Income tax expense (benefit)	$ (171)	$ (708)	$ 88,073	$ (3,915)
Effective tax rate	(0.4)%	(1.8)%	77.4%	(4.2)%

In general, our provision for income taxes differs from the tax computed at the U.S. federal statutory income tax rate due to state taxes, the effect of non-U.S. operations, non-deductible stock-based compensation expense and adjustments to unrecognized tax benefits (additionally, see Note 12, “Income Taxes,” of the Notes to Condensed Consolidated Financial Statements).

We recorded an income tax benefit for the three months ended April 27, 2013, primarily due to a discrete benefit of $10.6 million from reserve releases as a result of settling an IRS audit. We recorded an income tax expense for the six months ended April 27, 2013, primarily due to a discrete charge of $78.2 million to reduce previously recognized California deferred tax assets as a result of the California law change. This charge was partially offset by discrete benefits of $10.6 million from reserve releases as a result of settling an IRS audit and from an increase in the federal research and development tax credit of $5.7 million that was reinstated on January 2, 2013, for two years and made retroactive to January 1, 2012.

We recorded a tax benefit for the three and six months ended April 28, 2012, primarily due to a discrete benefit from net reserve releases related to settling tax audits and from expiring statutes of limitations, offset by a decrease to the federal research and development tax credit which expired on December 31, 2011.

Based on the fiscal year 2013 financial forecast, we expect our effective tax rate in fiscal year 2013 to be higher than fiscal year 2012. Factors such as the mix of IP Networking versus SAN products, and domestic versus international profits, affect our tax expense. As estimates and judgments are used to project such domestic and international earnings, the impact to our tax provision could vary if the current planning or assumptions change. Our income tax provision could change from either effects of changing tax laws and regulations, or differences in international revenues and earnings from those historically achieved; a factor largely influenced 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 could materially impact our tax expense. Given that the tax rate is affected by several different factors, it is not possible to estimate our future tax rate with a high degree of certainty.

The IRS and other tax authorities regularly examine our income tax returns. The IRS is currently examining our federal tax returns for fiscal years 2009 and 2010. In addition, we are in negotiations with foreign tax authorities to obtain correlative relief on transfer pricing adjustments previously settled with the IRS. We believe that our 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. We believe that before the end of fiscal year 2013, it is reasonably possible that either certain audits will conclude or the statutes of limitations relating to certain income tax examination periods will expire, or both. After we reach settlement with the tax authorities, we expect to record a corresponding adjustment to our unrecognized tax benefits. Taking into consideration the inherent uncertainty as to settlement terms, the timing of payments and the impact of such settlements on other uncertain tax positions, we estimate the range of potential decreases in underlying uncertain tax positions is between $0 and $3.9 million in the next twelve months. For additional discussion, see Note 12, “Income Taxes,” of the Notes to Condensed Consolidated Financial Statements.

We believe that sufficient positive evidence exists from historical operations and projections of taxable income in future years to conclude that it is more likely than not that we will realize our deferred tax assets except for California deferred tax assets and capital loss carryforwards. Accordingly, we apply a valuation allowance to the California deferred tax assets due to the recent change in California law and to capital loss carryforwards due to the limited carryforward periods of these tax assets.

Liquidity and Capital Resources

	April 27, 2013	October 27, 2012	Increase/ (Decrease)
		(in thousands)	
Cash and cash equivalents	$ 764,298	$ 713,226	$ 51,072
Percentage of total assets	22%	20%	

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, and the timing and amount of tax and other payments. For additional discussion, see “Part II - Other Information, Item 1A. Risk Factors.” In January 2013, we issued $300 million of the 2023 Notes in a private placement. In the second quarter of fiscal year 2013, we used the net proceeds from this placement, together with cash on hand, to redeem all of our outstanding 2018 Notes, including the payment of the applicable premium and expenses associated with the redemption, and the interest on the 2018 Notes up to but excluding the date of redemption. On January 22, 2013, we called the 2018 Notes for redemption and the 2018 Notes were redeemed on February 21, 2013, as described in Note 8, “Borrowings,” 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 are generally sufficient to support business operations, capital expenditures, contractual obligations, and other liquidity requirements associated with our operations for at least the next twelve months. Also, we have up to $125 million available under our revolving credit facility, and we can factor our trade receivables up to the maximum amount available at any time under our $50 million factoring facility to provide additional liquidity. 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

Cash and cash equivalents as of April 27, 2013, increased by $51.1 million over the balance as of October 27, 2012, primarily due to the cash generated from operations and proceeds from the issuance of our common stock in connection with employee participation in our equity compensation plans, partially offset by the cash used for the acquisition of Vyatta and the repurchase of outstanding 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, from the amount of awards granted to employees and from the types of awards that are granted to employees. As a result, our cash flow resulting from the issuance of common stock in connection with employee participation in equity compensation plans will vary.

A majority of our accounts receivable balance is derived from sales to our OEM partners. As of April 27, 2013, two customers accounted for 17% and 11%, respectively, of total accounts receivable, for a combined total of 28% of total accounts receivable. As of October 27, 2012, three customers accounted for 16%, 12% and 10%, respectively, of total accounts receivable, for a combined total of 38% of total accounts receivable. 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. 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.

Six Months Ended April 27, 2013, Compared to Six Months Ended April 28, 2012

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 $88.2 million primarily due to decreased net income, decreased accounts receivable collections and increased payments with respect to accrued employee compensation, partially offset by a reduction of inventory balance. In fiscal year 2012, employee incentive compensation was measured against annual targets and paid during the first quarter of fiscal year 2013. In fiscal year 2011, employee incentive compensation was measured against semi-annual targets and paid during the third quarter of fiscal year 2011 and the first quarter of fiscal year 2012.

Investing Activities. Net cash used in investing activities increased by $38.0 million. The increase was primarily due to cash used for the acquisition of Vyatta during the three months ended January 26, 2013.

Financing Activities. Net cash used in financing activities decreased by $47.3 million. The decrease was primarily due to no principal payments toward the term loan during the six months ended April 27, 2013, partially offset by higher repurchases of our Company's stock and lower proceeds from the issuance of common stock during the six months ended April 27, 2013.

Liquidity

Manufacturing and Purchase Commitments. We have manufacturing arrangements with contract manufacturers under which we provide twelve-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 consume 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 indefinitely reinvested outside of the U.S. We intend to reinvest current and accumulated earnings of our foreign subsidiaries for expansion of our business operations outside the U.S. for an indefinite period of time.

Our existing cash and cash equivalents totaled $764.3 million as of April 27, 2013. Of this amount, approximately 66% was held by our foreign subsidiaries. We do not currently anticipate a need of these funds held by our foreign subsidiaries for our domestic operations. Under current tax laws and regulations, if these funds are distributed to the U.S. 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 12, "Income Taxes," of the Notes to Condensed Consolidated Financial Statements). We believe we have adequate reserves for all open tax years.

Senior Secured Credit Facility. In October 2008, we entered into a credit facility 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 (the "Credit Agreement"). The Credit Agreement was subsequently amended in January 2010 and June 2011 to reduce interest rates on the term loan facility, and to provide us with greater operating flexibility, including extending the maturity date of the term loan facility to October 31, 2014, and removing certain restrictions on the repurchase of our shares, provided the consolidated senior secured leverage ratio is under 2.00 (see Note 8, "Borrowings," of the Notes to Condensed Consolidated Financial Statements).

There were no principal amounts outstanding under the term loan facility as of April 27, 2013, and October 27, 2012. We have the following resources available under the Senior Secured Credit Facility to obtain short-term or long-term financing, if we need additional liquidity, as of April 27, 2013 (in thousands):

	Original Amount Available	April 27, 2013	
		Used	Available
Revolving credit facility	$ 125,000	$ —	$ 125,000

Senior Secured Notes. In January 2010, we issued $300 million in aggregate principal amount of senior secured notes due 2018 and $300 million in aggregate principal amount of senior secured notes due 2020 (the “2020 Notes” and together with the 2018 Notes, the “Senior Secured Notes”) (see Note 8, “Borrowings,” of the Notes to Condensed Consolidated Financial Statements). We used the proceeds to pay down a substantial portion of the outstanding term loan, and retire the convertible subordinated debt due on February 15, 2010, which had been assumed in connection with our acquisition of McDATA Corporation (“McDATA”).

Senior Unsecured Notes. In January 2013, we issued $300 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 as described in Note 8, “Borrowings,” of the Notes to Condensed Consolidated Financial Statements.

Trade Receivables Factoring Facility. We have an agreement with a financial institution to sell certain of our trade receivables from customers with limited, non-credit related, recourse provisions. The sale of receivables eliminates our credit exposure in relation to these receivables. No trade receivables were sold under our factoring facility during the three and six months ended April 27, 2013, and the three and six months ended April 28, 2012.

Under the terms of the factoring agreement, the total and available amounts of the factoring facility as of April 27, 2013, were $50.0 million.

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 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
- consolidate or merge with, 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 other limitations and exceptions set forth in the indenture. The Company was in compliance with all applicable covenants of the 2023 Indenture as of April 27, 2013.

Senior Secured Notes covenants. The 2020 Notes and the 2018 Notes were issued pursuant to two separate indentures (the “2020 Indenture” and the “2018 Indenture,” respectively), each dated as of January 20, 2010, among the Company, the subsidiary guarantors named therein and Wells Fargo Bank, National Association, as trustee. The 2020 Indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to:

- pay dividends, make investments or make other restricted payments;
- incur additional indebtedness;
- sell assets;
- enter into transactions with affiliates;
- incur liens;
- permit consensual encumbrances or restrictions on the Company’s restricted subsidiaries’ ability to pay dividends or make certain other payments to the Company;
- consolidate, merge, sell or otherwise dispose of all or substantially all of the Company’s or its restricted subsidiaries’ assets; and
- designate subsidiaries as unrestricted.

These covenants are subject to a number of limitations and exceptions set forth in the indenture. The Company was in compliance with all applicable covenants of the 2020 Indenture as of April 27, 2013.

The 2020 Indenture provides for customary events of default, including, but not limited to, cross defaults to specified other debt of the Company and its subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding senior secured notes will become due and payable immediately without further action or notice. If any other event of default under the 2020 Indenture occurs or is continuing, the applicable trustee or holders of at least 25% in aggregate principal amount of the then outstanding 2020 Notes, as applicable, may declare all of the 2020 Notes to be due and payable immediately. The 2018 Indenture was discharged as of January 22, 2013 (see Note 8, "Borrowings," of the Notes to Condensed Consolidated Financial Statements). Prior to discharge, the 2018 Indenture contained substantially similar covenants and events of default to those in the 2020 Indenture. The Company was in compliance with all applicable covenants of the 2018 Indenture as of the date of discharge.

Senior Secured Credit Facility covenants. The Senior Secured Credit Facility agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to the Company and its subsidiaries, including, among other things, restrictions on liens, indebtedness, investments, fundamental changes, dispositions, capital expenditures, prepayment of other indebtedness, redemption or repurchase of subordinated indebtedness, share repurchases, dividends and other distributions. The credit agreement contains financial covenants that require the Company to maintain a minimum consolidated fixed charge coverage ratio, a maximum consolidated leverage ratio and a maximum consolidated senior secured leverage ratio, each as defined in the credit agreement and described further below. The credit agreement also includes customary events of default, including cross-defaults on the Company's material indebtedness and change of control. The Company was in compliance with all applicable Senior Secured Credit Facility's covenants as of April 27, 2013.

Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), as defined in the credit agreement, is used to determine the Company's compliance with certain covenants in the Senior Secured Credit Facility. Consolidated EBITDA is defined as:

- Consolidated net income;

Plus:

- Consolidated interest charges;
- Provision for federal, state, local and foreign income taxes;
- Depreciation and amortization expense;
- Fees, costs and expenses incurred on or prior to the closing date of the Foundry acquisition in connection with the acquisition and the financing thereof;
- Any cash restructuring charges and integration costs in connection with the Foundry acquisition, in an aggregate amount not to exceed $75.0 million;
- Approved non-cash restructuring charges incurred in connection with the Foundry acquisition and the financing thereof;
- Other non-recurring expenses reducing consolidated net income which do not represent a cash item in such period or future periods;
- Any non-cash stock-based compensation expense; and
- Legal fees associated with the indemnification obligations for the benefit of former officers and directors in connection with Brocade's historical stock option litigation;

Minus:

- Federal, state, local and foreign income tax credits; and
- All non-cash items increasing consolidated net income.

The Senior Secured Credit Facility financial covenants are described below.

Consolidated Fixed Charge Coverage Ratio

Consolidated fixed charge coverage ratio means, at any date of determination, the ratio of (a) (i) consolidated EBITDA (excluding interest expense, if any, attributable to a campus sale-leaseback), plus (ii) rentals payable under leases of real property, less (iii) the aggregate amount of all capital expenditures to (b) consolidated fixed charges; provided that, for purposes of calculating the consolidated fixed charge coverage ratio for any period ending prior to the first anniversary of the closing date, consolidated interest charges shall be an amount equal to actual consolidated interest charges from the closing date through the date of determination multiplied by a fraction the numerator of which is 365 and the denominator of which is the number of days from the closing date through the date of determination.

In accordance with the amendment and waiver to the credit agreement, the Company has agreed that it will not permit the consolidated fixed charge coverage ratio as of the end of any fiscal quarter during any period set forth below to be less than the ratio set forth below opposite such period:

Four Fiscal Quarters Ending During Period:	Minimum Consolidated Fixed Charge Coverage Ratio
October 31, 2010, through October 29, 2011	1.50:1.00
October 30, 2011, through October 27, 2012	1.75:1.00
October 28, 2012, and thereafter	1.75:1.00

Consolidated Leverage Ratio

Consolidated leverage ratio means, as of any date of determination, the ratio of (a) consolidated funded indebtedness as of such date to (b) consolidated EBITDA for the measurement period ending on such date.

In accordance with the amendment and waiver to the credit agreement, the Company has agreed that it will not permit the consolidated leverage ratio at any time during any period set forth below to be greater than the ratio set forth below opposite such period:

Four Fiscal Quarters Ending During Period:	Maximum Consolidated Leverage Ratio
October 31, 2010, through October 29, 2011	3.00:1.00
October 30, 2011, through October 27, 2012	2.75:1.00
October 28, 2012, and thereafter	2.75:1.00

Consolidated Senior Secured Leverage Ratio

Consolidated senior secured leverage ratio means, as of any date of determination, the ratio of (a) consolidated funded indebtedness as of such date, minus, without duplication, all unsecured senior subordinated or subordinated indebtedness of Brocade or its subsidiaries on a consolidated basis as of such date (including the McDATA convertible subordinated debt prior to being retired on February 16, 2010), to (b) consolidated EBITDA for the measurement period ending on such date.

In accordance with the amendment and waiver to the credit agreement, the Company has agreed that it will not permit the consolidated senior secured leverage ratio at any time during any period set forth below to be greater than the ratio set forth below opposite such period:

Four Fiscal Quarters Ending During Period:	Maximum Consolidated Senior Secured Leverage Ratio
October 31, 2010, through October 29, 2011	2.50:1.00
October 30, 2011, through October 27, 2012	2.25:1.00
October 28, 2012, and thereafter	2.00:1.00

Contractual Obligations

The following table summarizes our contractual obligations, including interest expense, and commitments as of April 27, 2013 (in thousands):

	Total	Less than 1 Year	1—3 Years	3—5 Years	More than 5 Years
Contractual Obligations:					
2020 Notes [1]	444,375	20,625	41,250	41,250	341,250
2023 Notes [1]	438,331	13,875	27,750	27,750	368,956
Non-cancellable operating leases [2]	80,676	11,953	38,286	21,593	8,844
Non-cancellable capital leases	5,283	2,544	2,680	59	—
Purchase commitments, gross [3]	209,157	209,157	—	—	—
Total contractual obligations	$ 1,177,822	$ 258,154	$ 109,966	$ 90,652	$ 719,050
Other Commitments:					
Standby letters of credit	$ 234	n/a	n/a	n/a	n/a
Unrecognized tax benefits and related accrued interest [4]	$ 110,449	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 $25.6 million, which consists of $3.4 million to be received in less than one year, $13.9 million to be received in one to three years, and $8.3 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 $3.4 million for estimated purchase commitments that we do not expect to consume in normal operations within the next twelve months, in accordance with our policy.

(4) As of April 27, 2013, we had a gross liability for unrecognized tax benefits of $107.8 million and a net accrual for the payment of related interest and penalties of $2.7 million.

Share Repurchase Program. As of April 27, 2013, our Board of Directors had authorized, since the inception of the program in August 2004, a total of $1.3 billion for the repurchase of our common stock. 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, our debt covenants, the trading price of our common stock and other factors, including alternative investment opportunities. For the three months ended April 27, 2013, we repurchased 6.8 million shares for an aggregate purchase price of $38.6 million. Approximately $462.1 million remained authorized for future repurchases under this program as of April 27, 2013. Subsequent to April 27, 2013, and through May 24, 2013, we repurchased 9.3 million shares of our common stock for an aggregate purchase price of $51.1 million. We are subject to certain covenants relating to our borrowings that may potentially restrict the amount of our Company's shares that we can repurchase. We were in compliance with all applicable share repurchase covenants as of April 27, 2013.

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 April 27, 2013, 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 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 six months ended April 27, 2013, as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended October 27, 2012, except as described below.

Acquisitions—Purchase Price Allocation.

We allocate the purchase price of an acquired business to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the acquisition date. The excess of the purchase price over the fair value of the underlying acquired net tangible and intangible assets, if any, is recorded as goodwill. We estimate the fair value of assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques. We adjust the preliminary purchase price allocation, as necessary, typically up to one year after the acquisition closing date as we obtain more information regarding asset valuations and liabilities assumed. For additional discussion, see Note 3, “Acquisitions,” of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

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 are comprised of acquired in-process research and development (“IPRD”) and goodwill.

IPRD impairment testing. IPRD is an intangible asset accounted as an indefinite-lived asset until the completion or abandonment of the associated research and development effort. During the development period, we conduct our IPRD 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 IPRD is impaired. Events which 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, litigations, or customers. Our ongoing consideration of all these factors could result in IPRD impairment charges in the future, which could adversely affect our net income.

We performed our annual development period’s IPRD impairment test using measurement data as of the first day of the second fiscal quarter of 2013. During the test, we first assessed 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 our IPRD asset is less than its carrying amount. After assessing the totality of events and circumstances, we determined that it was not more likely than not that the fair values of our IPRD assets were less than their carrying amounts and no further testing was required.

Goodwill impairment testing. We conduct our goodwill impairment test annually, as of the first day of the second fiscal quarter, and whenever events or changes in facts and circumstances indicate that the fair value of the reporting unit may be less than its carrying amount. Events which 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 all these factors could result in goodwill impairment charges in the future, which could adversely affect our net income.

We use the income approach, the market approach, or a combination thereof, in testing goodwill for impairment for each reporting unit, which we have determined to be at the operating segment level. 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. Our four reporting units are: Storage Area Networking (“SAN”) Products; Ethernet Switching & Internet Protocol (“IP”) Routing, which includes Open Systems Interconnection Reference Model (“OSI”) Layer 2-3 products; Application Delivery Products (“ADP”), which includes OSI Layer 4-7 products; and Global Services.

The first step tests for potential impairment by comparing the fair value of reporting units with reporting units’ net asset values. 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 reporting unit’s carrying value, then a 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 initial acquisition accounting guidance in ASC 805 Business Combinations, 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 unit’s 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 four reporting units using various prices or market multiples applied to the reporting unit’s operating results and then applying an appropriate control premium.

Determining the fair value of a reporting unit or an intangible asset 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 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:

- The Company's operating forecasts;
- 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 2013. During our fiscal year 2013 annual goodwill impairment test under the first step, we used a combination of approaches to estimate reporting units' fair values. We believe that at the time of impairment testing performed in the second fiscal quarter of 2013, the income approach and the market approach were equally representative of a reporting unit's fair value.

Based on the results of our step-one analysis, we believe that all our reporting units pass the step-one test and no further testing is required. However, because some of the inherent assumptions and estimates used in determining the fair value of these reportable segments are outside the control of management, changes in these underlying assumptions can adversely impact fair value. The sensitivity analysis below quantifies the impact of key assumptions on certain reporting units' fair value estimates. The principal key assumptions impacting our estimates were (i) discount rates and (ii) DCF terminal value multipliers. As the discount rates, 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 is not meaningful or useful.

The estimated fair value of the Ethernet Switching & IP Routing reporting unit exceeded its carrying value by approximately $91 million and the ADP reporting unit exceeded its carrying value by approximately $15 million. The respective fair values of our remaining reporting units exceeded carrying value by significant amounts and were not subject to the sensitivity analysis presented below.

The following table summarizes the approximate impact that a change in principal key assumptions would have on the estimated fair value of Ethernet Switching & IP Routing 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%	$ (27) - 28	$ 64 - 119
DCF terminal value multiplier	±0.5x	$ (40) - 40	$ 51 - 131

The following table summarizes the approximate impact that a change in principal key assumptions would have on the estimated fair value of the ADP 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%	$ (4) – 4	$ 11 – 19
DCF terminal value multiplier	±0.5x	$ (4) – 4	$ 11 – 19

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 existing underlying exposures of the Company. 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 United States 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.

The Company did not have any material investments or borrowings as of April 27, 2013, that were sensitive to changes in interest rates.

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 six months ended April 27, 2013, were the Chinese yuan, the euro, the Japanese yen, the Indian rupee, the British pound, the Singapore dollar and the Swiss franc. As such, 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 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 April 27, 2013, we held $102.3 million in gross notional amount of cash flow derivative instruments and $6.4 million in gross notional amount of derivative instruments not designated as hedging instruments. The maximum length of time over which we are hedged as of April 27, 2013, is through July 7, 2014.

We have performed a sensitivity analysis as of April 27, 2013, 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 April 27, 2013. 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 April 27, 2013.

