

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 January 24, 2004

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

(State or other jurisdiction of incorporation)

77-0409517

(I.R.S. employer identification no.)

**1745 Technology Drive
San Jose, CA 95110
(408) 333-8000**

(Address, including zip code, of Registrant's
principal executive offices and 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 is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

The number of shares outstanding of the Registrant's Common Stock on February 28, 2004 was 259,396,856; shares.

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BROCADE COMMUNICATIONS SYSTEMS, INC.

FORM 10-Q

QUARTER ENDED JANUARY 24, 2004

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BROCADE COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	January 24, 2004	January 25, 2003
Net revenues	\$145,040	\$123,116
Cost of revenues	65,435	57,023
Gross margin	<u>79,605</u>	<u>66,093</u>
Operating expenses:		
Research and development	38,153	31,870
Sales and marketing	26,336	30,761
General and administrative	5,741	4,962
Amortization of deferred stock compensation	184	69
Restructuring costs	(368)	10,118
Lease termination charge and other, net	75,591	—
Total operating expenses	<u>145,637</u>	<u>77,780</u>
Loss from operations	(66,032)	(11,687)
Interest and other income, net	4,525	5,333
Interest expense	(2,670)	(3,350)
Gain on repurchases of convertible subordinated debt	521	—
Loss before benefit from income taxes	(63,656)	(9,704)
Income tax benefit	(26,897)	(2,814)
Net loss	<u>\$ (36,759)</u>	<u>\$ (6,890)</u>
Net loss per share – Basic and Diluted	<u>\$ (0.14)</u>	<u>\$ (0.03)</u>
Shares used in per share calculation – Basic and Diluted	<u>257,796</u>	<u>234,898</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

BROCADE COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	January 24, 2004	October 25, 2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 235,994	\$ 360,012
Short-term investments	212,489	57,971
Total cash, cash equivalents and short-term investments	448,483	417,983
Accounts receivable, net of allowances for doubtful accounts of \$3,795 and