Equity Price Risk

We had no investments in publicly traded equity securities as of April 27, 2013. The aggregate cost of our equity investments in non-publicly traded companies was $7.5 million as of April 27, 2013. 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 April 26, 2013, the last business day of our second fiscal quarter of 2013, the last reported sale price of our common stock on the NASDAQ Global Select Market was $5.82 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 that occurred during the quarter ended April 27, 2013, 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

The information set forth in the Legal Proceedings portion of Note 9, “Commitments and Contingencies,” of the Notes to Condensed Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

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

There is ongoing uncertainty about the domestic and global economies, and there may be a prolonged period of significant economic slowdown. Such uncertainty or slowdown may result in lower growth or a decline in the networking industry as a whole and reduced demand for information technology, including high-performance data networking solutions. Information technology (“IT”) spending has historically declined as federal IT spending decreases and general economic and market conditions have worsened. The loss or delay of orders from any of Brocade’s more significant customers, such as the U.S. government or individual branches or agencies within the U.S. government, such as the Department of Defense or certain intelligence agencies where Brocade’s revenue is highly concentrated, or customers within the financial services, education, health sectors and service providers, could also cause its revenue and profitability to suffer. For example, if Brocade experiences governmental procurement delays due to the timing of approval of the federal budget or budget reductions that target specific agencies where Brocade’s federal revenue is concentrated, Brocade’s revenue and operating results could be negatively impacted. If the domestic and/or global economies undergo a prolonged period of significant uncertainty or a significant downturn, or if Brocade’s customers believe such a period of uncertainty or a downturn will continue for a sustained period, they will likely reduce their IT spending and future budgets. Brocade is particularly susceptible to reductions in IT spending because the purchase of Brocade’s products is often discretionary and may involve a significant commitment of capital and other resources. Future delays or reductions in IT spending, domestically and/or internationally, could harm Brocade’s business, results of operations and financial condition in a number of ways, including longer sales cycles, increased inventory provisions, intangible assets and goodwill impairment, increased production costs, lowered prices for products and reduced sales volumes. Similarly, as Brocade’s suppliers face challenges in obtaining credit or otherwise in operating their businesses, they may become unable to continue to offer the materials Brocade uses to manufacture its products. These events have caused—and may cause further—reductions in Brocade’s revenue, profitability and cash flows, increased price competition, increased operating costs and longer fulfillment cycles and may exacerbate many other risks noted elsewhere in this Form 10-Q, which adversely affect Brocade’s business, results of operations and financial condition.

Given the current uncertainty about the extent and duration of the global financial recovery, it is increasingly difficult for Brocade, Brocade’s customers and Brocade’s suppliers to accurately forecast future product demand trends, which could cause Brocade to produce excess products that would increase Brocade’s inventory carrying costs and could result in obsolete inventory that would reduce Brocade’s profits. Alternatively, this forecasting difficulty could cause a shortage of products or materials used in Brocade’s products that would result in an inability to satisfy demand for Brocade’s products and a loss of revenues and market share.

A prolonged period of economic uncertainty or a downturn may also significantly affect financing markets, the availability of capital and the terms and conditions of financing arrangements, including the overall cost of financing. Circumstances may arise in which Brocade needs, or desires, to raise additional capital; however, such capital may not be available on commercially reasonable terms, or at all, which in turn could adversely affect Brocade’s financial condition.

Intense competition in the market for networking solutions could prevent Brocade from increasing or maintaining revenue, profitability and cash flows with respect to its networking solutions.

The networking market is increasingly competitive. While Cisco Systems, Inc. (“Cisco”) maintains a dominant position in the IP networking market, other companies have strengthened their networking portfolios through acquisitions, including the acquisition of Force10 Networks by Dell Inc. (“Dell”), the acquisition of 3Com Corporation by Hewlett-Packard Company (“HP”), and the acquisition of Blade Network Technologies by International Business Machines Corporation (“IBM”). These acquisitions have limited Brocade’s ability to sell IP networking products through these companies and may also indirectly impact the Fibre Channel (“FC”) Storage Area Networking (“SAN”) business. HP, IBM, Dell and Oracle Corporation ("Oracle") are important OEM partners for Brocade in the FC switching market, yet are Brocade’s competitors in other markets. Other competitors in the IP networking market include Arista Networks, Inc. (“Arista”), Alcatel-Lucent, Avaya, Inc., (“Avaya”), A10 Networks, Inc. (“A10”), Enterasys Networks, Inc., Extreme Networks, Inc., F5 Networks, Inc., Huawei Technologies Co. Ltd. and Juniper Networks, Inc. (“Juniper”).

Brocade also competes with providers of SAN products and services for interconnecting servers and storage. These principal competitors include Cisco and QLogic Corporation in the FC switching market and QLogic Corporation and Emulex Corporation in the HBA/converged network adapter (“CNA”) markets. Also, Brocade’s OEM partners have developed and may in the future develop partnerships with Brocade’s competitors in the storage and networking markets to sell packaged solutions which may impact Brocade’s business with that partner and Brocade’s ability to compete in the marketplace.

The above-referenced acquisitions and business partnerships demonstrate the increasingly complex nature of relationships within the networking industry, especially as the IT industry migrates to cloud-based architectures, which include Infrastructure-as-a-Service, Platform-as-a-Service and Software-as-a-Service. This trend has led the networking industry to introduce new solutions and technology architectures to support cloud computing. One development in this area is Brocade’s efforts behind “Ethernet fabrics” where Brocade is shipping the Brocade VDX family of Data Center Switches and Brocade VCS software, a portfolio of products that are designed or can be used to support cloud-based architectures. Brocade’s competitors, such as Juniper and Cisco, have introduced and have also begun shipping new products focused on cloud computing and delivering alternative network solutions. Other competitors, including Arista Networks, Avaya, Alcatel-Lucent and Dell/Force10 Networks have all introduced roadmaps and solutions targeted at cloud-computing users.

Another area of increased competition is the development of software-defined networking, or SDN, which reflects the need for networks to become more flexible, agile and elastic. There have been many key industry developments behind SDN that impact R&D, partnerships and mergers and acquisitions (“M&A”) activity. Recent and significant examples include VMware, Inc.’s acquisition of Nicira, Inc., Cisco’s acquisition of vCider, Inc. and Juniper’s acquisition of Contrail Systems, Inc. While development of SDN is still in its early stages, a slower rate of adoption of SDN and loss of key partnerships with other SDN contributors would negatively impact Brocade’s opportunity to grow in this area.

Some of Brocade’s competitors have greater market leverage, longer operating histories, greater financial, technical, sales, marketing and other resources, more name recognition and larger installed customer bases. Brocade’s competitors could also adopt more aggressive pricing policies than Brocade. Brocade believes that competition based on price may become more aggressive than it has traditionally experienced. As a result of these factors, Brocade’s competitors could devote more resources to develop, promote and sell their own products, and, therefore, those competitors could respond more quickly to changes in customer or market requirements. Additionally, some of Brocade's OEM partners also offer products that compete with Brocade's, and those OEM partners could devote more resources to their own products rather than Brocade's and respond more quickly to such changes and requirements. Brocade’s failure to successfully compete in the market would harm Brocade’s business and financial results.

Brocade's failure to successfully grow a channel and direct sales model or any other significant failure to execute on Brocade's overall sales strategy could significantly reduce Brocade's revenues and negatively affect Brocade's financial results.

Brocade offers its IP networking products through a multi-path distribution strategy, including through resellers, distributors, Brocade's direct sales force and through OEMs that have historically offered Brocade SAN products. However, Brocade's efforts to increase sales through this multi-path distribution strategy may not generate much, if any, incremental revenue opportunities for Brocade. This is further compounded by the fact that several of Brocade's major OEM customers, including Dell, IBM, HP and Oracle, have acquired companies that offer IP networking products competitive to Brocade's offerings. A loss of or significant reduction in revenue through one of Brocade's paths to market would impact Brocade's financial results.

Additionally, Brocade has focused substantial resources on the IP networking market. This focus may negatively impact Brocade's other businesses such as its SAN products because management's attention and limited resources, such as employees, may be reallocated away from Brocade's SAN products and toward IP networking products. Brocade must continually anticipate and respond to the needs of its distribution partners and their customers, and ensure that its products integrate with their solutions. Brocade's failure to successfully manage and grow its distribution relationships or the failure of its distribution partners to sell Brocade's products could reduce Brocade's revenues significantly, especially for its IP networking portfolio. In addition, Brocade's ability to respond to the needs of its distribution partners in the future may depend as well on third parties producing complementary products and applications for Brocade's products to enable these partners to be competitive in the market. There can be no assurance that Brocade will be successful in expanding its go-to-market objectives, which include effectively maintaining or expanding its distribution channels, managing distribution relationships successfully, and marketing its products through distribution partners. If Brocade fails to respond successfully to the needs of these distribution partners, its business and financial results could be adversely affected.

Additionally, Brocade recently announced that it is making certain changes in strategic direction focusing on key technology segments, as well as investing in data center and federal market opportunities. As part of this anticipated change in focus, Brocade expects to reduce cost of revenues and other operating expenses by $100 million on an annualized basis by the second quarter of fiscal year 2014. This anticipated change in focus will also result in the rebalancing of resources away from certain non-key areas of its business and may impact Brocade's ability to generate revenue from certain markets, geographies and customers. There is no assurance that this new strategic direction will succeed, and failure to execute on this strategy could adversely affect Brocade's revenues and financial results. Also, this transition may result in uncertainty by employees, customers and partners that could adversely affect Brocade's business and revenues.

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

The average selling price for Brocade's products has typically declined in the past and will likely decline in the future as a result of competitive pricing pressure, broader macroeconomic factors, product mix, enhanced marketing programs, increased sales discounts, new product introductions by Brocade or Brocade's competitors, the entrance of new competitors and other factors. Price declines may also increase as competitors ramp up product releases that compete with Brocade's products. Furthermore, particularly if economic conditions deteriorate and drive a more cautious capital spending environment in the technology sector, Brocade and its competitors could pursue more aggressive pricing strategies in an effort to maintain or seek to increase sales levels. If Brocade is unable to offset the negative impact from the above factors on the average selling price of Brocade's products by increasing the volume of products shipped or reducing product manufacturing costs, Brocade's total revenues and gross margins will be negatively impacted.

In addition, to maintain Brocade's gross margins, Brocade must maintain or increase the number of existing products shipped and develop and introduce new products and product enhancements with improved costs, and continue to reduce the overall costs of Brocade's products. While Brocade has successfully reduced the cost of manufacturing its products in the past, Brocade may not be able to continue to reduce cost of production at historical rates, or at all. Moreover, most of Brocade's expenses are fixed in the short-term or incurred in advance of receipt of corresponding revenue. As a result, Brocade may not be able to decrease its spending quickly enough or in sufficient amounts to offset any unexpected shortfall in revenues. If this occurs, Brocade could incur losses and Brocade's operating results and gross margins could be below expectations.

Additionally, Brocade's gross margins may be negatively affected by fluctuations in manufacturing volumes, component costs, foreign currency exchange rates, the mix of product configurations sold, the mix of distribution channels through which its products are sold or, if product or related warranty costs associated with Brocade's products are greater than previously experienced. Brocade has also stated its plans to increase gross margins for its IP Networking products by a combination of initiatives, including new product introductions with improved gross margins, normalized pricing, inventory management and increased product volumes. If Brocade is not able to successfully execute on one or more of these ongoing initiatives, gross margin improvements may not be realized.

A limited number of major OEM partners comprise a significant portion of Brocade's revenues and the loss of any of these major OEM partners could significantly reduce Brocade's revenues and negatively affect Brocade's 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. As a result, these large OEM partners have a significant influence on Brocade's quarterly and annual financial results. For fiscal years 2012, 2011, and 2010, the same three customers each represented 10% or more of Brocade's total net revenues, for a combined total of 47%, 43% and 47% of total net revenues, respectively. Brocade's agreements with its OEM partners are typically cancellable, non-exclusive, have no minimum purchase requirements and have no specific timing requirements for purchases. Brocade's OEM partners could also elect to eliminate, reduce, or rebalance the amount they purchase from Brocade and/or increase the amount purchased from Brocade's competitors or introduce their own technology. Changes to SAN inventory levels paid for and held by Brocade's OEMs at one or multiple partners can impact Brocade's revenue and earnings results and may mask underlying changes in end-user demand.

Also, one or more of Brocade's OEM partners could elect to consolidate or enter into a strategic partnership with one of Brocade's competitors, 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. The loss of any one significant OEM partner, or a decrease in the level of sales to any one significant OEM partner, or unsuccessful quarterly negotiation on key terms, conditions or timing of purchase orders placed during a quarter, would likely cause serious harm to Brocade's business and financial results.

Brocade's OEM partners evaluate and qualify Brocade's SAN products for a limited time period before they begin to market and sell them. Assisting Brocade's OEM partners through the evaluation process requires significant sales, marketing and engineering management efforts on Brocade's part, particularly if Brocade's SAN products are being qualified with multiple distribution partners at the same time. In addition, once Brocade's SAN products have been qualified, its customer agreements have no minimum purchase commitments. Accordingly, despite expending significant resources in the product qualification process, Brocade may not generate meaningful sales, if any, to these partners for some of Brocade's products.

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

Developing new product and service offerings requires significant upfront investments that may not result in revenue for an extended period of time, if at all. Brocade must achieve widespread market acceptance of its new product and service offerings on a timely basis in order to realize the benefits of Brocade's investments. However, the market for networking solutions, driven in part by the growth and evolution of the Internet, is characterized by rapidly changing technology, accelerating 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 developing and supplying high-quality, cost-effective products, product enhancements and services on a timely basis and by keeping pace with technological developments and emerging industry standards. This risk may become more pronounced as Brocade focuses its efforts more narrowly.

For example, adoption of IP storage technologies, such as Network Attached Storage and Internet Small Computer System Interface, may displace existing products in customer IT implementations and may erode the total addressable market for FC products. Brocade's sales of FC switching products may be negatively impacted if customers accelerate their adoption of alternative storage networking technologies.

Brocade is also an early developer of—and the first-to-market with—Ethernet fabrics based on the Brocade VDX switches and Brocade VCS software, which were built to provide the features necessary to support server virtualization and cloud-based architectures. Brocade recently added to this portfolio with the introduction of the Brocade VDX 8770 Modular Switch, which enables customers to build larger-scale fabrics to support larger virtualized data centers and cloud deployments. The success of Ethernet fabrics will depend on customers recognizing the benefits of upgrading their data center local area networks to fabric-based networking architectures. Brocade plans to continue to invest in this area with new and enhanced Ethernet fabric solutions focused on data center applications, therefore, Brocade's future success would be negatively impacted if this technological transition does not occur at the anticipated rate, or at all.

Other factors that may affect Brocade's successful introduction of new product and service offerings include Brocade's ability to:

- Properly determine the market for and define new products and services, which can be particularly challenging for initial product offerings in new markets;
- Excel as the networking market becomes more competitive;
- Differentiate Brocade's new products and services from its competitors' technology and product offerings;
- Address the complexities of interoperability of Brocade's products with its installed base, OEM partners' server and storage products, and its competitors' products;
- Meet or exceed customer requirements for product features, cost-effectiveness, and scalability; and
- Maintain high levels of product quality and reliability.

Various factors impacting market acceptance of Brocade's products are outside of Brocade's control, including the following:

- The availability and price of competing products and alternative technologies;
- The cost of certain product subcomponents, which could cause Brocade to modify prices to maintain adequate gross margins;
- Product qualification requirements by Brocade's OEM partners, which can cause delays in market acceptance;
- The timing of the adoption of new industry standards relative to Brocade's development of new technologies and products; and
- The ability of Brocade's OEM partners to successfully distribute, support and provide training for its products.

In view of such factors, Brocade may delay, scale back or cancel potential new products or services, even where Brocade may have invested in or publicized such efforts. Such a delay, scale back or cancellation could, for example, disappoint potential customers and cause them to seek other vendors or lead to unfavorable publicity or other negative consequences, even where the circumstances that led to the delay, scale back or cancellation were unanticipated or outside of Brocade's control.

If Brocade is not able to successfully develop and market new and enhanced products and services on a timely basis, its business and results of operations will likely be harmed.

As Brocade introduces new or enhanced products, Brocade must also successfully manage the transition from older products to minimize disruption in customers' ordering patterns, avoid excessive levels of older product inventories 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 sales of some of Brocade's current products, thereby offsetting the benefit of even a successful product introduction and may cause customers to defer purchasing its existing products in anticipation of its new products. When Brocade introduces new or enhanced products, Brocade faces numerous risks relating 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 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 purchase competing products which would adversely affect Brocade's business and financial results.

If Brocade loses key talent or is unable to hire additional qualified talent, Brocade's business may be harmed.

Brocade's success depends, to a significant degree, upon the continued contributions of key management including executive officers, engineering, sales and other talent, many of whom would be difficult to replace. In particular, Lloyd Carney was recently appointed as Brocade's Chief Executive Officer succeeding the former Chief Executive Officer, Michael Klayko, and Jeff Lindholm was recently appointed as Brocade's Senior Vice President of Worldwide Sales. 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 Brocade's ability to effectively attract highly skilled sales talent in addition to managerial, engineering and other talent, and on the ability of management to operate effectively, both individually and as a group, in geographically diverse locations. There is limited qualified talent in each applicable market, and competition for such talent has become much more aggressive. Other companies in Brocade's industry and geographic regions are recruiting from the same limited talent pool which creates further compression on the availability of qualified talent. 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 areas such as sales, application-specific integrated circuits ("ASICs"), software, system and test, product management, marketing, service and customer support.

Additionally, stock-based compensation is a major component of Brocade's total compensation philosophy. To the extent Brocade's stock price declines, Brocade's ability to incentivize, retain or attract qualified talent could be negatively impacted.

In addition, companies in the computer storage, networking and server industries whose employees accept positions with competitors may claim that their competitors have engaged in unfair hiring practices or that there will be inappropriate disclosure of confidential or proprietary information. Brocade may be subject to such claims in the future as Brocade seeks to hire additional qualified talent. Such claims could result in litigation. As a result, Brocade could incur substantial costs in defending against these claims, regardless of their merits, and be subject to additional restrictions if any such litigation is resolved against Brocade.

Additionally, Brocade recently announced that it is making certain changes in strategic direction focusing on key technology segments, as well as investing in data center and federal market opportunities. Transitioning to this new strategic direction may result in reduced productivity and could adversely affect Brocade's ability to retain and hire key personnel.

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 negatively affect Brocade's ability to sell its products or services.

Brocade has a substantial amount of acquired intangible assets, goodwill and deferred tax assets on its balance sheet, and Brocade could be required to record impairment charges for these assets; any impairment of the carrying value of those assets could adversely affect Brocade's business and financial results.

Brocade has a substantial amount of acquired intangible assets, goodwill and deferred tax assets on its balance sheet. The goodwill and acquired intangibles relate to Brocade's prior acquisitions. In response to changes in industry and market conditions, Brocade may elect to realign its resources strategically and consider restructuring, selling, disposing of, or otherwise exiting businesses. Any decision to limit investment in, sell, dispose of or otherwise exit businesses may result in the recording of special charges, such as inventory and technology-related write-offs, goodwill impairment charges, intangible asset write-offs, workforce reduction costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of discontinued products.

Brocade is organized into four operating segments, of which two are individually reportable segments: SAN Products and Global Services. The other two operating segments, Ethernet Switching & IP Routing and ADP, combine to form a third reportable segment: IP Networking Products. Brocade's determination of fair value of long-lived assets relies on management's assumptions of future revenues, operating costs, and other relevant factors. 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, the estimate of the fair value of Brocade's reporting units could change significantly, which could result in goodwill impairment charges. Brocade's estimates with respect to the useful life or ultimate recoverability of Brocade's carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Brocade is required to perform goodwill impairment tests on an annual basis and between annual tests in certain circumstances, and future goodwill impairment tests may result in a charge to earnings. Brocade conducted its annual goodwill impairment test during the second fiscal quarter of 2013, and determined that no impairment needed to be recorded (see Note 4, "Goodwill and Intangible Assets," of the Notes to Condensed Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q, and sensitivity analysis performed in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations). The amount by which the estimated fair value of the Ethernet Switching & IP Routing and ADP reporting units exceeded the carrying value has declined since the second quarter of fiscal year 2012. If future goodwill 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 capital loss carryforwards for which a valuation allowance has been applied. In the event 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 are no longer more likely than not.

Brocade's estimates relating to the liabilities for excess facilities are also affected by changes in real estate market conditions. In addition, Brocade has made investments in certain private companies which could become impaired, requiring a write-down of current value of such investments and a charge to earnings, if the operating results of those companies change adversely.

The failure to accurately forecast demand for Brocade's products or the failure to successfully manage the production of Brocade's products could increase Brocade's product cost or adversely affect Brocade's ability to manufacture and sell Brocade's products.

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. Therefore, if Brocade or these third-party partners are 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, the sales and demand forecasts may not reflect the most accurate, up-to-date information. 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. Furthermore, Brocade may not be able to identify forecast discrepancies until late in its fiscal quarter. Consequently, Brocade may not be able to make timely adjustments to its business model. If Brocade is unable to obtain adequate manufacturing capacity from its CMs, or if Brocade is unable to make necessary adjustments to Brocade's business model to offset forecast discrepancies, revenue may be delayed or even lost to Brocade's competitors and Brocade's business and financial results may be harmed. 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 rapidly reduce these fixed costs.

Brocade's ability to accurately forecast demand also may become increasingly more difficult as Brocade introduces new or enhanced products, begins phasing out certain products, or acquires other companies or businesses. Forecasting demand for products that are nearing end of life or are being replaced by new versions, and decreasing production on these older products, while at the same time ramping up production of new products, may be difficult. Brocade may be unable to obtain adequate supply of new product components and/or manufacturing capacity from its CMs to meet customers' delivery requirements and such a situation may negatively impact revenues. Brocade may also accumulate excess inventories that may negatively impact gross margins due to write-downs for excess and/or obsolete inventory.

In addition, although the purchase orders placed with Brocade's CMs are cancellable in certain circumstances, if Brocade cancels any of its CM purchase orders, Brocade could be required to purchase certain unused material from the CM if that material is not returnable, usable by, or sold to other customers. This purchase commitment exposure is particularly high in periods of new product introductions and product transitions. If Brocade is required to purchase unused material from Brocade's CMs, Brocade could incur unanticipated expenses, including write-downs for excess and/or obsolete inventory, and Brocade's business and financial results could be negatively affected. In the past, Brocade has experienced delays in shipments of its IP networking products from its CMs and OEM partners, which in turn delayed product shipments to its customers. Brocade may in the future experience similar delays or other problems, any of which could adversely affect Brocade's business and operating results.

Brocade's revenues and operating results and financial position may fluctuate in future periods due to a number of factors, which make predicting results of operations difficult and could adversely affect the trading price of Brocade's stock.

IT spending is subject to cyclical and uneven fluctuations. It can be difficult to predict the degree to which 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 products. While Brocade's first and fourth fiscal quarters have typically been seasonally stronger quarters than its second and third fiscal quarters, particularly for SAN products, future buying patterns may differ from historical seasonality. In addition, the U.S. federal budget for government IT spending can be subject to delay, reductions and uncertainty from time to time due to political and legislative volatility, which could cause Brocade's financial results to fluctuate unevenly and unpredictably.

Uneven sales patterns are not only difficult to predict, but they also can result in irregular shipment patterns that can cause shortages or underutilized capacity, increase costs due to higher inventory levels and otherwise adversely impact inventory planning. For example, Brocade's IP networking business has experienced significantly higher levels of sales toward the end of a fiscal period. Orders received toward the end of the period may not ship within the period due to Brocade's manufacturing lead times. This exposes Brocade to additional inventory risk because Brocade must order products in anticipation of expected future orders, and additional sales risk will result if Brocade is unable to fulfill unanticipated demand.

Brocade's quarterly and annual revenues, operating results, financial position and other financial and operating metrics may vary significantly in the future due to the factors noted above as well as other factors, including but not limited to, the following:

- Shipment of a high number of customer orders toward the end of a fiscal quarter will increase reported receivables outstanding at the end of the period relative to reported sales for the period resulting in higher days sales outstanding, commonly referred to as "DSO";
- Disruptions, or a continued decline, in general economic conditions, as well as potential impacts from lower IT spending due to the Budget Control Act of 2011, particularly in the IT industry and U.S. federal government budget cycles, especially governmental departments such as the Department of Defense and certain intelligence agencies that are likely to be negatively impacted by budget reductions and where Brocade's revenue is highly concentrated;
- Announcements and/or rumors of pending or completed acquisitions or other strategic transactions by Brocade, its competitors or its partners;
- Announcements, introductions and transitions of new products by Brocade, its competitors or its partners;
- Product qualifications and product introductions of Brocade's partners;
- Long and complex sales cycles and the timing of customer orders;
- Internal supply and inventory management objectives of Brocade's OEM partners and other customers;
- Brocade's ability to timely produce products that comply with new environmental restrictions or related requirements of its customers;
- Brocade's ability to obtain sufficient supplies of sole- or limited-sourced components, including ASICs, microprocessors, certain connectors, certain logic chips and programmable logic devices;
- Availability of supply or increases in prices of components used in the manufacture of Brocade's products;
- Variations in the mix of Brocade's products sold and the mix of distribution channels and geographies through which they are sold;
- Pending or threatened litigation, including any settlements or judgments related to such litigation;
- Stock-based compensation expense that is affected by Brocade's stock price;
- Examinations by government tax authorities that may have unfavorable outcomes and subject Brocade to additional tax liabilities;
- New legislation and regulatory developments, including increases to tax rates or changes to treatment of an income or expense item; and
- Other risk factors detailed in this section.

Accordingly, Brocade's quarterly and annual revenues and operating results may vary significantly in the future. The results of any prior periods should not be relied upon as an indication of future performance. Brocade cannot assure you that in future quarters, Brocade's revenues or operating results will not be below Brocade's projections or the expectations of stock market analysts or investors, which could affect Brocade's financial position and cause Brocade's stock price to decline.

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

Brocade has in the past acquired, or made strategic investments in, other companies, products or technologies, for example, Brocade acquired Foundry in December 2008, and most recently acquired Vyatta in November 2012, and Brocade expects to make additional acquisitions and strategic investments in the future. Brocade may not realize the anticipated benefits of any of its acquisitions or strategic investments, which involve numerous risks, including, but not limited to the following:

- Difficulties in successfully integrating the acquired businesses and realizing any expected synergies;
- Inability to effectively coordinate sales and marketing efforts to communicate the capabilities of the combined company;
- Customer uncertainty that may cause 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;
- Unanticipated costs, litigation and other contingent liabilities;
- Diversion of management's attention from Brocade's daily operations and business;
- Adverse effects on existing business relationships with suppliers and customers;
- 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 retain key customers, distributors, vendors and other business partners of the acquired business;
- Inability to successfully develop new products and services on a timely basis that 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 and harmonize financial reporting and information technology systems;
- Failure to successfully manage additional remote locations, including the additional 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 Brocade's ability to satisfy financial and other negative operating covenants;
- Additional costs such as increased costs of manufacturing and service costs, 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 and severance payments, reorganization or closure of facilities, taxes, advisor and professional fees, and termination of contracts that provide redundant or conflicting services;
- Incurrence of significant exit charges if products acquired in business combinations are unsuccessful;
- Incurrence of significant charges if Brocade divests, disposes of or otherwise exits all or part of an acquired business;

- Incurrence of acquisition and integration related costs, or amortization costs for acquired intangible assets, that could negatively impact Brocade's operating results and financial condition; and

- Potential write-down of goodwill, acquired intangible assets and/or deferred tax assets, which are subject to impairment testing on an annual basis, and could significantly impact Brocade's operating results.

Brocade may also divest certain businesses from time to time. Such divestitures will likely involve risks, such as difficulty splitting up businesses, distracting employees, potential loss of revenue and negatively impacting margins, and potentially disrupting customer relationships.

If Brocade is not able to successfully integrate or divest products, technologies or personnel from businesses that Brocade acquires or divests, or if Brocade is not able to realize the expected benefits of Brocade's acquisitions, divestitures or strategic investments, Brocade's business and financial results would be adversely affected.

Brocade has extensive international operations, which subjects it to additional business 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. Brocade plans to continue to expand its international operations and sales activities. Brocade's international sales of its IP networking products have primarily depended on a variety of its resellers, including Tech Data Corporation and Avnet Inc. in Europe and Net One Systems in Japan. The failure by international resellers to sell Brocade's products could limit its ability to sustain and grow revenue. 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 that could cause reductions in customer and public sector IT spending;

- Exposure to inflationary risks in China and the continuing sovereign debt risk and economic instability in Europe;

- Reduced or limited protection of intellectual property rights, particularly in jurisdictions that have less developed intellectual property regimes such as China and India;

- Managing research and development teams in geographically diverse locations, including teams divided between the United States and India;

- Significant wage inflation in certain growing economies such as India;

- Increased exposure to foreign currency exchange rate fluctuations, including the appreciation of foreign currencies such as the Chinese yuan or European Union's euro;

- Communicating effectively 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;

- Complying with governmental regulation of encryption technology and regulation of imports and exports, including obtaining required import or export approval for its products;

- Increased complexity and costs of managing international operations;

- Commercial laws and business practices that favor local competition;

- Multiple, potentially conflicting, and changing governmental laws, regulations and practices, including differing export, import, tax, labor, anti-bribery and employment laws;

- 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; and
- Increased complexity of logistics and distribution arrangements.

Failure to manage effectively Brocade’s international operations or expansion of those operations could seriously harm Brocade’s business, financial condition and prospects. In addition, international political instability may halt or hinder Brocade’s ability to do business and may increase Brocade’s costs. Various events, including the occurrence or threat of terrorist attacks, increased national security measures in the United States and other countries, and military action and armed conflicts, may suddenly increase international tensions. Such events may have an adverse effect on the world economy and could adversely affect Brocade’s business operations or the operations and financial results of Brocade’s OEM partners, end-user customers and channel customers, CMs and suppliers.

To date, no material amount of Brocade’s international revenues and cost of revenues have been denominated in foreign currencies. As a result, an increase in the value of the U.S. dollar relative to foreign currencies could make Brocade’s products more expensive and, thus, not competitively priced in foreign markets. Additionally, a decrease in the value of the U.S. dollar relative to foreign currencies could increase Brocade’s product and operating costs in foreign locations (e.g., appreciation of the European Union’s euro, Chinese yuan and Indian rupee). In the future, a larger portion of Brocade’s international revenues may be denominated in foreign currencies, which will subject Brocade to additional risks associated with fluctuations in those foreign currencies. In addition, Brocade may be unable to successfully hedge against any such fluctuations.

Brocade is subject to—and may in the future be subject to other—intellectual property infringement claims and litigation that are costly to defend and/or settle, and that could result in significant damages and cost awards against Brocade and limit Brocade’s ability to use certain technologies in the future.

Brocade competes in markets that are frequently subject to claims and related litigation regarding patent and other intellectual property rights. From time to time, third parties have 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, or may concern Brocade’s hiring of a former employee of the third-party claimant. Brocade and companies acquired by Brocade, such as Foundry, have in the past incurred, are currently incurring, and will in the future incur, substantial expenses to defend against such third-party claims. Brocade’s suppliers and customers also may be subject to third-party intellectual property claims, which could negatively impact their ability to supply Brocade or their willingness to purchase from Brocade, respectively. In addition, Brocade may be subject to claims and indemnification obligations with respect to third-party intellectual property rights pursuant to Brocade agreements with suppliers, OEM and channel partners or customers. If Brocade refuses to indemnify or defend from such claims, for instance, even in situations where the allegations are meritless, then suppliers, partners or customers may refuse to do business with Brocade. The third-party asserters of such intellectual property claims may be unreasonable in their demands, or may simply refuse to settle, which could lead to expensive settlement payments, prolonged periods of litigation expenses, additional burden on employees or other resources, distraction from Brocade’s business initiatives and operations, component supply stoppages and lost sales.

In the event of an adverse determination, Brocade could incur substantial monetary liability and be prohibited from utilizing certain intellectual property or technology, hiring certain people, selling, shipping, importing or servicing certain products or incorporating necessary components into Brocade’s products. Suppliers of components or OEM systems to Brocade may be unwilling to, or not be able to, defend or indemnify Brocade against third-party assertions directed at—or based in part on—the components or systems they supply to Brocade, and may be unwilling to take licenses that would assure Brocade’s supply of such components or OEM systems. Suppliers subject to third-party intellectual property claims also may choose to—or be forced by litigation to—discontinue or alter components or services supplied to Brocade, with little or no advance notice to Brocade. Customers may perceive such third-party intellectual property claims as risks, and may, as a result, be less willing to do business with Brocade. Such third-party claims or litigation could also negatively impact Brocade’s recruiting efforts or ability to retain its employees. Any of the above scenarios could have a material adverse effect on Brocade’s financial position, results of operations, cash flows, and future business prospects.

Brocade's intellectual property rights may be infringed 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 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 rights may be impractical. In addition, Brocade has filed, and may in the future file, lawsuits against third parties in an effort to enforce its intellectual property rights. For instance, in the fourth quarter of fiscal year 2010, Brocade filed a patent infringement, copyright infringement, trade secret misappropriation and unfair competition lawsuit against A10 and certain individuals. (See Legal Proceedings section of Note 9, "Commitments and Contingencies," of the Notes to Condensed Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q). 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, and no assurance that any awarded damages ultimately will be paid to Brocade. Further, 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 attorney fees and costs. Further, the opposing party may counterclaim against Brocade, for example, for infringement of its own patents or other intellectual property rights, or may assert other tort or contract claims, which could lead to further expense and potential exposure for Brocade. 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 its allegedly unfair competition, for various reasons, such as, for example, the defendant's efforts to design around Brocade's intellectual property and/or marketplace desire to continue doing business with the defendant.

Brocade relies on a combination of patent, copyright, trademark and trade secret laws, and 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 to address the particular risk, or reliable, due to, for instance, employee hiring and turnover, geographic dispersion of employees, technology disclosures with suppliers, customers, and partners, unpredictable events, misappropriation or negligence, operations in various countries that do not have well-established or reliable enforcement institutions or customs, or other aspects of doing business on the scale of Brocade's operations. The measures Brocade has taken to protect its intellectual property rights in its proprietary technologies including, for instance, by contractual, security, patent or trademark applications, or other means, may prove inadequate, which could result in a loss of intellectual property rights. Brocade attempts to identify its technological developments for assessment of whether to file patent applications, but there can be no assurance that all patentable technological developments will be captured in patent applications. Further, although Brocade has patent applications pending, there can be no assurance that patents will be issued from pending applications, or that claims allowed on any future patents will be sufficiently broad to protect its technology. Patents issued may later be held invalid, such as in Patent Office reexaminations or litigation. Further, physical and operational security can be adversely affected, and associated policies and training rendered ineffective, by employee attitudes, carelessness or disregard for policies, failures to obtain, or ineffectiveness of, non-disclosure agreements, malfeasors or changes in technology, such as the now-near-ubiquitous availability of portable memory devices, or cyber attacks due to the rise of the Internet. In addition, due to less developed intellectual property regimes in certain jurisdictions, Brocade may not be able to protect fully its intellectual property as Brocade expands its operations globally.

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

Many of Brocade's products are designed to include software or other intellectual property licensed from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of its products, Brocade believes that, based upon past experience and standard industry practice, such licenses generally can be obtained on commercially reasonable terms. Nonetheless, 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 "open source" software in Brocade's products, or if companies acquired by Brocade, such as Foundry or Vyatta, failed in such regard, Brocade may be required to license proprietary portions of Brocade's products on a royalty-free basis or expose proprietary parts of source code, or to commence costly product redesigns, which could result in a loss of intellectual property rights, product performance degradation or delay in shipping products to customers.

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 results of operations.

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 ASICs, and 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 switching fabrics. 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 experiences component defects, Brocade may not be able to deliver Brocade’s products to Brocade’s 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 or to 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 results of operations.

In addition, the loss of any of Brocade’s major third-party 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 delays, disruptions, capacity constraints, component parts shortages or quality control problems in its manufacturing operations, shipment of Brocade’s products to Brocade’s customers could be delayed and result in loss of revenues and Brocade’s competitive position and relationship with customers could be harmed.

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

Networking products frequently contain undetected software or hardware errors, or bugs, when first introduced or as new versions are released. Brocade’s products are becoming increasingly complex, and particularly 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’s 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 or undetected errors. Some types of errors may not be detected until the product is installed in a heavy production or user environment. In addition, Brocade’s products are often combined with other products, including software from other vendors, and these products often need to interface with existing networks, each of which have different specifications and utilize multiple protocol standards and products from other vendors. As a result, when problems occur, it may be difficult to identify the source of the problem. These problems may cause Brocade to incur significant warranty and repair costs, may divert the attention of engineering personnel from product development efforts, and may cause significant customer relations problems such as reputational problems with customers. Moreover, the occurrence of hardware and software errors, whether caused by another vendor’s storage, data management or IP networking products or Brocade’s, could delay market acceptance of Brocade’s new products.

Brocade’s business is subject to increasingly complex corporate governance, public disclosure, accounting and tax requirements and environmental regulations that could adversely affect Brocade’s business and financial results.

Brocade is subject to 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 SEC, the IRS and NASDAQ, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. In addition, the Department of Treasury, the SEC and various Congressional representatives have recently proposed additional rules and regulations that may go into effect in the near future. In 2010, the Dodd-Frank Wall Street Reform and Protection Act (the "Dodd-Frank Act") was enacted. The Dodd-Frank Act included significant corporate governance and executive compensation-related provisions and also required the SEC to adopt additional rules and regulations in areas such as “say on pay” and proxy access. Brocade is also subject to various rules and regulations of certain foreign jurisdictions, including applicable tax regulations. 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.

The Dodd-Frank Act could also negatively impact Brocade's supply chain or impose additional costs related to that supply chain as it requires certain public companies to disclose whether certain minerals, commonly known as "conflict minerals," are necessary to the functionality or production of a product manufactured by those companies and if those minerals originated in the Democratic Republic of the Congo (DRC) or an adjoining country. It may be possible that conflict minerals may be part of the supply chain in the electronics industry and contained in Brocade's products. To comply with the Dodd-Frank Act, as determined by the SEC, Brocade will be required to perform due diligence and disclose whether or not its products contain such minerals and, if so, Brocade will be required to disclose from which countries and sources (e.g. smelters) the minerals were obtained. The implementation of these requirements by government regulators and Brocade's partners and/or customers could adversely affect the sourcing, availability, and pricing of minerals used in the manufacture of certain components used in Brocade's products. In addition, Brocade will incur additional costs to comply with the disclosure requirements for conflict minerals, including costs related to determining the source of any of the relevant minerals and metals used in Brocade's products. As a result, Brocade's business and financial results could be adversely affected.

Similarly, any change 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, could result in a material increase in Brocade's tax expense. For example, in the 2013 and 2014 federal budget proposals, the President of the United States and the U.S. Treasury Department proposed changing certain of the U.S. tax rules for U.S. corporations doing business outside the United States. Potential changes to U.S. and state tax laws could increase Brocade's U.S. income tax liability in the future.

Brocade is subject to periodic audits or other reviews by such governmental agencies. For example, Brocade is still under examination by the IRS for fiscal years 2009 and 2010, and in several state and foreign tax jurisdictions for various years. All of these examination cycles remain open as of April 27, 2013. To the extent federal and state carryforwards from closed tax years are used in the future, the tax authorities have the right to audit the carryforward amounts. These examinations frequently require management's time and diversion of internal resources and, in the event of an unfavorable outcome, may result in additional liabilities or adjustments to Brocade's historical financial results.

The IRS has contested Brocade's transfer pricing for the cost sharing and buy-in arrangements with its foreign subsidiaries in the past. The IRS may make similar claims against Brocade's transfer pricing arrangements for fiscal years 2009 and 2010, and in future examinations. Audits by the IRS are subject to inherent uncertainties and an unfavorable outcome could occur, such as fines or penalties. The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on Brocade's results of operations for that period or future periods. The expense of defending and resolving such an audit may be significant. The amount of time to resolve an audit is unpredictable and defending Brocade may divert management's attention from Brocade's day-to-day business operations, which could adversely affect its business and financial results.

Brocade is subject to various environmental and other regulations governing product safety, materials usage, packaging and other environmental impacts in the various countries where Brocade's products are sold. For example, many of Brocade's products are subject to laws and regulations that restrict the use of lead, mercury, hexavalent chromium, cadmium and other substances, and require producers of electrical and electronic equipment to assume responsibility for collecting, treating, recycling and disposing of Brocade's products when they have reached the end of their useful life.

For example, in Europe, substance restrictions apply to products sold, and certain of Brocade's partners require compliance with these or more stringent requirements. In addition, recycling, labeling, financing and related requirements apply to products Brocade sells in Europe. China has also enacted legislation with similar requirements for Brocade's products or its partners' sale of Brocade's products. Despite Brocade's efforts to ensure that its products comply with new and emerging requirements, Brocade cannot provide absolute assurance that its products will, in all cases, comply with such requirements. If Brocade's products do not comply with the substance restrictions under local environmental laws, Brocade could become subject to fines, civil or criminal sanctions and contract damage claims. In addition, Brocade could be prohibited from shipping non-compliant products into one or more jurisdictions and required to recall and replace any non-compliant products already shipped, which would disrupt its ability to ship products and result in reduced revenue, increased obsolete or excess inventories, and harm to Brocade's business and customer relationships. Brocade's suppliers may also fail to provide it with compliant materials, parts and components despite Brocade's requirement to do so, which could impact Brocade's ability to timely produce compliant products and, accordingly, could disrupt its business.

Business interruptions could adversely affect Brocade's business operations.

Brocade's operations and the operations of its suppliers, CMs and customers are vulnerable to interruptions caused by 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, is located near major earthquake faults. Brocade does not have multiple-site capacity for all of its services in the event of any such occurrence. In the event of a major earthquake, Brocade could experience business interruption, destruction of facilities and 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 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 material 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. Brocade's servers may be vulnerable to computer viruses, break-ins, and similar disruptions from unauthorized tampering with its computer systems despite Brocade's implementation of network security measures. Brocade may not successfully limit attacks by malicious third parties if they attempt to undermine or disrupt Brocade's network security. Any such event could have a material adverse effect on Brocade's business, operating results and financial condition, and could expose Brocade to significant third-party claims of liability and damages. 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.

Brocade is exposed to various risks related to legal proceedings or claims that could adversely affect its operating 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, results of operations, 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 has incurred substantial indebtedness that decreases Brocade's business flexibility and access to capital, and increases its borrowing costs, which may adversely affect Brocade's operations and financial results.

As of April 27, 2013, Brocade had $600 million in principal amount of outstanding indebtedness, including $300 million of unsecured indebtedness under the 2023 Notes and $300 million of secured indebtedness under the 2020 Notes (see Note 8, "Borrowings," of the Notes to Condensed Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q). In addition, Brocade had up to $125 million available for future borrowing under the Senior Secured Credit Facility. The financial and other covenants agreed to by Brocade in connection with such indebtedness have the effect, among other things, of reducing Brocade's flexibility to respond to changing business and economic conditions and increasing borrowing costs, and may adversely affect Brocade's operations and financial results. This indebtedness may also adversely affect Brocade's ability to access sources of capital or incur certain liens, including without limitation, funding acquisitions or repurchasing Brocade stock.

In addition, Brocade's failure to comply with these covenants could result in a default under any applicable debt financing agreements, which could permit the holders to accelerate such debt or demand payment in exchange for a waiver of such default. If any of Brocade's debt is accelerated, Brocade may not have sufficient funds available to repay such debt. In addition, any negative changes by rating agencies to Brocade's credit rating may negatively impact the value and liquidity of Brocade's debt and equity securities and Brocade's ability to access sources of capital.

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 stock.

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;
- Limiting the persons who may call special meetings of stockholders; 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 of Brocade's 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 stock.

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

There were no unregistered sales of equity securities during the six months ended April 27, 2013.

Issuer Purchases of Equity Securities

The following table summarizes share repurchase activity for the three months ended April 27, 2013 (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)
January 27, 2013 - February 23, 2013	6,140	$ 5.70	6,140	$ 465,716
February 24, 2013 - March 23, 2013	13	$ 5.47	13	$ 465,644
March 24, 2013 - April 27, 2013	655	$ 5.46	655	$ 462,067
Total	6,808	$ 5.68	6,808	$ 462,067

(1) As of April 27, 2013, the Company’s Board of Directors had authorized a stock repurchase program for an aggregate amount of up to $1.3 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, and $500 million on May 16, 2012), 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 our cash balances, general business and market conditions, our debt covenants, the trading price of our common stock and other factors, including alternative investment opportunities.

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Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Document
10.1*	Form of Amendment to Change of Control Agreement between Brocade and Brocade's executive officers (incorporated by reference to Exhibit 10.1 from Brocade's current report on Form 8-K filed on February 21, 2013)
10.2*/***	2009 Director Plan, as amended and restated on April 11, 2013
10.3*/***	Performance Bonus Plan, as approved on April 11, 2013
10.4**/***	Amendment Number 5 dated February 13, 2013, to the OEM Purchase and License Agreement between EMC Corporation and Brocade
10.5**/***	Amendment Number 46 dated March 8, 2013, to Statement of Work Number 1 of the Goods Agreement between IBM and Brocade
10.6**/***	Amendment Number 22 dated March 14, 2013, with an effective date of March 20, 2013, to Statement of Work Number 3 of the Goods Agreement between IBM and Brocade
10.7**/***	Amendment Number 8 dated April 11, 2013, to Statement of Work Number 7 of the Goods Agreement between IBM and Brocade
31.1***	Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer
31.2***	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer
32.1***	Certification by the Chief Executive Officer and Chief 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

*	Indicates management compensatory plan, contract or arrangement
**	Confidential treatment requested as to certain portions, which portions were omitted and filed separately with the Securities and Exchange Commission
***	Filed herewith

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:	May 31, 2013	By:	/s/ Daniel W. Fairfax
			Daniel W. Fairfax Chief Financial Officer and Vice President, Finance

Exhibit 10.2

BROCADE COMMUNICATIONS SYSTEMS, INC.

2009 DIRECTOR PLAN

(April 11, 2013 Amendment and Restatement)

1. Purposes of the Plan. The purposes of this Plan are to attract the best available personnel for service as Outside Directors of the Company, to provide additional incentive to the Outside Directors of the Company in their performance as Directors, and to encourage their continued service on the Board.

The Plan permits the grant of options and restricted stock units. All options granted hereunder will be nonstatutory stock options.

The Plan originally was effective as of April 15, 2009. This amended and restated Plan is effective as of April 11, 2013, subject to approval by a majority of the Company's stockholders that are present in person or by proxy at the Company's 2013 Annual Meeting of Stockholders.

2. Definitions. As used herein, the following definitions will apply:

(a) "Annual Meeting" means the Company's annual meeting of stockholders.

(b) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) "Award" means, individually or collectively, a grant under the Plan of Options or Restricted Stock Units.

(d) "Board" means the Board of Directors of the Company, or a duly authorized committee of the Board of Directors of the Company.

(e) "Change in Control" means the occurrence of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; or

(ii) Change in Effective Control of the Company. If the Company has a class of securities registered pursuant to Section 12 of the Exchange Act, a change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any 12 month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Section 2(e), persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(f) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or Treasury Regulation thereunder will include such section or regulation, any valid regulation or other official applicable guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(g) "Common Stock" means the common stock of the Company.

(h) "Company" means Brocade Communications Systems, Inc., a Delaware corporation, or any successor thereto.

(i) "Director" means a member of the Board.

(j) "Disability" means total and permanent disability as defined in section 22(e)(3) of the Code.

(k) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor the payment of a Director's fee by the Company will be sufficient to constitute "employment" by the Company.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Market, the Nasdaq Global Select Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its fair market value will be the closing sales price for such stock (or, if no closing sales price was reported on that date, as applicable, on the last trading date such closing sales price was reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its fair market value will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported); or

(iii) In the absence of an established market for the Common Stock, the fair market value thereof will be determined in good faith by the Board.

(n) "Inside Director" means a Director who is an Employee.
(o) "Option" means a stock option granted pursuant to the Plan.

(p) "Outside Director" means a Director who is not an Employee.

(q) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(r) "Participant" means the holder of an outstanding Award.

(s) "Plan" means this 2009 Director Plan, as it may be amended from time to time.

(t) “Restricted Stock Unit” or “RSU” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, and granted to a Participant pursuant to Section 6 of the Plan. Each restricted stock unit represents an unfunded and unsecured obligation of the Company.

(u) “Share” means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(v) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be awarded under the Plan is 2,000,000 Shares (the “Pool”), plus any Shares subject to stock options or similar awards granted under the Company's 1999 Director Plan that expire or otherwise terminate without having been exercised in full and Shares issued pursuant to awards granted under the Company's 1999 Director Plan that are forfeited to or repurchased by the Company, with the maximum number of Shares to be added to the Plan pursuant to this clause equal to 870,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Lapsed Awards. If an outstanding Award expires or becomes unexercisable without having been exercised in full, or with respect to Restricted Stock Units, is forfeited to the Company due to failure to vest, the unpurchased or forfeited Shares which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan will not be returned to the Plan and will not become available for future distribution under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will not become available for future grant or sale under the Plan.

(c) Full Value Awards. An Award of Restricted Stock Units will be counted against the Pool as 1.56 Shares for every 1 Share subject to such Award. To the extent that an Award counted as 1.56 Shares against the Pool at the time of grant pursuant to the preceding sentence is forfeited or repurchased by the Company and returned to the Plan (e.g., upon Award termination), the Plan will be credited with 1.56 Shares that will thereafter be available for future issuance under the Plan.

4. Options.

(a) Administration of Option Grants.

(i) All grants of Options under the Plan will be made in accordance with the provisions of Sections 7 and 8. The Board may, in its sole discretion, provide that one or more Outside Directors are not eligible to receive grants of Options for specified periods of time.

(ii) In the event that any Option granted under the Plan would cause the number of Shares subject to outstanding Options plus the number of Shares previously purchased under Options to exceed the Pool, then the remaining Shares available for Option grant will be granted under Options to the Outside Directors on a pro rata basis. No further grants will be made until such time, if any, as additional Shares become available for grant under the Plan through action of the Board or the stockholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Options previously granted hereunder.

(b) Prohibition Against Repricing. Subject to the provisions of Section 14 of the Plan, without stockholder approval, the terms of any Option may not be amended to reduce the exercise price of the Option or to cancel the Option in exchange for cash, other Awards or Options with an exercise price that is less than the exercise price of the original Option.

5. Exercise of Options.

(a) Procedure for Exercise of an Option; Rights as Stockholder.

(i) Any Option granted hereunder will be exercisable at such times as are set forth in Section 7(a) or 8(a), as applicable.

(ii) An Option may not be exercised for a fraction of a Share.

(iii) An Option will be deemed to be exercised when the Company receives: (x) written or electronic notice of exercise (in accordance with the terms of the Option) from the person entitled to exercise the Option and (y) full payment for the Shares with respect to which the Option is exercised (together with any applicable tax withholding). Full payment may consist of any consideration and method of payment allowable under Section 12 of the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to any Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 14 of the Plan.

(iv) Exercise of an Option in any manner will result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Continuous Status as a Director. Subject to Section 14, in the event an Participant's status as a Director terminates (other than upon the Participant's death or Disability), the Participant may exercise his or her Option, but only within 3 months following the date of such termination, and only to the extent that the Participant was entitled to exercise it on the date of such termination (but in no event later than the expiration of its 7 year term). To the extent that the Participant was not entitled to exercise an Option on the date of such termination, and to the extent that the Participant does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option will terminate.

(c) Disability of Participant. In the event Participant's status as a Director terminates as a result of Disability, the Participant may exercise his or her Option, but only within 12 months following the date of such termination, and only to the extent that the Participant was entitled to exercise it on the date of such termination (but in no event later than the expiration of its 7 year term). To the extent that the Participant was not entitled to exercise an Option on the date of termination, or if he or she does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option will terminate and the Shares covered by such Option will revert to the Plan.

(d) Death of Participant. If a Participant dies while still a Director, the Participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance may exercise the Option, but only within 12 months following the date of death, and only to the extent that the Participant was entitled to exercise it on the date of death (but in no event later than the expiration of its 7 year term). To the extent that the Participant was not entitled to exercise an Option on the date of death, and to the extent that the Participant's estate or a person who acquired the right to exercise such Option does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option will terminate and the Shares covered by such Option will revert to the Plan.

6. Restricted Stock Units.

(a) Procedures for Grants.

All grants of Restricted Stock Units under the Plan will be made in accordance with the provisions of Sections 7 and 8. The Board may, in its sole discretion, provide that one or more Outside Directors are not eligible to receive grants of Restricted Stock Units for specified periods of time.

(b) Form and Timing of Payment. Restricted Stock Units will be settled in Shares, on a one unit for one Share basis. When Shares are paid to the Participant in payment for the Restricted Stock Units, par value ($.001 per share) will be deemed paid by the Participant for each Restricted Stock Unit by services rendered by the Participant. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Board but no later than March 15th of the calendar year following the applicable vesting date.

(c) Cancellation. On the date of Participant's termination as a Director, all unvested Restricted Stock Units will be forfeited to the Company.

(d) Additional RSU Terms.

(i) *Company's Obligation to Pay*. Unless and until the Restricted Stock Units have vested in the manner set forth above, the Participant 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 will be made in whole Shares.

(ii) *Rights as Stockholder*. Neither the Participant nor any person claiming under or through the Participant 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 Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, the Participant 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.

7. First Awards.

(a) First Option Grant. Unless and until otherwise determined by the Board, no Options will be granted under the Plan after April 10, 2013.

(b) First RSU Grant.

(i) Grant. Each individual who, through election by the stockholders of the Company or appointment by the Board to fill a vacancy, first becomes an Outside Director after April 10, 2013, automatically will be granted 50,000 Restricted Stock Units ("First RSU"), on the date on which such person first becomes an Outside Director. Notwithstanding the preceding, an Inside Director who ceases to be an Inside Director but who remains a Director will not receive a First RSU.

(iii) Vesting. Subject to Section 14, the First RSU will vest and become payable as to 1/3 of the Shares subject to the First RSU on the 1 year anniversary of the date of grant, and as to 1/3 of the Shares subject to the First RSU at each anniversary thereafter, so that the First RSU will be fully vested and become payable in full 3 years after its date of grant, provided that the Participant continues to serve as a Director on such dates.

8. Subsequent Awards.

(a) Subsequent Option Grant. Unless otherwise determined by the Board, no Options will be granted under the Plan after April 10, 2013.

(b) Subsequent RSU Grant.

(i) Grant. Subject to proration under Section 9, each Outside Director will automatically be granted 25,000 Restricted Stock Units (the "Subsequent RSU") annually on the date of the Annual Meeting, provided that such Outside Director had served as an Outside Director prior to such Annual Meeting and that he or she continues to be an Outside Director at and immediately following such Annual Meeting.

(ii) Vesting. Subject to Section 14, the Subsequent RSU will vest and become payable as to 100% of the Shares subject to the Subsequent RSU on the earlier of the 1 year anniversary of the date of grant or the next Annual Meeting, provided that the Participant continues to serve as a Director on such date.

9. Subsequent Award Pro Ration Policy for New Directors Appointed Before an Annual Meeting. At the first (and only the first) Annual Meeting after an Outside Director first becomes an Outside Director, such Outside Director will receive at such Annual Meeting, a proportionate amount of the Subsequent RSU (in lieu of the full Subsequent RSU) based on the date of such Outside Director's appointment as follows:

(a) Appointment on the date of the Annual Meeting, or after the date of the Annual Meeting but prior to the end of the Company's 2nd fiscal quarter of the fiscal year prior to the fiscal year during which the Annual Meeting occurs: 100% of the Subsequent RSU.

(b) Appointment in the Company's 3rd fiscal quarter of the fiscal year prior to the fiscal year during which the Annual Meeting occurs: 75% of the Subsequent RSU.

(c) Appointment in the Company's 4th fiscal quarter of the fiscal year prior to the fiscal year during which the Annual Meeting occurs: 50% of the Subsequent RSU.

(d) Appointment in the Company's 1st fiscal quarter of the fiscal year during which the Annual Meeting occurs: 25% of the Subsequent RSU.

(e) Appointment in the Company's 2nd fiscal quarter of the fiscal year during which the Annual Meeting occurs and before the Annual Meeting date for such fiscal year: 0% the Subsequent RSU.

10. Eligibility. Awards may be granted only to Outside Directors. All Options will be granted in accordance with the terms set forth in Section 4 hereof. All Restricted Stock Units will be granted in accordance with the terms set forth in Section 6.

The Plan will not confer upon any Participant any right with respect to continuation of service as a Director or nomination to serve as a Director, nor will it interfere in any way with any rights which the Director or the Company may have to terminate the Director's relationship with the Company at any time.

11. Term of Plan. The Plan will continue in effect until the tenth anniversary of the Plan's initial effectiveness unless sooner terminated under Section 15 of the Plan.

12. Form of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, will consist of:

(i) cash;

(ii) check;

(iii) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option will be exercised;

(iv) net issue exercise, whereby Participant surrenders an Option at the principal office of the Company (or such other office or agency as the Company may designate) together with a properly completed and executed exercise notice reflecting such election, in which event the Company will issue to the Participant that number of Shares computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where:

X = the number of Shares to be issued to Participant;

Y = the number of Shares subject to the Option or, if only a portion of the Option is being exercised, the portion of the Option being cancelled (at the date of such calculation);

A = the Fair Market Value of one Share (at the date of such calculation);

B = the exercise price per Share of the Option (as adjusted to the date of the calculation);

(v) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan; or

(vi) any combination of the foregoing methods of payment.

13. Non-Transferability of Awards. Except as described in the Award Agreements, Awards may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. Upon any attempt to sell, pledge, assign, hypothecate, transfer or otherwise dispose of an Award, the Award immediately will become null and void.

14. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Award, the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the price per Share covered by each such outstanding Award will be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the
Company; provided, however, that conversion of any convertible securities of the Company will not be deemed to have been "effected without receipt of consideration"; provided, further, that the number of Shares subject to subsequently granted First Options, Subsequent Options, First RSUs, and Subsequent RSUs will not be proportionately adjusted. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, will affect, and no adjustment by reason thereof will be made with respect to, the number or price of Shares subject to an Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised or a Restricted Stock Unit has not vested, it will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control.

(i) In the event of a Change in Control, outstanding Awards may be assumed or equivalent Awards may be substituted by the successor corporation or a Parent or Subsidiary thereof (the "Successor Corporation"). If an Award is assumed or substituted for, the Award or equivalent award will continue to be exercisable or vest as provided in Section 7 or 8, as applicable, for so long as the Participant serves as a Director or a director of the Successor Corporation. Following such assumption or substitution, if the Participant's status as a Director or director of the Successor Corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant, the Award or award will become fully exercisable, including as to Shares for which it would not otherwise be exercisable. Thereafter, the Award or award will remain exercisable in accordance with Sections 5(b) through (d) above.

(ii) If the Successor Corporation does not assume an outstanding Option or substitute for it an equivalent option, the Option will become fully vested and exercisable, including as to Shares for which it would not otherwise be exercisable. In such event the Board will notify the Participant that the Option will be fully exercisable for a period of 30 days from the date of such notice, and upon the expiration of such period the Option will terminate. If the Successor Corporation does not assume an outstanding grant of Restricted Stock Units or substitute for it an equivalent award, the grant of Restricted Stock Units will vest immediately prior to the consummation of the applicable transaction.

(iii) For the purposes of this Section 14(c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Board may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, or upon the payout of a Restricted Stock Unit, for each Share subject to the Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend, or discontinue the Plan. For example, but not by way of limitation, the Board may amend the provisions of Sections 7 and 8 regarding the number, type and timing of awards to be granted in the future (subject to Section 16). No amendment, alteration, suspension, or discontinuation will be made which would impair the rights of any Participant under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Applicable Laws, the Company will obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan will not affect Awards already granted and such Awards will remain in full force and effect as if this Plan had not been amended or terminated.

16. Limit on Granting of Awards. Notwithstanding any contrary provision of the Plan, during any fiscal year of the Company, no Outside Director may be granted Awards having a total value (calculated as of the date of grant) greater than $750,000. For this purpose, value for an Option will mean the grant date fair value of the Option using the valuation methodology used by the Company in its financial statements for that fiscal year and value for RSUs will mean the grant date Fair Market Value of the Shares covered by the RSU.

17. Conditions Upon Issuance of Shares.

(a) Shares will not be issued under any Award unless the issuance and delivery of such Shares pursuant thereto, and in the case of an Option, the exercise of such Option, will comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

(c) Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

18. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

19. Award Agreement. Awards will be evidenced by written award agreements in such form as the Board will approve.

20. Stockholder Approval. The amended and restated Plan will be subject to approval by the stockholders of the Company at the Company's 2013 Annual Meeting. Such stockholder approval will be obtained in the degree and manner required under Applicable Laws.

21. No Guarantee of Continued Service. The Plan will not confer upon any Participant any rights with respect to continuation of service as a Director or other service provider to the Company or nomination to serve as a Director, nor will it interfere in any way with any rights which the Director of the Company may have to terminate the Director's relationship with the Company at any time.

22. Administration of the Plan. It shall be the duty of the Board to administer the Plan in accordance with the Plan's provisions. The Board shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power to (a) prescribe the terms and conditions of the Awards, (b) interpret the Plan and the Awards, (c) adopt such procedures and subplans as are necessary or appropriate for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws, (d) adopt rules for the administration, interpretation and application of the Plan as are consistent therewith, and (e) interpret, amend or revoke any such rules.

Exhibit 10.3

BROCADE COMMUNICATIONS SYSTEMS, INC.

PERFORMANCE BONUS PLAN

Effective April 11, 2013

SECTION 1
ESTABLISHMENT AND PURPOSE

1.1 Purpose. Brocade Communications Systems, Inc. hereby establishes the Brocade Communications Systems, Inc. Performance Bonus Plan (the “Plan”). The Plan is intended to promote the success of the Company by motivating key executives to achieve the Company's objectives. The Plan provides executives with incentive awards based on the achievement of goals relating to the performance of the Company and its business units. The Plan is intended to permit the payment of bonuses that qualify as performance-based compensation under Code Section 162(m).

1.2 Effective Date. The Plan is effective as of April 11, 2013 (the “Effective Date”), subject to the approval of a majority of the shares of the Company's common stock who are present in person or by proxy and entitled to vote at the 2013 Annual Meeting of Stockholders.

SECTION 2
DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

2.1 “Actual Award” means as to any Performance Period, the actual amount (if any) payable to a Participant for the Performance Period. Each Actual Award is determined by the Payout Formula for the Performance Period, subject to the Committee's authority under Section 3.5 to reduce the award otherwise determined by the Payout Formula.

2.2 “Affiliate” means any corporation or other entity (including, but not limited to, partnerships and joint ventures) controlled by the Company.

2.3 “Base Salary” means as to any Performance Period, 100% of the Participant's annual salary rate on the last day of the Performance Period. Base Salary shall be determined without regard to deductions for taxes or other items and before any deferrals of compensation under any Company sponsored plan.

2.4 “Board” means the Company's Board of Directors.

2.5 “Cash Flow” means as to any Performance Period, cash generated from business activities.

2.6 “Code” means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.7 “Committee” means the committee appointed by the Board (pursuant to Section 5.1) to administer the Plan. As of the Effective Date, the Compensation Committee of the Board shall serve as the Committee.

2.8 “Company” means Brocade Communications Systems, Inc., a Delaware corporation.

2.9 “Customer Satisfaction” means as to any Performance Period, the objective and measurable goals approved by the Committee that relate to fulfillment of customer expectations and/or attainment of customer satisfaction metrics and/or ratings.

2.10 “Determination Date” means the latest possible date that will not jeopardize a Target Award or Actual Award's qualification as performance-based compensation under Section 162(m) of the Code.

2.11 “Disability” means a permanent and total disability determined in accordance with standards adopted by the Committee from time to time.

2.12 “Earnings Per Share” means as to any Performance Period, the Company's Profit, divided by a weighted average number of common shares outstanding and dilutive common equivalent shares deemed outstanding for the Performance Period.

2.13 “Financial Management” means as to any Performance Period, the objective and measurable goals approved by the Committee for the administration of financial assets, liabilities and/or risk.

2.14 “Fiscal Quarter” means a fiscal quarter within a Fiscal Year of the Company.

2.15 “Fiscal Year” means the fiscal year of the Company.

2.16 “Margin” means as to any Performance Period, Revenue less appropriate costs and expenses for the type of margin determined by the Committee (for example, but not by way of limitation, gross margin, operating margin or contribution margin).

2.17 “Market Share” means as to any Performance Period, the percentage of a market segment with respect to one or more products or services.

2.18 “Maximum Award” means as to any Participant for any Fiscal Year, $5 million. The Maximum Award is the maximum amount which may be paid to a Participant for or during any Fiscal Year.

2.19 “Operations Management” means as to any Performance Period, the objective and measurable goals approved by the Committee that relate to the design and management of the resources, processes, and supply chains used by the Company or a business unit to produce products and/or supply services.

2.20 “Participant” means as to any Performance Period, an executive of the Company or of an Affiliate who has been selected by the Committee for participation in the Plan for that Performance Period.

2.21 “Payout Formula” means as to any Performance Period, the formula or payout matrix established by the Committee pursuant to Section 3.4 in order to determine the Actual Awards, if any, to be paid to Participants. The formula or matrix may differ from Participant to Participant.

2.22 “Performance Goals” means the goal(s) (or combined goal(s)) determined by the Committee, in its discretion, to be applicable to a Participant for a Performance Period. As determined by the Committee (in its discretion), the Performance Goals applicable to each Participant shall provide for a targeted level or levels of achievement using one or more of the following measures: (a) Revenue, (b) Profit, (c) Earnings Per Share (d) Margin, (e) Total Shareholder Return, (f) Return on Capital, (g) Return on Equity, (h) Financial Management, (i) Cash Flow, (j) Market Share, (k) Product Development and Quality, (l) Customer Satisfaction, and (m) Operations Management. Any Performance Goal used may be measured (1) in absolute terms, (2) in combination with another Performance Goal or Goals (for example, but not by way of limitation, as a ratio or matrix), (3) in relative terms (including, but not limited to, as compared to results for other periods of time, and/or against another company, companies or an index or indices), (4) on a per-share or per-capita basis, (5) against the performance of the Company as a whole or a specific business unit(s), business segment(s) or product(s) of the Company, (6) on a pre-tax or after-tax basis and/or (7) on a GAAP (generally accepted accounting principles) or non-GAAP basis. Prior to the Determination Date, the Committee, in its discretion, will determine whether any significant element(s) or item(s) will be included in or excluded from the calculation of any Performance Goal with respect to any Participants (for example, but not by way of limitation, the effect of mergers, acquisitions and/or dispositions). As determined in the discretion of the Committee prior to the Determination Date, achievement of Performance Goals for a particular Award may be calculated in accordance with the Company's financial statements, prepared in accordance with generally accepted accounting principles, or as adjusted for certain costs, expenses, gains and losses to provide non-GAAP measures of operating results.

2.23 "Performance Period" means any period of three (3) consecutive Fiscal Quarters or such other longer period but not longer than three Fiscal Years (or period of twelve (12) consecutive Fiscal Quarters), as determined by the Committee in its sole discretion. With respect to any Participant, there shall exist no more than four (4) Performance Periods under the Plan at any one time.

2.24 "Product Development and Quality" means as to any Performance Period, the objective and measurable goals approved by the Committee for the design, creation or manufacture of products, which goals may include (but not by way of limitation) conformance to design or use specifications or requirements not to exceed specified defect levels.

2.25 "Profit" means as to any Performance Period, net income.

2.26 "Return on Capital" means as to any Performance Period, Profit divided by invested capital.

2.27 "Return on Equity" means as to any Performance Period, the percentage equal to Profit divided by stockholder's equity.

2.28 "Revenue" means as to any Performance Period, net revenue.

2.29 "Section 16 Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2.30 "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended and the regulations and guidance thereunder, as they may be amended or modified from time to time.

2.31 "Target Award" means the target award payable under the Plan to a Participant for the Performance Period, expressed as a percentage of his or her Base Salary, a dollar amount, or a result of a formula or formulas, as determined by the Committee in accordance with Section 3.3.

2.32 "Total Shareholder Return" means as to any Performance Period, the total return (change in share price, including treatment of dividends as determined by the Committee) of a share of the Company's common stock.

SECTION 3
SELECTION OF PARTICIPANTS AND DETERMINATION OF AWARDS

3.1 Selection of Participants. On or prior to the Determination Date, the Committee, in its sole discretion, shall select the executives of the Company who shall be Participants for the Performance Period. The Committee, in its sole discretion, also may designate as Participants one or more individuals (by name or position) who are expected to become executives during a Performance Period. Participation in the Plan is in the sole discretion of the Committee, and on a Performance Period by Performance Period basis. However, unless and until otherwise determined by the Committee, an executive who is a Participant for a given Performance Period automatically will be a Participant in subsequent Performance Periods (so long as he or she remains an executive).

3.2 Determination of Performance Goals. On or prior to the Determination Date, the Committee, in its sole discretion, shall establish the Performance Goals for the Participants for the Performance Period. Each Participant's Performance Goal shall be determined by the Committee and set forth in writing.

3.3 Determination of Target Awards. On or prior to the Determination Date, the Committee, in its sole discretion, shall establish a Target Award for the Participants. Each Participant's Target Award shall be determined by the Committee in its sole discretion, and each Target Award shall be set forth in writing.

3.4 Determination of Payout Formula. On or prior to the Determination Date, the Committee, in its sole discretion, shall establish a Payout Formula for purposes of determining the Actual Award, if any, payable to each Participant. Each Payout Formula shall (a) be in writing, (b) be based on a comparison of actual performance to the Performance Goals, (c) provide for the payment of a Participant's Target Award if the Performance Goals for the Performance Period are achieved, and (d) provide for an Actual Award greater than or less than the Participant's Target Award, depending upon the extent to which actual performance exceeds or falls below the Performance Goals. Notwithstanding the preceding, no Participant's Actual Award under the Plan may exceed his or her Maximum Award.

3.5 Determination of Actual Awards. After the end of each Performance Period, the Committee shall certify in writing (for example, in its meeting minutes) the extent to which the Performance Goals applicable to each Participant for the Performance Period were achieved or exceeded, as determined by the Committee. The Actual Award for each Participant shall be determined by applying the Payout Formula to the level of actual performance that has been certified by the Committee. Notwithstanding any contrary provision of the Plan, the Committee, in its sole discretion, may eliminate or reduce the Actual Award payable to any Participant below the amount that otherwise would be payable under the Payout Formula.

SECTION 4
PAYMENT OF AWARDS

4.1 Right to Receive Payment. Each Actual Award that may become payable under the Plan shall be paid solely from the general assets of the Company. Nothing in this Plan shall be construed to create a trust or to establish or evidence any Participant's claim of any right other than as an unsecured general creditor with respect to any payment to which he or she may be entitled.

4.2 Timing of Payment. Payment of each Actual Award shall be made after the end of the Performance Period during which the Actual Award was earned but no later than the end of the second (2nd) month after the end of the Fiscal Year in which such Performance Period ended.

4.3 Form of Payment. Each Actual Award shall be paid in cash (or its equivalent) in a single lump sum.

4.4 Payment in the Event of Death. If a Participant dies prior to the payment of an Actual Award earned by him or her prior to death for a completed Performance Period, the Actual Award shall be paid to his or her estate.

SECTION 5
ADMINISTRATION

5.1 Committee is the Administrator. The Plan shall be administered by the Committee. The Committee shall consist of not less than two (2) members of the Board. The members of the Committee shall be appointed from time to time by, and serve at the pleasure of, the Board. Each member of the Committee shall qualify as an “outside director” under Section 162(m) of the Code. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify.

5.2 Committee Authority. It shall be the duty of the Committee to administer the Plan in accordance with the Plan's provisions. The Committee shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power to (a) determine which executives shall be granted awards, (b) prescribe the terms and conditions of awards, (c) interpret the Plan and the awards, (d) adopt such procedures and subplans as are necessary or appropriate to permit participation in the Plan by executives who are foreign nationals or employed outside of the United States, (e) adopt rules for the administration, interpretation and application of the Plan as are consistent therewith, and (f) interpret, amend or revoke any such rules.

5.3 Decisions Binding. All interpretations, determinations and decisions made by the Committee, the Board, and any delegate of the Committee pursuant to the provisions of the Plan shall be final, conclusive, and binding on all persons, and shall be given the maximum deference permitted by law.

5.4 Delegation by the Committee. The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company; provided, however, that the Committee may not delegate its authority and/or powers in any manner that would jeopardize an award's qualification as performance-based compensation under Section 162(m) of the Code.

5.5 Tax Withholding. The Company shall withhold all applicable taxes (and any other required amounts) from any payment, including any federal, Federal Insurance Contributions Act (FICA), state, and local taxes.

SECTION 6
GENERAL PROVISIONS

6.1 No Effect on Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company or an Affiliate, as applicable, to terminate any Participant's employment or service at any time, with or without cause. For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Affiliates (or between Affiliates) shall not be deemed a termination of employment. Employment with the Company and its Affiliates is on an at-will basis only. The Company expressly reserves the right, which may be exercised at any time and without regard to when during or after a Performance Period such exercise occurs, to terminate any individual's employment with or without cause, and to treat him or her without regard to the effect which such treatment might have upon him or her as a Participant.

6.2 Section 409A. It is intended that all bonuses payable under this Plan will be exempt from the requirements of Section 409A pursuant to the "short-term deferral" exemption or, in the alternative, will comply with the requirements of Section 409A so that none of the payments and benefits to be provided under this Plan will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein shall be interpreted to so comply or be exempt. Each payment and benefit payable under this Plan is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. The Company may, in good faith and without the consent of any Participant, make any amendments to this Plan and take such reasonable actions which it deems necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition under Section 409A prior to actual payment to the Participant.

6.3 Participation. No individual shall have the right to be selected to receive an award under this Plan, or, having been so selected, to be selected to receive a future award.

6.4 Successors. All obligations of the Company and any Affiliate under the Plan, with respect to awards granted hereunder, shall be binding on any successor to the Company and/or such Affiliate, whether the existence of such successor is the result of a direct or indirect purchase, merger, sale, consolidation, or otherwise, of all or substantially all of the business or assets of the Company or such Affiliate.

6.5 Nonassignability. A Participant shall have no right to assign or transfer any interest under this Plan.

6.6 Nontransferability of Awards. No award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or trust, by the laws of descent and distribution. All rights with respect to an award granted to a Participant shall be available during his or her lifetime only to the Participant.

6.7 Deferrals. The Committee, in its sole discretion, may permit a Participant to defer receipt of the payment of cash that would otherwise be delivered to a Participant under the Plan. Any such deferral elections shall be subject to such rules and procedures as shall be determined by the Committee in its sole discretion and, unless otherwise expressly determined by the Committee, shall comply with the requirements of Section 409A.

6.8 Governing Law. The Plan and all award agreements shall be construed in accordance with and governed by the laws of the State of California, excluding its conflicts of laws provisions.

SECTION 7
AMENDMENT AND TERMINATION

7.1 Amendment and Termination. The Board may amend or terminate the Plan at any time and for any reason; provided, however, that if and to the extent required to ensure the Plan's qualification under Code Section 162(m), any such amendment shall be subject to stockholder approval.

Exhibit 10.4

Amendment Number 5
to
OEM Purchase and License Agreement
Between EMC Corporation and Brocade Communications, Inc.
OEM Agreement Number OEM 051208 Dated May 20, 2008

This Amendment Number 5 ("**Amendment 5**") to the OEM Purchase and License Agreement ("**Original Agreement**") dated May 20, 2008 BROCADE Communications Systems, Inc., a Delaware corporation with an office located at 1745 Technology Drive, San Jose, California 95110, and Brocade Communications Switzerland SarL., a Geneva corporation with principal offices at 29 Route de l'Aeroport, Case Postale 105, CH-1215, Geneva 15, Switzerland, and Brocade Communications Services Switzerland, SarL a Geneva corporation with principal offices at 29 Route de l'Aeroport, Case Postale 105, CH-1215, Geneva 15, Switzerland (collectively, "**Brocade**"), and EMC Corporation, 176 South Street, Hopkinton, MA 01748 together with its designated Subsidiaries ("**EMC**"), and commences on the last date signed below ("**Effective Date**"). The Original Agreement, as amended by Amendments 1 through 4, is collectively referred to herein as the "**Agreement**."

RECITALS

WHEREAS, the parties wish to amend the Agreement to document the parties' understanding with respect to marketing development funds provided by Brocade to EMC;

NOW THEREFORE, in consideration of the above and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Section 5.4 ("Marketing Development Funds"), as amended by Amendment 2 dated February 1, 2010, is hereby deleted in its entirety and replaced with the following:

"Brocade and EMC have agreed to marketing development funding for the period October 1, 2012 through November 1, 2013, which funding will automatically renew for additional successive one-year terms unless either party provides sixty (60) days' written notice of termination prior to any renewal periods. The terms and conditions for the program are contained in the "EMC Marketing Development Fund (MDF) Program Guidelines" effective October 1, 2012 ("MDF Guidelines") attached hereto as Exhibit N and may be as updated from time to time by agreement of the parties."

2. Except as modified in this Amendment 5, the Agreement remains in full force and effect. If any of the terms of the Agreement conflict with this Amendment 5, then the terms of this Amendment 5 will control.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment 5 to the Agreement by their duly authorized representatives.

Brocade Communication Systems, Inc.	**Brocade Communication Switzerland, SarL**	**EMC Corporation**
Sign: [**] Print Name: [**] Title: [**] Date: 02/06/2013	Sign: [**] Print Name: [**] Title: [**] Date: 02/04/2013	Sign: [**] Print Name: [**] Title: [**] Date: 02/13/2013

[**] 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.

BROCADE
[**]
Legal Approved on 3/7/2013

Exhibit N
Marketing Development Funds Program Guidelines

Brocade and EMC Proposed MDF under for period October 1, 2012 through November 1, 2013
Brocade and EMC have agreed to marketing development funding for the period of October 1, 2012 through October 31, 2013, and will automatically renew for additional successive one-year term unless either party provides 60 day notice of termination prior to any renewal periods.

EMC Market Development Fund Program Guidelines
Welcome to the Brocade® Market Development Fund (MDF) Program. The Brocade MDF Program is Brocade's market program which has been designed to support and encourage sales and marketing activities, as well as to assist EMC in developing their internal sales and technical personnel. The goal of the Brocade MDF Program is to provide a means to promote Brocade products and services, emphasizing the accompanying value that our partners bring to Brocade solutions. The conformity to these guidelines is a precondition to, and is assumed by, your participation in the MDF Program.

MDF Amount
Brocade will provide to EMC MDF funds in the amount of [**]%, not to exceed $[**] dollars annual cap, of EMC's previous calendar quarter's net sell-through of Brocade hardware and software, exclusive of services and maintenance, as calculated by Brocade. The annual cap will be evaluated each year to make sure it represents the current business environment and meets the expectations of the MDF fund.

MDF Accounting and Net Revenue Definitions
Brocade agrees to provide EMC an itemized breakdown of the EMC's net quarterly sell-through no later than (10) business days after the close of EMC's quarter. Net revenue is defined as gross sell through revenue less Sales promotions, Deals desk, Growth Programs, Rebates and funded headcount.

[**] 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.

MDF Payment and Proof of Performance
Brocade will remit payment upon mutually agreed marketing activities that meet marketing guidelines effective October 1, 2012. EMC will provide Brocade proof of performance and ROI within 30 days of agreed and approved marketing activity taking place or future programs may not be approved. Proof of performance can included invoices, flyers, receipts, and pictures, summary of agreed-to metric results. ROI can include registration, attendees list, scheduled customer meetings or revenue generating proof. If EMC fails to submit proof of expenses, Brocade reserves the right to withhold crediting EMC for such unverified expenditures on the next quarterly payment to EMC.

MDF Expiration
MDF funds will expire at the end of each 12 month period from issuance. If Brocade and EMC fail to spend the funds 12 months from the time of issuance, these funds will expire and no longer be available. No crediting, these funds do not roll over to the next year. If EMC fails to spend the funds 12 months from the time of issuance, Brocade will withhold crediting EMC for the value of the expired funds on the next quarterly payment to EMC.

Management of MDF Funds Approvals and Reporting
- EMC must receive written pre-approval from the OEM Marketing Manager, Corporate Account Director or Brocade OEM Marketing Director of the proposed EMC Market Development Plan/Activities.
- EMC and Brocade are to mutually agree and approve all marketing activities that meet MDF Policy guidelines. EMC's requests must be submitted at least 30 calendar days prior to the start of any program or event except for the exclusion listed below. The request will include an event, date, and budget with program goals and objective. Brocade agrees to respond within ten (10) business days of each EMC request. Activities that do not receive pre-approval from Brocade may be ineligible for funding. EMC or EMC managed Vendor must manage and execute all jointly agreed and approved MDF dollars upon mutually agreed marketing plan.

- In the cases of expenditures being under $[**] US Dollars there will be no requirement for prior approval from either party. There is a maximum of $[**] allowed per quarter that can be spent without prior approval. The amount of $[**] US Dollars can be adjusted only if both parties agree to that adjustment in writing. If in the monthly or quarterly reviews these expenditures are found to be inconsistent with prior approvals and/or the stated guidelines by either party than the funds are to be returned to the MDF fund as stated below.
- EMC will provide Brocade a monthly report for all jointly agreed and approved MDF expenditures no later than 10 business days' after the end of the previous month. Report shall include but not limited to the approved MDF expenditure, actual payment of the MDF expense, and amounts still outstanding for each approved MDF expenditures. EMC will host a quarterly meeting to review MDF expenditures. If MDF expenditures have not been pre-approved by Brocade for such submitted expenses, Brocade reserves the right to withhold crediting EMC for such unapproved expenditures on the next quarterly payment to EMC. Brocade retains the right to audit EMC's MDF records to ensure accuracy of such submitted expenses. Upon request, EMC will provide records in a timely manner to support the MDF audit.
- EMC to provide Brocade the MDF approval process and associated timeline.

MDF Policy
All mutually agreed and approved marketing campaigns must meet MDF Policy guidelines as outlined in the MDF Usage section of this agreement. Brocade can adjust or further clarify policy if agreed by both EMC and Brocade and Brocade will provide updated policy to impact future/new activities after the mutually agreed changes are approved by both EMC and Brocade.

Partner Agreement Termination
For MDF funds not expended upon termination of this MDF program, EMC shall have (6) months from the termination effective date to reconcile activities conducted prior to the termination

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Marketing Development Fund Guidelines
Definitive guidelines for what is, and is not, eligible for MDF are included in the following detailed guidelines for Brocade MDF Program. These guidelines should be consulted before initiating any activity. If there is an activity you would like reimbursed that is not included in these guidelines, please contact the Brocade EMC OEM Marketing Director/Manager. Our goal is to help support your efforts in promoting Brocade.

MDF Usage:
MDF is managed by EMC to be used for specific jointly agreed and approved activities which include:

Hardware and Software Product Acquisition

- Qualifying Expenses: MDF may be used to purchase the latest Brocade-branded or OEM-branded technology from your current supplier. Product may be used for evaluation or demo purposes only and resold after a period of six (6) months. No other sales programs, promotions, or offers, including the demo equipment discounts, may be applied when using MDF for demo equipment.
- Non-Qualifying Expenses: Products not manufactured by Brocade.

Brocade Education Courses

- Qualifying Expenses: MDF may be used to pay for course fees for technical education offered by Brocade or Authorized Training Partners and any related exam fees.
- Daily meal allowance of $[**]/Day/Person, excluding Brocade employees
- Travel and lodging for the event, excluding Brocade employees
Non-Qualifying Expenses: Meal costs beyond agreed amount for travel during stay and any expenses for Brocade employees.

Tradeshows, Seminars, and Events

- Qualifying Expenses: Events, trade shows and seminars that attract a qualified and targeted audience, and are aimed at recruitment, training or promotion of Brocade branded or OEM branded technology to end users. Items covered include exhibit space, booth properties, booth speakers, material handling, electrical, signage, AV equipment rental, mailing materials and lists, set-up costs, room rental, invitations, event attendee materials, and other event related costs.

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- Travel and Lodging for EMC employees or third parties for the event, excluding expenses for Brocade employees.
- Daily meal allowance of $[**]/Day/Person, excluding expenses for Brocade employees,
- If EMC products are shown in the same event or tradeshow booth, Brocade and EMC will work together to decide on how to prorate the amount MDF funds that may be applied to that particular event.
- Funding of any special sponsorship must be reviewed with Brocade in advance of any commitment. Examples of such sponsorships includes evening receptions, raffles, parties, attendee show conference bags, hotel room key advertising and similar items not typically included in booth-only or tiered booth plus sponsorship packages.
- Non-Qualifying Expenses: Gratuities, and non-Brocade specific signage. Giveaways of a material dollar amount including trips. Meal costs beyond agreed amount for travel, and excluding expense for Brocade employees.

Demand Generation

- Qualifying Expenses: Creative, printing, mailing list (including purchase or rental costs) postage, fulfillment, telemarketing or telesales, online media, advertisement, incentives, web development for Brocade solution landing pages, online content and other demand generation components.
- Non-Qualifying Expenses: Rush charges, late fees, or other unreasonable charges.

Promotional Items

- Qualifying Expenses: Brocade-branded or co-branded promotional items, such as t-shirts, pens, memory sticks, pad folios, etc., and non-branded items for raffles and sales incentives.
- Non-Qualifying Expenses: Rush charges, late fees, alcoholic or tobacco products, or other unreasonable charges.

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Partner compensation or channel incentives

- Qualifying Expenses: Incentive programs, commonly known as spiff's for pre-sales, sales and technical or system engineer staff that are directly linked to incremental revenue generation, lead generation, deal registration or other revenue events for Brocade. These activities must be managed and administered by the EMC/reseller/distributor/third party vendor.
- Non-Qualifying Expenses: Any incentives that are paid to Brocade badged employee.

Funded Headcount

- Qualifying Expenses: MDF may be used to fund headcount to support, market, or sell Brocade products. Requests will be evaluated on a case-by-case basis. Headcount is partner/reseller/distributor badge employee. Funds can only be used for paying salary.
- Non Qualifying Expenses: Furniture, office equipment, office rental fees, expense account, telephone or internet costs, travel and other unreasonable charges.
-

Activities to specifically call out and reinforce as NOT being MDF qualifying include:

- Customer entertainment - events or programs where there is no activity other than entertainment.
- “Seminars” held in suites at sporting events for entertaining only.
- Team dinners for Brocade, an end-user customer or an OEM/channel partner sales meeting dinner
- Golf tournaments where the primary item being purchased is the player participation.
- Team building events for Brocade, an end-user customer or an OEM/channel partner
- Charity sponsorships - these must be funded by the Sales dept or from the company community relations fund

General Requirements

The primary purpose of all MDF activities is to promote and sell Brocade products through EMC.
Programs must not be misleading or deceptive, nor may they violate Federal, state, or local regulations.
Programs must be in good taste and reflect favorably on Brocade. All registered marks, trademarks, copyrights and disclaimers of Brocade must be properly used as described in the Trademark Usage section in the Brocade Corporate Guidelines training posted on the http://www.brocade.com/news/product_agreement.jsp

Exhibit 10.5
3039 E CORNWALLIS RD
RESEARCH TRIANGLE PARK NC 27709-2195

March 8, 2013

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

Subject: Amendment 46 to SOW #1 of the IBM/Brocade Goods Agreement ROC-P-68

This letter (the “Amendment”) serves as Amendment Number **46** 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. Exhibit A of the SOW#1 is hereby deleted in its entirety and replaced with Exhibit A 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: [**] 3/4/2013

Authorized Signature Date

[**]

Type or Print Name

[**]

Title & Organization

Address:

BROCADE
[**]
Legal Approved on 3/7/2013

Accepted and Agreed To:

Brocade Communications Systems, Inc.

By: [**] 3/14/2013

Authorized Signature Date

[**]

Type or Print Name

[**]

Title & Organization

Address: 130 Holger Way
San Jose, California 95134-1376

Accepted and Agreed To:

Brocade Communications Switzerland, SarL

[**] **3/8/2013**

Authorized Signature Date

[**]

Type or Print Name

[**]

Title & Organization

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
1Gbit/sec Switch Products and Software								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
SW2400 & SW2800 (Refer to End of Life Products)								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
2Gbit/sec Switch Products and Software (Refer to END OF LIFE section for EOL part numbers)								
SW3200								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
SW3800								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
SW3900								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
SW325x & SW385x								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
4Gbit/sec Switch Products and Software (Refer to END OF LIFE Section for EOL part numbers)								
SW210E								
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]

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4999RO0022 (SOW-1) - AMENDMENT 46
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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
SW4100								
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
SW4900								
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
SW7500								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
BROCADE 7500E								
[redacted]	[**]	[redacted]	[**]	[**]	[**]			
[redacted]	[**]	[redacted]	[**]	[**]	[**]			
[redacted]	[**]	[**]	[**]	[**]	[**]			
[redacted]	[**]	[**]	[**]	[**]	[**]			
[redacted]	[**]	[**]	[**]	[**]	[**]			
[redacted]	[**]	[**]	[**]	[**]	[**]			
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
8Gbit/sec Switch Products and Software (Refer to END OF LIFE Section for EOL part numbers)								
BROCADE 300								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	BROCADE 300 BUNDLED WITH SFP'S							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	BROCADE 300 FRU's							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	BROCADE 300 OPTIONAL SOFTWARE							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]		[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
BROCADE 5100								
	[**]	[**]	[**]	[**]	[**]	[**]		[**]
	[**]	[**]	[**]	[**]	[**]	[**]		[**]
	BROCADE 5100 BUNDLED WITH SFP'S							
	[**]		[**]	[**]	[**]	[**]		
	[**]		[**]	[**]	[**]	[**]		
	BROCADE 5100 FRU's							
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	BROCADE 5100 OPTIONAL SOFTWARE							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
BROCADE 5300								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	**BROCADE 5300 BUNDLED WITH SFP'S**							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	**BROCADE 5300 FRU's**							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]			[**]		
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	**BROCADE 5300 OPTIONAL SOFTWARE**							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
FCoE Switch Products and Software								
BROCADE 8000								
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	BROCADE 8000 - MAINTENANCE RENEWALS							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
BROCADE 8000 (CEE Only)								
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	BROCADE 8000 - MAINTENANCE RENEWALS							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 8000 - ACCESSORIES							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 8000 FRU's							
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 8000 OPTIONAL SOFTWARE							
	(NOTE: Using 2 p/n's already released with Brocade 5100)							

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
BROCADE 8000 CEE Only (Accessories, FRU's, Optional Software)								
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 8000 CEE Only FRU's							
	[**]	[**]	[**]	[**]	[**]			[**]
EXTENSION PRODUCTS								
BROCADE 7800 Extension Switch								
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	BROCADE 7800 MAINTENANCE RENEWALS							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 7800 FRU's							
	[**]	[**]	[**]	[**]	[**]			[**]
	BROCADE 7800 OPTIONAL SOFTWARE							
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]			

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
ENCRYPTION PRODUCTS								
BROCADE ENCRYPTION SWITCH (IBM 2498-E32)								
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]	[**]
[redacted]	BROCADE ENCRYPTION SWITCH (IBM 2498-E32) MAINTENANCE RENEWALS							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
BROCADE FS8-18 ENCRYPTION BLADE								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	BROCADE ENCRYPTION SWITCH AND FS8-18 ENCRYPTION BLADE FRU's							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	BROCADE ENCRYPTION PRODUCTS - OPTIONAL SOFTWARE							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
MULTI-PROTOCOL ROUTER (Refer to END OF LIFE Section for EOL part numbers)								
SW7420								
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
DIRECTOR PRODUCTS AND SOFTWARE (Refer to END OF LIFE Section for EOL part numbers)								

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
SW12000								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]		[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
SW48000								
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[**]								
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]

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SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	**DCX BLADE - BUNDLED WITH SFP'S**							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	**DCX - OPTIONAL SOFTWARE**							
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	**DCX - FRU's**							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
BROCADE DCX-4S								
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]	[**]
[redacted]	**BROCADE DCX-4S MAINTENANCE RENEWALS**							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	**BROCADE DCX-4S - ACCESSORIES**							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	**BROCADE DCX-4S - FRU's**							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	BROCADE DCX-4S - OPTIONAL SOFTWARE							
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]	[**]		
BROCADE FX8-24 DCX EXTENSION BLADE								
	[**]	[**]	[**]	[**]	[**]	[**]		[**]
	[**]	[**]	[**]	[**]	[**]	[**]		[**]
	BROCADE FX8-24 DCX EXTENSION BLADE - FRU's							
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	BROCADE FX8-24 DCX EXTENSION BLADE - OPTIONAL SOFTWARE							
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]	[**]		
BROCADE FCoE 10-24 DCX Blade								
	[**]	[**]	[**]	[**]	[**]	[**]		[**]
	BROCADE FCoE 10-24 DCX Blade - FRU's							
	[**]	[**]	[**]	[**]	[**]			[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
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)								
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	BROCADE 6505 Switch (IBM 2498-F24 / 249824G / 2498-X24) ACCESSORIES							
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 6505 Switch (IBM 2498-F24 / 249824G / 2498-X24) FRU'S							
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	BROCADE 6505 Switch (IBM 2498-F24 / 249824G / 2498-X24) MAINTENANCE RENEWALS							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 6505 Switch (IBM 2498-F24 / 249824G / 2498-X24) OPTIONAL SOFTWARE							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
BROCADE 6510 Switch (IBM 2498-F48)								
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	BROCADE 6510 Switch (IBM 2498-F48) MAINTENANCE RENEWALS							
	[**]	[**]	[**]	[**]	[**]			

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 6510 Switch (IBM 2498-F48) ACCESSORIES & FRU's							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 6510 Switch (IBM 2498-F48) OPTIONAL SOFTWARE							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
BROCADE 6520 Switch (IBM 2498-F96 and IBM 2498-N96)								
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	BROCADE 6520 Switch (IBM 2498-F96 and IBM 2498-F96) FRU's							
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	BROCADE 6520 Switch (IBM 2498-F96 and IBM 2498-N96) MAINTENANCE RENEWALS							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	BROCADE 6520 Switch (IBM 2498-F96 and IBM 2498-N96) OPTIONAL SOFTWARE							
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]

16Gbit/sec DIRECTORS								
BLADES & ACCESSORIES FOR SAN384B-2 (2499-416) AND SAN768B-2 (2499-816)								
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	ACCESSORIES & FRU's							
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	BLADE FRU'S							

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
	OPTIONAL SOFTWARE:							
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]	[**]		
IBM SYSTEM STORAGE SAN384B-2 (2499-416)								
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	IBM 2499-416 MAINTENANCE RENEWALS							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	IBM 2499-416 FRU'S							
	[**]	[**]	[**]	[**]	[**]			[**]
IBM SYSTEM STORAGE SAN768B-2 (2499-816)								
	[**]	[**]	[**]	[**]	[**]		[**]	[**]
	IBM 2499-816 MAINTENANCE RENEWALS							
	[**]	[**]	[**]	[**]	[**]			
	[**]	[**]	[**]	[**]	[**]			
	IBM 2499-816 FRU'S							
	[**]	[**]	[**]	[**]	[**]			[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - Transceivers & Cables
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
TRANSCEIVERS (Refer to END OF LIFE Section for EOL part numbers)								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
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	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing	[redacted]
TRANSCEIVERS (FRU'S)									
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]

CABLES									
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - Transceivers & Cables
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	
CABLES (FRU'S)									
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	
	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - RMA only
DATE: March 7, 2013 FINAL

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]	[**]	[redacted]	[**]	[**]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]
[redacted]	[**]	[redacted]	[redacted]	[**]	[**]
[redacted]	[**]	[redacted]	[redacted]	[**]	[**]
[redacted]	[**]	[redacted]	[redacted]	[**]	[**]
[redacted]	[**]	[redacted]	[redacted]	[**]	[**]
[redacted]	[**]	[redacted]	[redacted]	[**]	[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - Annual SW Maintenance
DATE: March 7, 2013 FINAL

**For purpose of calculating the fees for the annual Software Maintenance Support Program as described in Section 9.4, 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)**
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
SW210E	[**]	[**]	[**]	[**]	[**]
SW210E	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
Brocade 300	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
SW3252	[**]	[**]	[**]	[**]	[**]
SW3252	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
SW3854	[**]	[**]	[**]	[**]	[**]
SW3854	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
SW4100	[**]	[**]	[**]	[**]	[**]
SW4100	[**]	[**]	[**]	[**]	[**]
SW48000	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - Annual SW Maintenance
DATE: March 7, 2013 FINAL

**For purpose of calculating the fees for the annual Software Maintenance Support Program as described in Section 9.4, 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	[**]	[**]	[**]	[**]	[**]
Brocade 5000	[**]	[**]	[**]	[**]	[**]
Brocade 5000	[**]	[**]	[**]	[**]	[**]
Brocade 5100	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
Brocade 5300	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
SW7420	[**]	[**]	[**]	[**]	[**]
SW7500	[**]	[**]	[**]	[**]	[**]

[**] 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 9.4, 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)**
Brocade 7500E	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]
	[**]		[**]	[**]	[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - Annual SW Maintenance
DATE: March 7, 2013 FINAL

**For purpose of calculating the fees for the annual Software Maintenance Support Program as described in Section 9.4, 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)
	[**]		[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - End Of Life Products
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
1Gbit/sec Switch Products and Software								
SW2400 & SW2800								
[**]	[**]		[**]	[**]	[**]			
[**]	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
[**]								
[**]								
	[**]	[**]	[**]	[**]	[**]			[**]
	[**]	[**]	[**]	[**]	[**]			[**]
SW3800								
	[**]	[**]	[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			[**]
SW3900								
	[**]	[**]	[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - End Of Life Products
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
SW325x & SW385x								
SW3252	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
SW3252	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
SW3854	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
SW3854	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
4Gbit/sec Switch Products and Software								
SW210E								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
SW4100								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
SW4900								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]		[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]		[**]	[**]	[**]	[redacted]	[redacted]	[redacted]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - End Of Life Products
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
BROCADE 5000								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
SW7500								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
BROCADE 7500E								
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
8Gbit/sec Switch Products and Software								
BROCADE 300								
[redacted]	**BROCADE 300 BUNDLED WITH SFP'S**							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]
[redacted]	**BROCADE 300 FRU's**							
[redacted]	**BROCADE 300 OPTIONAL SOFTWARE**							
[redacted]	[**]		[**]	[**]	[**]	[redacted]	[redacted]	[redacted]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - End Of Life Products
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
BROCADE 5100								
	BROCADE 5100 BUNDLED WITH SFP'S							
	[**]		[**]	[**]	[**]	[**]		
	[**]		[**]	[**]	[**]	[**]		
	BROCADE 5100 OPTIONAL SOFTWARE							
	[**]		[**]	[**]	[**]			
BROCADE 5300								
	BROCADE 5300 BUNDLED WITH SFP'S							
	[**]		[**]	[**]	[**]	[**]		
	[**]							
	[**]		[**]	[**]	[**]			
MULTI-PROTOCOL ROUTER								
SW7420								
	[**]	[**]	[**]	[**]	[**]	[**]		[**]
	[**]	[**]	[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
DIRECTOR PRODUCTS AND SOFTWARE								
SW12000								
	[**]	[**]	[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
SW24000								
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]	[**]		
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			
	[**]		[**]	[**]	[**]			[**]
SW48000								
	[**]	[**]	[**]	[**]	[**]	[**]		
	[**]	[**]	[**]	[**]	[**]			[**]

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4999RO0022 (SOW-1) - AMENDMENT 46
SCHEDULE 1 TO EXHIBIT A - Product Price List and Description - End Of Life Products
DATE: March 7, 2013 FINAL

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 - [**] Year (included in unit price of product)	Out of Warranty Pricing
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[**]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]	[**]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
BROCADE DCX (DATA CENTER BACKBONE)								
[redacted]	**DCX BLADE - BUNDLED WITH SFP'S**							
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]

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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 - [**] Year (included in unit price of product)	Out of Warranty Pricing	
FABRIC MANAGER									
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
[redacted]	[**]	[redacted]	[**]	[**]	[**]	[**]	[redacted]	[redacted]	[redacted]
TRANSCEIVERS									
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]
[redacted]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[redacted]

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3039 E CORNWALLIS RD
RESEARCH TRIANGLE PARK NC 27709-2195

March 12, 2013

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

Subject: Amendment #22 to Statement of Work #4903RL1112 (“SOW #3” or “SOW”) dated March 12, 2013

This Amendment #22 (“Amendment”) to Statement of Work # 4903RL1112 (“SOW”) adopts and incorporates by reference the terms and conditions of Goods Agreement # 4999RO0015 (“Agreement”) by and between Brocade Communications Systems, Inc. (“Brocade”) and International Business Machines Corporation (“IBM”). The parties agree to amend the SOW as follows. All other terms and conditions in the Base Agreement and SOW shall remain in full force and effect.

1. Replace section 11.0 Disaster Recovery Plan of the SOW in its entirety with the following:

11.0 Business Continuity
Supplier agrees to have and maintain a business continuity plan and business continuity testing procedures, which include but are not limited to the areas of disaster recovery planning and pandemic planning. Supplier agrees to review, update, and test the business continuity plan on a regular basis and, upon Buyer's request, Supplier will provide a summary of the business continuity plan. Buyer may, from time to time, provide feedback regarding the plan and requests that Supplier take Buyer's comments into consideration when updating the plan. However, Supplier remains solely responsible for the performance of its responsibilities under the Agreement and the adequacy of the business continuity plan regardless of whether Buyer has reviewed or commented on the plan.

2. Replace “Attachment #1, Product Unique Attachment 10” for “Brocade 16Gb Fibre Channel Switch Module” in its entirety with the attached “Attachment #1, Product Unique Attachment 10”.

3. Replace “Attachment 6, Product Part Numbers and Pricing” in its entirety with the attached “Attachment 6, Product Part Numbers and Pricing”.

The parties acknowledge that they have read this Amendment, understand it, and agree to be bound by its terms and conditions. Further, they agree that this Amendment and the subject Agreement are the complete and exclusive statement of the agreement between the parties, superseding all proposals or other prior agreements, oral or written, and all other communications between the parties relating to this subject.

Except as specifically provided for in the foregoing provisions of this Amendment, the SOW shall continue in full force and effect. All capitalized terms defined in the Agreement which are used in this Amendment without further definition shall have the meanings ascribed to them in the Agreement.

Please have your authorized representative indicate acceptance thereof by signing the Amendment and returning one copy to the attention of [**]. This amendment will be effective when signed by both parties.

ACCEPTED AND AGREED TO:
International Business Machines Corporation
By:
[**] 3/20/2013
IBM Signature Date
[**]
Printed Name
[**]
Title & Organization

Address:
3039 Cornwallis Rd
RTP, NC 27709
USA

ACCEPTED AND AGREED TO:
Brocade Communications Systems, Inc.
By:
[**] 3/15/2013
Brocade Signature Date
[**]
Printed Name
[**]
Title & Organization

Address:
130 Holger Way
San Jose, CA 95134-1376
USA

ACCEPTED AND AGREED TO:
Brocade Communications Switzerland, SarL
By:
[**] 3/18/2013
Authorized Signature Date
[**]
Printed Name
[**]
Title & Organization

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ATTACHMENT #1

PRODUCT UNIQUE ATTACHMENT #11, EFFECTIVE MARCH 12, 2013

1.0 PRODUCT DESCRIPTION

The initial Product offering is a **Brocade 16Gb Fibre Channel Mezzanine Adapter** that offers two ports that can operate at 4/8/16Gb speeds. Incorporated with the model is all Product code (e.g., Microcode and Programs), including firmware, drivers and bootcode, and any updates thereto delivered by Supplier.

The subsequent Product offering is a **Brocade 16Gb Fibre Channel Mid-Mezzanine Adapter** that offers four ports that can operate at 8/16Gb speeds. Incorporated with the model is all Product code (e.g., Microcode and Programs), including firmware, drivers and bootcode, and any updates thereto delivered by Supplier.

A complete listing of Products, part numbers and prices are listed in Attachment #6, as updated from time to time.

1.1 Additional Description of Products

Products must conform to the following specifications (including any subsequent revisions, as mutually agreed to between the parties), which are hereby incorporated by reference, and sold exclusively to IBM including providing supporting Services:

- **Brocade 16Gb Dual-Port Fibre Channel Mezzanine Adapter** Product Requirements Document ("PRD"), filename "Brocade 16Gb FC Mezz Card for Beacon PRD 1.0.doc", version 1.0 and any subsequent versions.
- **Brocade 16Gb Quad-Port Fibre Channel Mid-Mezzanine Adapter** Product Requirements Document ("PRD"), filename "Brocade 16Gb Quad FC Mezz Card PRD 1.0.doc", version 1.0 and any subsequent versions.

2.0 BUYER REQUESTED PRODUCT CHANGES

The parties agree that part numbers, relevant descriptions, Prices, delivery terms, Lead Times and other Product specific terms not specifically addressed by this Agreement shall be determined pursuant to the following process: (i) Buyer will issue a RFQ and/or an EC request to Supplier for the affected Products, including relevant specifications and other requirements; (ii) Supplier shall respond to such RFQs and EC requests with a quote; (iii) If Buyer agrees to the Supplier quote, then Buyer will notify Supplier of its acceptance of such Supplier quote in writing or by the issuance of a revised WA and updates to Buyer's procurement internet portal. Such part numbers, relevant descriptions, Prices, delivery terms, Lead Times and other terms are incorporated herein by reference, and will not affect any of the other Products (not subject to change pursuant to this process) in any manner, unless a specific Product is identified in the RFQ and/or the EC as a replacement or change to an existing Product.

3.0 PROPRIETARY OWNERSHIP

3.1 Buyer Proprietary Ownership

Buyer retains all rights it has to the technology contained in the Buyer Software packaging and testing for Update Express Support Packages (USXP) as specified in Modular and Blade Systems Building Block Software Integration Guide under Buyer Proprietary ownership.

3.2 Seller's Proprietary Ownership

Except for the proprietary information provided by Buyer as listed in Section 3.1 above and any Buyer patents that may read on the implementation, Supplier retains all ownership rights it has in Products; this PUA transfers no ownership rights in Products to Buyer.

4.0 PART NUMBER UNIQUE TERMS

4.1 Product Price List and Description

See Attachment 6 to SOW #3, Consolidated Price List

4.2 Product Unit Terms and Repair Pricing

See Attachment 6 to SOW #3, Consolidated Price List

5.0 WA FLEXIBILITY

Number of Days prior to a WA Scheduled Delivery Date	Increase of Product Quantity to a WA Scheduled Delivery Date (% of WA Quantity)	Cancellation of Product Quantity to a WA Scheduled Delivery Date (% of WA Quantity)	Rescheduling of Product Quantity to a WA Scheduled Delivery Date (% of WA Quantity)
Less than [**] days	As mutually agreed upon	—	—
From [**] days to [**] days	[**]	[**]	[**]
From [**] days to [**] days	[**]	[**]	[**]
More than [**] days	[**]	[**]	

While the above flexibility terms also apply to Pull Products, in the event the relevant Pull Profile has more favorable terms, then such more favorable terms shall take precedence.

6.0 SUPPLIER PRODUCT WITHDRAWAL

Supplier will provide Buyer with [**] days' written notice of its intent to withdraw any Product (“End of Life” or “EOL”) prior to the last date of manufacture of a Product. Buyer shall provide to Supplier a non-binding forecast for Products and FRUs [**] days from the receipt of Supplier's notice of End of Life. Buyer shall provide to Supplier a non-cancelable last-time buy WA for forecasted Products no later than [**] days prior to the End of Life date (last date of manufacture or sales/distribution date). Such Product purchases must be scheduled to ship no later than the End of Life date. However, Buyer shall provide to Supplier last-time buy purchase FRU forecast [**] days prior to the End of Life date (last date of manufacture or sales/distribution date) and shall provide a non-cancelable WA for [**] of the total last time buy FRU forecast. Such purchases which may be rescheduled will be delivered upon Buyer's request during the [**] year term. For delivery requests outside of the Notice Period or order requests after Buyer's last-time buy purchase has been placed, Supplier will review on a case-by-case basis Buyer's request(s).

7.0 SUPPLY OF PRODUCTS

Supplier shall deliver products as specified in WA/PO for forecasted orders. Notwithstanding any other provision of this Agreement (except force majeure), if due to a shortage Supplier is unable to deliver Products as specified, Supplier will notify Buyer of such inability to deliver Products along with an estimate of the duration of such shortage. If Supplier fails to correct such inability to supply Product or fails to develop a plan acceptable to Buyer, Buyer will have the right to cancel such POs or portions thereof by written notice. If Buyer cancels WA/PO, Buyer's only obligation is to pay for Products already delivered at the time of Buyer's cancellation notice.

8.0 COMMUNICATIONS

All communications between parties will be carried out through the following designated coordinators. All notices required in writing under this Agreement will be made to the appropriate contact listed below at the following addresses and will be effective upon actual receipt. Notices may be transmitted electronically, by registered or certified mail, or courier. All notices, with the exception of legal notices, may also be provided by facsimile.

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8.1 Business Coordinators

SUPPLIER	Brocade Communications Systems Inc.	BUYER	IBM
Name	[**]	Name	[**]
Title	[**]	Title	[**]
Address	[**]	Address	[**]
Phone	[**]	Phone	[**]
E-mail	[**]	E-mail	[**]

8.2 Technical Coordinators

SUPPLIER	Brocade Communications Systems Inc.	BUYER	IBM
Name	[**]	Name	[**]
Title	[**]	Title	[**]
Address	[**]	Address	[**]
Phone	[**]	Phone	[**]
E-mail	[**]	E-mail	[**]

8.3 Legal Coordinators

All legal notices will be sent to the following addresses and will be deemed received (a) two (2) days after mailing if sent by certified mail, return receipt requested or (b) on the date confirmation is received if sent by facsimile transmittal, to the party set forth below.

SUPPLIER	Brocade Communications Systems Inc.	BUYER	IBM
Name	[**]	Name	[**]
Title	[**]	Title	[**]
Address	[**]	Address	[**]
Phone	[**]	Phone	[**]
Fax	[**]	Fax (Fax notice shall be valid only when verbal confirmation of receipt is obtained.)	[**]
E-mail	[**]	E-mail	[**]

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ATTACHMENT 6

PRODUCT PART NUMBERS AND PRICING

(see following pages)

Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - Switch Modules

Buyer Part Number	Supplier Part Number *	Fulfillment locations (if required) *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
2GBit/sec Software Products (Refer to EOL section for Switch Module)									
[**]	IB-3016TPM-01	Benchmark (Direct)	Performance Bundle (Performance Monitor and Trunking)	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016TRK-01	Benchmark (Direct)	ISL Trunking	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016PRF-01	Benchmark (Direct)	Advance Performance Monitor	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016EXF-01	Benchmark (Direct)	Extended Fabrics	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-FMG4-0000-M	Benchmark (Direct)	Fabric Manager v4.x	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016RSW-01	Benchmark (Direct)	Remote Switch Activation	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016SEC-01-M	Benchmark (Direct)	Advanced Security Activation	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016FLF-01	Benchmark (Direct)	Full SAN Scaling	[**]	[**]	[**]	[**]	[**]	[**]
2GBit/sec Software Products - Intel (Refer to EOL section for Switch Module)									
[**]	IN-3016TPM-01	Benchmark (Direct)	Performance Bundle (Performance Monitor and Trunking)	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IN-3016TRK--01	Benchmark (Direct)	ISL Trunking	[**]	[**]	[**]	[**]	[**]	[**]

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[**]	IN-3016PRF-01	Benchmark (Direct)	Advance Performance Monitor	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IN-3016EXF-01	Benchmark (Direct)	Extended Fabrics	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IN-FMG4-0000-M	Benchmark (Direct)	Fabric Manager v4.x	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IN-3016RSW-01	Benchmark (Direct)	Remote Switch Activation	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IN-3016SEC-01-M	Benchmark (Direct)	Advanced Security Activation	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IN-3016FLF-01	Benchmark (Direct)	Full SAN Scaling	[**]	[**]	[**]	[**]	[**]	[**]
4GBit/sec Software & POD Products (Refer to EOL section for Switch Module)									
[**]	IB-4020PD1-01	Benchmark (Direct)	10 Port POD (SW4020)	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-4020FWH-01	Benchmark (Direct)	Fabric Watch	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016TPM-01	Benchmark (Direct)	Performance Bundle (Performance Monitor and Trunking)	[**]					
[**]	IB-3016TRK-01	Benchmark (Direct)	ISL Trunking	[**]					
[**]	IB-3016PRF-01	Benchmark (Direct)	Advance Performance Monitor	[**]					

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[**]	IB-3016EXF-01	Benchmark (Direct)	Extended Fabrics	[**]					
[**]	IB-FMG5-0000-M	Benchmark (Direct)	Fabric Manager v5.x	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016SEC-01-M	Benchmark (Direct)	Advanced Security Activation	[**]					
8GBit/sec Products (Brocade 8Gb Fibre Channel Switch Module)									
[**]	IB-5470-0005-M	DIRECT and HUB LOCATIONS	ASM Switch Module, 20 Port, Multi-pack; MUST be ordered in quantities of 10	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-5470-0002	DIRECT	FRU, Brocade 8Gb Switch Module, 20 Port	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-5470-0004-M	DIRECT and HUB LOCATIONS	ASM Switch Module, 10 Port, Multi-pack; MUST be ordered in quantities of 10	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-5470-0001	DIRECT	FRU, Brocade 8Gb Switch Module, 10 Port	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-5470-0006-M	DIRECT and HUB LOCATIONS	ASM Enterprise Switch Module, 20 Port, Multi-pack; MUST be ordered in quantities of 10	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-5470-0003	DIRECT	FRU, Enterprise Brocade 8Gb Switch Module, 20 Port	[**]	[**]	[**]	[**]	[**]	[**]

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Buyer Part Number	Supplier Part Number *	Fulfillment locations (if required) *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
16GBit/sec Products (Brocade 16Gb Fibre Channel Switch Module)									
Brocade 16Gb FC Switch Module									
[**]	IB-6547-0001-M	DIRECT and HUB LOCATIONS	IBM Flex System FC5022 16Gb SAN Scalable Switch 12-port	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-6547-0001	DIRECT and HUB LOCATIONS	FRU, IBM Flex System FC5022 16Gb SAN Scalable Switch 12-port	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-6547-0003-M	DIRECT and HUB LOCATIONS	IBM Flex System FC5022 24-port 16Gb ESB SAN Scalable Switch (Includes FW, APM, ISL, EF, AN, & SAO)	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-6547-0003	DIRECT and HUB LOCATIONS	FRU, IBM Flex System FC5022 24-port 16Gb ESB SAN Scalable Switch (Includes FW, APM, ISL, EF, AN, & SAO)	[**]	[**]	[**]	[**]	[**]	[**]
Optional Software (Features on Demand)									
[**]	IB-EMBD12POD-01	FOD	12-port POD1	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-EMBD24POD-01	FOD	24-port POD2	[**]	[**]	[**]	[**]	[**]	[**]
[**]	**IB-EFODFW-01**	FOD	Fabric Watch	[**]	[**]	[**]	[**]	[**]	[**]
[**]	**IB-EFODTRK-01**	FOD	ISL Trunking	[**]	[**]	[**]	[**]	[**]	[**]

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PRODUCT PRICE LIST AND DESCRIPTION - Switch Modules

Buyer Part Number	Supplier Part Number *	Fulfillment locations (if required) *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
Brocade 16Gb FC 24p Switch Module Bundle									
[**]	IB-6547-0004-M	DIRECT and HUB LOCATIONS	Base Embedded switch 24-ports 16Gb; Includes qty-2 16Gb FC SFPs bundled	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-6547-0004	DIRECT and HUB LOCATIONS	FRU, Base Embedded switch 24-ports 16Gb; No SFP's	[**]	[**]	[**]	[**]	[**]	[**]

FCoE Switch Module									
[**]	IB-8470-0001-M	DIRECT and HUB LOCATIONS	Brocade 10Gb CEE/FC High Speed Switch Module for IBM BladeCenter, 2x10G SFPs installed. Includes Accessory and Gasket kits. **MUST be ordered in quantity of 5**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-8470-0001	DIRECT	FRU, 10Gb CEE/FC High Speed Switch Module, No SFP installed; single-pack	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-EMBD14POD-0001	DIRECT and HUB LOCATIONS	14-port Dynamic Ports On Demand (DPOD) Upgrade Kit. Includes qty-2 8Gb SWL SFP's. **MUST be ordered in quantity of 10**	[**]	[**]	[**]	[**]	[**]	[**]

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PRODUCT PRICE LIST AND DESCRIPTION - Adapters

Buyer Part Number	Supplier Part Number *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
Brocade 4Gb FC Single & Dual port HBA for System x								
[**]	IB-415-0000	Brocade 4Gb FC Single-port HBA for IBM System x; 3U bracket; 1x4G SWL SFP installed **MUST be ordered in quantity of 20 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-415-0010	FRU for Brocade single-port 4GB FC HBA with 3U bracket attached, 1x4G SWL SFP installed and 1x2U bracket in clamshell, 5-pack, MUST be ordered in qty of 5 units	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-400-0001	Bracket, 2U, Single-port 4Gb; MUST be ordered in quantity of 140 units	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-425-0000	Brocade 4Gb FC Dual-port HBA for IBM System x; 3U bracket; 2x4G SWL SFP installed **MUST be ordered in quantity of 20 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-425-0010	FRU for Brocade dual-port 4GB FC HBA with 3U bracket attached, 2x4G SWL SFP installed and 1x2U bracket in clamshell, 5-pack, MUST be ordered in qty of 5 units	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-400-0002	Bracket, 2U, Dual-port 4Gb; MUST be ordered in quantity of 140 units	[**]	[**]	[**]	[**]	[**]	[**]
Brocade 8Gb FC Single & Dual port HBA for System x								
[**]	IB-815-0000	Single port, PCI Express 2.0 adapter, 3U bracket, 1 x 8G SWL SFP installed; no documentation **MUST be ordered in quantity of 20 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-815-0010	FRU Single port, PCI Express 2.0 adapter, 3U bracket, 1 x 8G SWL SFP installed; 1 x 2U bracket in clamshell **MUST be ordered in quantity of 5 units**	[**]	[**]	[**]	[**]	[**]	[**]

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PRODUCT PRICE LIST AND DESCRIPTION - Adapters

Buyer Part Number	Supplier Part Number *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
[**]	IB-800-0001	Single port 2U bracket **MUST be ordered in quantity of 140 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-825-0000	Dual port, PCI Express 2.0 adapter, 3U bracket, 2 x 8G SWL SFP installed; no documentation **MUST be ordered in quantity of 20 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-825-0010	FRU Dual port, PCI Express 2.0 adapter, 3U bracket, 2 x 8G SWL SFP installed; 1 x 2U bracket in clamshell **MUST be ordered in quantity of 5 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-800-0002	Dual port 2U bracket **MUST be ordered in quantity of 140 units**	[**]	[**]	[**]	[**]	[**]	[**]
Brocade 16Gb Fibre Channel Host Bus Adapter								
[**]	IB-1860-1F01	Brocade 16Gb FC Single-port HBA for IBM System x; 3U bracket; 1 x 16Gb SWL SFP installed **MUST be ordered in quantities of 20 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-1860-1F00	FRU: Brocade 16Gb FC Single-port HBA for IBM System x; 3U bracket; 1 x 16Gb SWL SFP installed; 1 x 2U bracket in clamshell	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-1860-2F01	Brocade 16Gb FC Dual-port HBA for IBM System x; 3U bracket; 2 x 16Gb SWL SFPs installed **MUST be ordered in quantities of 20 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-1860-2F00	FRU: Brocade 16Gb FC Dual-port HBA for IBM System x; 3U bracket; 2 x 16Gb SWL SFPs installed; 1 x 2U bracket in clamshell **MUST be ordered in quantities of 5 units**	[**]	[**]	[**]	[**]	[**]	[**]

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PRODUCT PRICE LIST AND DESCRIPTION - Adapters

Buyer Part Number	Supplier Part Number *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
[**]	IB-1860-BRK1	Brocade Single-port Bracket, Low profile **MUST be ordered in quantities of 140 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-1860-BRK2	Brocade Dual-port Bracket, Low profile **MUST be ordered in quantities of 140 units**	[**]	[**]	[**]	[**]	[**]	[**]
Brocade 16Gb Dual-Port Fibre Channel Mezzanine Adapter								
[**]	IB-1867-2001	IBM Flex System FC5022 2-port 16Gb Adapter; Assembly; NO SFP's. **MUST be ordered in quantities of 20**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-1867-2000	FRU; IBM Flex System FC5022 2-port 16Gb Adapter; NO SFP's.	[**]	[**]	[**]	[**]	[**]	[**]
Brocade 16Gb Fibre Channel Mid-Mezzanine Adapter								
[**]	IB-1869-2001	IBM Flex System FC5024D 4-port 16Gb FC Adapter; NO SFPs. **MUST be ordered in quantities of 20**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-1869-2000	FRU, IBM Flex System FC5024D 4-port 16Gb FC Adapter; NO SFPs.	[**]	[**]	[**]	[**]	[**]	[**]

Brocade 10Gb Dual-Port CNA FCoCEE Dual Port HBA for IBM System x								
[**]	IB-1020-1000	Brocade 10Gb FCoCEE Dual port CNA, 3U bracket, NO SFPs installed; no documentation **MUST be ordered in quantity of 20 units**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-1020-1010	FRU, 10Gb Dual-Port CNA with 3u bracket attached, NO SFPs installed, 2u bracket in clamshell; single FRU pack overpacked in multipack. **MUST be ordered in quantity of 5 units.**	[**]	[**]	[**]	[**]	[**]	[**]

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Buyer Part Number	Supplier Part Number *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
[**]	IB-1000-0002	Dual port 2u bracket (140pc bulk package) **MUST be ordered in quantity of 140 units**	[**]	[**]	[**]	[**]	[**]	[**]
Brocade 2-port Converged Network Adapter (CFFh) for IBM BladeCenter								
[**]	IB-1007-0000	CFFh 2-port 10Gb Converged Enhanced Ethernet Expansion Card for IBM BladeCenter. **MUST be ordered in quantity of 20 units.**	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-1007-0010	FRU, CFFh 2-port 10Gb Converged Enhanced Ethernet Expansion Card; single-pack	[**]	[**]	[**]	[**]	[**]	[**]

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Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - Transceivers

Buyer Part Number	Supplier Part Number *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
4Gb TRANSCEIVERS								
[**]	XIB-000191	FRU for Brocade 4Gb SFP+ Optical Transceiver	[**]	[**]	[**]	[**]	[**]	[**]
8Gb TRANSCEIVERS (Reference EOL Section for Transceivers)								
[**]	IB-000293	Brocade P3 SFP+, SWL, 8G, 1-PACK, IBM System x	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-000293	FRU, P3 SFP+, SWL, 8G, 1-PACK, IBM System x	[**]	[**]	[**]	[**]	[**]	[**]
16Gb TRANSCEIVERS								
[**]	IB-000292	Brocade SFP+, SWL, 16Gb, 1-PACK, IBM System x	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-000292	FRU, SFP+, SWL, 16Gb, 1-PACK, IBM System x	[**]	[**]	[**]	[**]	[**]	[**]
10Gb TRANSCEIVERS								
[**]	IB-000180	Brocade 10G SR SFP+ (1-pack)	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-000180	FRU, Brocade 10G SR SFP+ (1-pack)	[**]	[**]	[**]	[**]	[**]	[**]

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - Repair - Switch Modules

Buyer P/N	Supplier P/N	Description	TAT (In warranty or out of warranty repair)	Repair Price (USD)*
2GBit/sec Products (Brocade 2Gb Fibre Channel Switch Module) - END OF LIFE				
[**]	IB-3016-0001-M	Option, FC Switch Module	[**]	[**]
[**]	XIB-3016-V200	CRU, Value Line Switch Module	[**]	[**]
[**]	IB-3016-0000-M	Asm, FC Switch Module	[**]	[**]
[**]	IB-3016-V201-M	Option, Value Line Module	[**]	[**]
[**]	IB-3016-V200-M	Asm, Value Line Module	[**]	[**]
[**]	IN-3016-0001	Option, FC Switch Module	[**]	[**]
[**]	XIN-3016-V200	CRU, Value Line Switch Module	[**]	[**]
[**]	IN-3016-V201-M	Option, Value Line Module	[**]	[**]
4GBit/sec Products (Brocade 4Gb Fibre Channel Switch Module) - END OF LIFE				
[**]	IB-4020-0002-M	Option, FC Switch Module (20 port), includes Fabric OS, Advance Zoning, Web Tools and ship group	[**]	[**]
[**]	XIB-4020-0002	CRU, FC Switch Module (20 port)	[**]	[**]
[**]	IB-4020-0001-M	Option, FC Switch Module (10 port), includes Fabric OS, Advance Zoning, Web Tools and ship group	[**]	[**]
[**]	XIB-4020-0001	CRU, FC Switch Module (10 port), includes Fabric OS, Advance Zoning, Web Tools and ship group	[**]	[**]
8GBit/sec Products (Brocade 8Gb Fibre Channel Switch Module)				
[**]	IB-5470-0004-M	ASM Switch Module, 10 Port, Multi-pack; MUST be ordered in quantities of 10	[**]	[**]
[**]	IB-5470-0005-M	ASM Switch Module, 20 Port, Multi-pack; MUST be ordered in quantities of 10	[**]	[**]
[**]	IB-5470-0006-M	ASM Enterprise Switch Module, 20 Port, Multi-pack; MUST be ordered in quantities of 10	[**]	[**]

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - REPAIR - SWITCH MODULES

Buyer P/N	Supplier P/N	Description	TAT (In warranty or out of warranty repair)	Repair Price (USD)*
[**]	XIB-5470-0001	FRU, Brocade 8Gb Switch Module, 10 Port	[**]	[**]
[**]	XIB-5470-0002	FRU, Brocade 8Gb Switch Module, 20 Port	[**]	[**]
[**]	XIB-5470-0003	FRU, Enterprise Brocade 8Gb Switch Module, 20 Port	[**]	[**]
16GBit/sec Products (Brocade 16Gb Fibre Channel Switch Module)				
[**]	IB-6547-0001-M	IBM Flex System FC5022 16Gb SAN Scalable Switch 12-port	[**]	[**]
[**]	XIB-6547-0001	FRU, IBM Flex System FC5022 16Gb SAN Scalable Switch 12-port	[**]	[**]
[**]	IB-6547-0003-M	IBM Flex System FC5022 24-port 16Gb ESB SAN Scalable Switch (Includes FW, APM, ISL, EF, AN, & SAO)	[**]	[**]
[**]	XIB-6547-0003	FRU, IBM Flex System FC5022 24-port 16Gb ESB SAN Scalable Switch (Includes FW, APM, ISL, EF, AN, & SAO)	[**]	[**]
[**]	IB-6547-0004-M	Base Embedded switch 24-ports 16Gb; Includes qty-2 16Gb FC SFPs bundled	[**]	[**]
[**]	XIB-6547-0004	FRU, Base Embedded switch 24-ports 16Gb; No SFP's	[**]	[**]
FCoE Switch Module				
[**]	IB-8470-0001-M	Brocade 10Gb CEE/FC High Speed Switch Module for IBM BladeCenter, 2x10G SFPs installed. Includes Accessory and Gasket kits. **MUST be ordered in quantity of 5**	[**]	[**]
[**]	XIB-8470-0001	FRU, 10Gb CEE/FC High Speed Switch Module, No SFP installed; single-pack	[**]	[**]

***Repair Price applies only to Products sent to Supplier for Repair, which are not covered by the warranties in the Agreement.**

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - REPAIR - SWITCH MODULES

Buyer P/N	Supplier P/N	Description	TAT (In warranty or out of warranty repair)	Repair Price (USD)*

The following part numbers are to be used as replacements by Supplier when notified by Buyer that product has arrived "dead on arrival"

Buyer P/N	Supplier P/N	Description	Repair Price (USD)*
8GBit/sec Products (for DOA purposes ONLY - NOT orderable by buyer)			
N/A	IB-5470-0001	Option Fiber Channel Switch Module, 10 Port	[**]
N/A	IB-5470-0002	Option Fiber Channel Switch Module, 20 Port	[**]
N/A	IB-5470-0003	Enterprise Switch Module, 20 Port	[**]

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - REPAIR - ADAPTERS

Buyer Part Number	Supplier Part Number *	Product Description	TAT (In warranty or out of warranty repair)	Repair Price (USD)*
Brocade 4Gb FC Single & Dual port HBA for System x *				
[**]	XIB-415-0010	FRU for Brocade single-port 4GB FC HBA with 3U bracket attached, 1x4G SWL SFP installed and 1x2U bracket in clamshell, 5-pack, MUST be ordered in qty of 5 units	[**]	[**]
[**]	XIB-425-0010	FRU for Brocade dual-port 4GB FC HBA with 3U bracket attached, 2x4G SWL SFP installed and 1x2U bracket in clamshell, 5-pack, MUST be ordered in qty of 5 units	[**]	[**]
Brocade 8Gb FC Single & Dual port HBA for System x *				
[**]	XIB-815-0010	FRU Single port, PCI Express 2.0 adapter, 3U bracket, 1 x 8G SWL SFP installed; 1 x 2U bracket in clamshell	[**]	[**]
[**]	XIB-825-0010	FRU Dual port, PCI Express 2.0 adapter, 3U bracket, 2 x 8G SWL SFP installed; 1 x 2U bracket in clamshell	[**]	[**]
Brocade 16Gb Fibre Channel Host Bus Adapter				
[**]	IB-1860-1F01	Brocade 16Gb FC Single-port HBA for IBM System x; 3U bracket; 1 x 16Gb SWL SFP **MUST be ordered in quantities of 20 units**	[**]	[**]
[**]	IB-1860-2F01	Brocade 16Gb FC Dual-port HBA for IBM System x; 3U bracket; 2 x 16Gb SWL SFP **MUST be ordered in quantities of 20 units**	[**]	[**]
[**]	XIB-1860-1F00	FRU: Brocade 16Gb FC Single-port HBA for IBM System x; 3U bracket; 1 x 16Gb SWL SFP; 1 x 2U bracket in clamshell **MUST be ordered in quantities of 5 units**	[**]	[**]
[**]	XIB-1860-2F00	FRU: Brocade 16Gb FC Dual-port HBA for IBM System x; 3U bracket; 2 x 16Gb SWL SFP; 1 x 2U bracket in clamshell **MUST be ordered in quantities of 5 units**	[**]	[**]

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - REPAIR - ADAPTERS

Buyer Part Number	Supplier Part Number *	Product Description	TAT (In warranty or out of warranty repair)	Repair Price (USD)*
Brocade 16Gb Dual-Port Fibre Channel Mezzanine Adapter				
[**]	IB-1867-2001	IBM Flex System FC5022 2-port 16Gb Adapter; Assembly; NO SFP's. **MUST be ordered in quantities of 20**	[**]	[**]
[**]	XIB-1867-2000	FRU; IBM Flex System FC5022 2-port 16Gb Adapter; NO SFP's.	[**]	[**]
Brocade 16Gb Fibre Channel Mid-Mezzanine Adapter				
[**]	IB-1869-2001	IBM Flex System FC5024D 4-port 16Gb FC Adapter; NO SFPs. **MUST be ordered in quantities of 20**	[**]	[**]
[**]	XIB-1869-2000	FRU, IBM Flex System FC5024D 4-port 16Gb FC Adapter; NO SFPs.	[**]	[**]

*** Products listed are replacement only as covered by the warranties in the agreement.**

Buyer Part Number	Supplier Part Number *	Product Description	TAT (In warranty or out of warranty repair	Repair Price (USD)*
Brocade 10Gb Dual-Port CNA FCoCEE Dual Port HBA for IBM System x*				
[**]	XIB-1020-1010	FRU, 10Gb Dual-Port CNA with 3u bracket attached, No SFP installed, 2u bracket in clamshell; single FRU pack overpacked in multipack. MUST be ordered in quantity of 5 units.	[**]	[**]
[**]	XIB-000180	FRU, Brocade 10G SR SFP+ (1-pack)	[**]	[**]
Brocade 2-port Converged Network Adapter (CFFh) for IBM BladeCenter				
[**]	IB-1007-0000	CFFh 2-port 10Gb Converged Enhanced Ethernet Expansion Card for IBM BladeCenter. **MUST be ordered in quantity of 20 units.**	[**]	[**]
[**]	XIB-1007-0010	FRU, CFFh 2-port 10Gb Converged Enhanced Ethernet Expansion Card; single-pack	[**]	[**]

*** Products listed are replacement only as covered by the warranties in the agreement.**

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - REPAIR - ADAPTERS

Buyer Part Number	Supplier Part Number *	Product Description	TAT (In warranty or out of warranty repair)	Repair Price (USD)*

The following part numbers are to be used as replacements by Supplier when notified by Buyer that product has arrived "dead on arrival"

Buyer P/N	Supplier P/N	Description		Repair Price (USD)*
Brocade 16Gb Dual-Port Fibre Channel Mezzanine Adapter (for DOA purposes only - NOT orderable by buyer)				
N/A	IB-1867-2000	IBM Flex System FC5022 2-port 16Gb Adapter; Assembly	[**]	[**]
Brocade 16Gb Fibre Channel Host Bus Adapter (for DOA purposes only - NOT orderable by buyer)				
NA	IB-1860-1F00	Brocade 16Gb FC Single-port HBA for IBM System x, 1-pack; Includes 1 x 16Gb SWL SFP	[**]	[**]
NA	IB-1860-2F00	Brocade 16Gb FC Dual-port HBA for IBM System x, 1-pack; Includes qty-2 x 16Gb SWL SFP's	[**]	[**]

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - REPAIR - TRANSCEIVERS

Buyer Part Number	Supplier Part Number *	Product Description	TAT (In warranty or out of warranty repair)	Repair Price (USD)*
4Gb TRANSCEIVERS				
[**]	XIB-000191	FRU for Brocade 4Gb SFP+ Optical Transceiver	[**]	[**]
8Gb TRANSCEIVERS				
[**]	IB-000150	Brocade 8Gb P3 SWL SFP, 1-pack	[**]	[**]
[**]	XIB-000150	FRU, 8Gb P3 SWL SFP (single pack) Brocade 8Gb Shortwave length SFP module, 1-pack	[**]	[**]
[**]	IB-000293	Brocade P3 SFP+, SWL, 8G, 1-PACK, IBM System x	[**]	[**]
[**]	XIB-000293	FRU, P3 SFP+, SWL, 8G, 1-PACK, IBM System x	[**]	[**]
16Gb TRANSCEIVERS				
[**]	IB-000292	Brocade SFP+, SWL, 16Gb, 1-PACK, IBM System x	[**]	[**]
[**]	XIB-000292	FRU, SFP+, SWL, 16Gb, 1-PACK, IBM System x	[**]	[**]
10Gb TRANSCEIVERS				
[**]	IB-000180	Brocade 10G SR SFP+ (1-pack)	[**]	[**]
[**]	XIB-000180	FRU, Brocade 10G SR SFP+ (1-pack)	[**]	[**]

*** Products listed are replacement only as covered by the warranties in the agreement.**

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - END OF LIFE PRODUCTS ONLY (SWITCH MODULES)

Buyer Part Number	Supplier Part Number *	Fulfillment locations (if required) *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU)
2GBit/sec Products (Brocade 2Gb Fibre Channel Switch Module) - END OF LIFE									
[**]	IB-3016-0001-M	HUB LOCATIONS: - Hungary - Guadalajara IIPC (Direct)	Option, FC Switch Module, includes Fabric OS, Fabric Watch, Advance Zoning, Web Tools and ship group	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-3016-V200	Mechanicsburg (Direct)	CRU, Value line FC Switch Module	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016-0000-M	TBD	Asm, FC Switch Module, includes Fabric OS, Fabric Watch, Advance Zoning, and Web Tools	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016-V201-M	HUB LOCATIONS: - Hungary - Guadalajara IIPC (Direct)	Option, Value Line Module	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-3016-V200-M	TBD	Asm, Value Line Module	[**]	[**]	[**]	[**]	[**]	[**]
2GBit/sec Products (Brocade 2Gb Fibre Channel Switch Module / INTEL) - END OF LIFE									
[**]	IN-3016-0001-M	IIPC (Direct)	Option, FC Switch Module, includes Fabric OS, Fabric Watch, Advance Zoning, Web Tools and ship group	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIN-3016-V200	IIPC (Direct)	CRU, Value line FC Switch Module	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IN-3016-V201-M	IIPC (Direct)	Option, Value Line Module	[**]	[**]	[**]	[**]	[**]	[**]

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - END OF LIFE PRODUCTS ONLY (SWITCH MODULES)

Buyer Part Number	Supplier Part Number *	Fulfillment locations (if required) *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU)
4GBit/sec Products (Brocade 4Gb Fibre Channel Switch Module) - END OF LIFE									
[**]	IB-4020-0002-M	HUB LOCATIONS: - Hungary - Guadalajara May 1, 2008 Add: - China DIRECT: Dublin, Rochester, & IBM International Holdings B.V. Singapore Branch	Option, FC Switch Module (20 port), includes Fabric OS, Advance Zoning, Web Tools and ship group	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-4020-0004-M	HUB LOCATIONS: - Hungary - Guadalajara May 1, 2008 Add: - China DIRECT: Dublin, Rochester, & IBM International Holdings B.V. Singapore Branch	Multi-pack of FC Switch Module (20 port), includes Fabric OS, Advance Zoning, Web Tools; NO ship group; MUST be ordered in quantity of 10	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-4020-0002	Mechanicsburg (Direct)	CRU, FC Switch Module (20 port)	[**]	[**]	[**]	[**]	[**]	[**]
[**]	IB-4020-0001-M	HUB LOCATIONS: - Hungary - Guadalajara May 1, 2008 Add: - China DIRECT: Dublin, Rochester, & IBM International Holdings B.V. Singapore Branch	Option, FC Switch Module (10 port), includes Fabric OS, Advance Zoning, Web Tools and ship group	[**]	[**]	[**]	[**]	[**]	[**]

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - END OF LIFE PRODUCTS ONLY (SWITCH MODULES)

Buyer Part Number	Supplier Part Number *	Fulfillment locations (if required) *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU)
[**]	IB-4020-0003-M	HUB LOCATIONS: - Hungary - Guadalajara May 1, 2008 Add: - China DIRECT: Dublin, Rochester, & IBM International Holdings B.V. Singapore Branch	Multi-pack of FC Switch Module (10 port), includes Fabric OS, Advance Zoning, Web Tools, NO ship group; MUST be ordered in quantity of 10	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-4020-0001	Mechanicsburg -Direct	CRU, FC Switch Module (10 port), includes Fabric OS, Advance Zoning, Web Tools and ship group	[**]	[**]	[**]	[**]	[**]	[**]

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Base Agreement #4999RO0015
Statement of Work #4903RL1112 (SOW 3)
AMENDMENT 22 - ATTACHMENT 6
Date: MARCH 13, 2013 - FINAL
PRODUCT PRICE LIST AND DESCRIPTION - END OF LIFE PRODUCTS ONLY (TRANSCEIVERS)

Buyer Part Number	Supplier Part Number *	Product Description	Unit Price of Product	Ship group adder	Freight	**Software Maintenance	Direct Price (FCA)	Hub Price (DDU) DDU Incoterms 2000 = DAP Incoterms 2010
8Gb TRANSCEIVERS								
[**]	IB-000150	Brocade 8Gb P3 SWL SFP, 1-pack	[**]	[**]	[**]	[**]	[**]	[**]
[**]	XIB-000150	FRU, 8Gb P3 SWL SFP (single pack) Brocade 8Gb Shortwave length SFP module, 1-pack	[**]	[**]	[**]	[**]	[**]	[**]

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Exhibit 10.7

IBM and Brocade
Statement of Work

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

SOW #7
Amendment # 8

This Amendment # 8 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 # 7 is to:

1. Update Communications coordinators
2. Add Disaster Recovery language
3. Modify the Software End of Service language in Attachment C
4. Add IBM Network Advisor 12.0.x as a Licensed Work under this SOW #7.

NOW, THEREFORE, THE FOLLOWING CHANGES ARE MADE TO SOW #7 BY THIS AMENDMENT #8:

1. Delete Section 11.0 of SOW #7 and replace with the following Section 11.0:

11.0 Communications

All communications between the parties will be carried out through the following designated coordinators. All notices required in writing under this Agreement will be made to the appropriate contact listed below at the following addresses and will be effective upon actual receipt. Notices may be transmitted electronically, by registered or certified mail, or courier. All notices, with the exception of legal notices, may also be provided by facsimile.

Business Coordinators			
FOR SUPPLIER		**FOR BUYER**	
Name	[**]	Name	[**]
Title	[**]	Title	[**]
Address	[**]	Address	[**]
Phone	[**]	Phone	[**]
E-mail	[**]	E-mail	[**]

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Legal Coordinators			
FOR SUPPLIER		**FOR BUYER**	
Name	[**]	Name	[**]
Title	[**]	Title	[**]
Address	[**]	Address	[**]
Phone	[**]	Phone	[**]
E-mail	[**]	E-mail	[**]

Technical Coordinators			
FOR SUPPLIER		**FOR BUYER**	
Name	[**]	Name	[**]
Title	[**]	Title	[**]
Address	[**]	Address	[**]
Phone	[**]	Phone	[**]
E-mail	[**]	E-mail	[**]

2. Add new Section 14.0 Disaster Recovery as follows:
14.0 **Disaster Recovery**
Supplier agrees to have and maintain a business continuity plan and business continuity testing procedures, which include but are not limited to the areas of disaster recovery planning and pandemic planning. Supplier agrees to review, update, and test the business continuity plan on a regular basis and, upon Buyer's request, Supplier will provide a summary of the business continuity plan. Buyer may, from time to time, provide feedback regarding the plan and requests that Supplier take Buyer's comments into consideration when updating the plan. However, Supplier remains solely responsible for the performance of its responsibilities under the Agreement and the adequacy of the business continuity plan regardless of whether Buyer has reviewed or commented on the plan.

3. Delete Section 2.1.3, Software End of Service, of Attachment C, Testing, Maintenance and Support, and replace with the following Section 2.1.3:
2.1.3 Software End of Service:
Supplier will support a release as follows:
1. Provide customer support for a particular release for at least [**] years from General Availability.
2. Customers must be supported for a particular release for at least [**] year from the purchase date so support must continue for one year past the last sale of a release.

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If the product enters end of life ; i.e., is no longer available in the marketplace, Supplier will provide IBM at least [**] months' notice, prior to ending support, to enable IBM to notify its customers at least [**] months in advance of the fact. Supplier will provide Level 3 support to IBM and its customers as long as maintenance and support fees are up to date. If a customer is on a down-level version or release of software, Brocade will take the support call. If a problem is identified that requires a bug fix or patch, Supplier's customer will be instructed to move to the current version/release of the software for support of such problem. Supplier will not make code changes or fixes to down-level software, except as agreed to on a case by case basis.

4. Delete Attachment F-3, Branding, Description of Licensed Work and Milestone Schedules for Network Advisor, and replace with the updated Attachment F-3, Branding, Description of Licensed Work and Milestone Schedules for Network Advisor as set forth in substantially the form attached hereto as Exhibit 1 to this Amendment.

5. 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.

[**] 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.

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: [**]
(Authorized signature)

Name [**]
(Type or print)

Title [**]

Date 4/11/2013

ACCEPTED AND AGREED TO:
Brocade Communications Systems, Inc.

By: [**]
(Authorized signature)

Name [**]
(Type or print)

Title [**]

Date 4/10/2013

ACCEPTED AND AGREED TO:
Brocade Communications Switzerland SarL.

By: [**]
(Authorized signature)

Name [**]
(Type or print)

Title [**]

Date 4/10/2013

BROCADE
[**]
Legal Approved on 3/7/2013

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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 11.1.x

Code Name	Version	Description	Documentation	Format	Delivery Requirements
Network Advisor	**11.1.x**	IBM Network Advisor	Online	Object Code	CD, License key documentation

1. **Product/Operating Systems Supported and System Requirements:**
   Following are the operating systems supported by Network Advisor

OS	Versions	Package
Windows (32 bit)	2003 Server SP2, XP Pro SP 3, 2008 **Server, Windows 7 Pro**	SAN only and SMIA only
Windows (64 bit)	2008 R2 Data Center, Standard, and Enterprise	SAN only and SMIA only
Linux (x86 32-bit only)	SuSE Linux ES10 SP1, 11, RedHat AS4.8, RedHat Enterprise 5.5 Adv, , Oracle Enterprise Linux 5.5	SAN only and SMIA only
VMWare	ESX Server 4.0, 4.1 and VCenter 4.1 with Guest OSs of 1) Windows Server 2003 Std SP2 (32 bit) 2) Windows Server 2008 Std (32 bit)	SAN only and SMIA only
VMWare	ESX Server 4.0, 4.1 and VCenter 4.1 with Guest OSs of 1) Windows Server 2008 R2 (64 bit) 2) Same Linux Guest OS as above	SAN only and SMIA only

System requirements

1) **SAN package - 32 bit OS**

Server/Client	**Network Advisor Enterprise Small** (SAN: 1 to 2000 ports or 1 to 20 domains	**Network Advisor Enterprise Medium** (SAN: 2001 to 5000 ports or 21 to 60 domains	**Network Advisor Enterprise Large** (SAN: 5001 to 9000 ports or 61 to 120 domains
Server + 1 local client	3GB	4GB	4Gb
Remote client only	1GB	2GB	2GB

2) **SAN package - 64 bit Windows**

Server/Client	**Network AdvisorEnterprise Small** (SAN: 1 to 2000 ports or 1 to 20 domains	**Network Advisor Enterprise Medium** (SAN: 2001 to 5000 ports or 21 to 60 domains	**Network Advisor Enterprise Large** (SAN: 5001 to 9000 ports or 61 to 120 domains
Server + 1 local client	4GB	6GB	6Gb
Remote client only	2GB	3GB	4GB

CPU requirements for Windows and Linux

1) SAN only

Server/Client	**Network Advisor Enterprise Small**	**Network Advisor Enterprise Medium**	**Network Advisor Enterprise Large**
Server + 1 local client	Intel Core2 duo 2GHz or equivalent	Intel Dual CPU Core2 duo 2.4 GHz or equivalent	Intel Dual CPU Core2 duo 2.4 GHz or equivalent
Remote client only	Intel Core2 duo 2GHz or equivalent	Intel Core2 duo 2GHz or equivalent	Intel Core2 duo 2GHz or equivalent

2.2 ***Description of Licensed Work for IBM Network Advisor 12.0.x***

Code Name	**Version**	**Description**	**Documentation**	**Format**	**Delivery Requirements**
Network Advisor	**12.0.x**	IBM Network Advisor	Online	Object Code	CD, License key documentation

2.2.1 Server Operating System Requirements:

Client operating system requirements

Operating system	Version	Guest OS version
Windows	- 2003 Server SP2 (x86 32-bit) - 2008 Server (x86 32-bit) - XP Professional SP3 (x86 32-bit) - 7 Professional (x86 32-bit)	
Linux	- RedHat Enterprise 6.1 Advanced Platform (x86 32-bit/64-bit) - SuSE Enterprise Server 11 (x86 32-bit) - Oracle Enterprise 6.1 (x86 32-bit)	
Guest VMs	- VMware® ESX Server i 5.0 - Microsoft Hyper-V (Hyper-V Server 2008 R2 SP1) - KVM	Supports all client OS versions available for Windows and Linux.

SAN with SMI Agent host requirements

	Professional	Professional Plus	Enterprise		
			Small	Medium	Large LAN
Server plus one local client	Intel Core2 duo 2 GHz or equivalent	Intel Core2 duo 2 GHz or equivalent	Intel Core2 duo 2 GHz or equivalent	Intel Dual CPU Core2 duo 2.4 GHz or equivalent	Intel Dual CPU Core2 duo 2.4 GHz or equivalent
Remote client only	N/A	Intel Core2 duo 2 GHz or equivalent	Intel Core2 duo 2 GHz or equivalent	Intel Core2 duo 2 GHz or equivalent	Intel Core2 duo 2 GHz or equivalent

SAN with SMI Agent memory requirements

Server/Client	Professional	Professional Plus	Enterprise Small	Medium	Large
Server plus 1 local client	2 GB (32-bit) 3 GB (64-bit)	3 GB (32-bit) 4 GB (64-bit)	3 GB (32-bit) 4 GB (64-bit)	4 GB (32-bit) 6 GB (64-bit)	4 GB (32-bit) 6 GB (64-bit)
Remote client only	N/A	1 GB	1 GB	2 GB	2 GB

2.3 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

2.3.1 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.

2.3.2 Code deposited on CD media and shipped to Buyer as directed on Buyer's purchase order.

3. Identification of Tools

No tools are provided for the Licensed Works.

TABLE 4 - IBM NETWORK ADVISOR PRICING

4907015087 (SOW-7) - AMENDMENT 8

Product Price List and Description

DATE: March 26, 2013 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
IBM Machine Type / Model: [**]					IBM System Storage Data Center Fabric Manager v11.x	UNIT PRICE
[**]		[**]	[**]	[**]	[**]	[**]
[**]		[**]	[**]	[**]	[**]	[**]
[**]		[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]			[**]	[**]
[**]	[**]	[**]			[**]	[**]
[**]	[**]	[**]			[**]	[**]

[**] 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 Machine Type / Model: [**]					IBM System Storage Data Center Fabric Manager v12.x	UNIT PRICE
[**]	[**]	[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]	[**]	[**]
IBM Machine Type / Model: [**]					**IBM NETWORK ADVISOR [**] Yr Renewal**	**UNIT PRICE**
[**]		[**]	[**]	[**]	[**]	
[**]		[**]	[**]	[**]	[**]	[**]
[**]		[**]	[**]	[**]	[**]	
[**]		[**]	[**]	[**]	[**]	[**]
IBM Machine Type / Model: [**]					**IBM NETWORK ADVISOR [**] Yr After License**	**UNIT PRICE**
[**]		[**]	[**]	[**]	[**]	[**]
[**]		[**]	[**]	[**]	[**]	[**]
IBM Machine Type / Model: [**]					**IBM NETWORK ADVISOR [**] Yr Registration**	**UNIT PRICE**
[**]		[**]	[**]	[**]	[**]	[**]
[**]		[**]	[**]	[**]	[**]	[**]
IBM Machine Type / Model: [**]					**IBM NETWORK ADVISOR [**] Yr Renewal**	**UNIT PRICE**
[**]		[**]	[**]	[**]	[**]	[**]
[**]		[**]	[**]	[**]	[**]	[**]
IBM Machine Type / Model: [**]					**IBM NETWORK ADVISOR [**] Yr After License**	**UNIT PRICE**
[**]		[**]	[**]	[**]	[**]	[**]
[**]		[**]	[**]	[**]	[**]	[**]

[**] 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 31.1

CERTIFICATION

I, Lloyd A. Carney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended April 27, 2013 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: May 31, 2013

/s/ Lloyd A. Carney

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

Exhibit 31.2

CERTIFICATION

I, Daniel W. Fairfax, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended April 27, 2013 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: May 31, 2013

/s/ Daniel W. Fairfax

Daniel W. Fairfax
Chief Financial Officer
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF 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 April 27, 2013 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: May 31, 2013

By: /s/ Lloyd A. Carney
Lloyd A. Carney
Chief 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 April 27, 2013 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: May 31, 2013

By: /s/ Daniel W. Fairfax
Daniel W. Fairfax
Chief Financial Officer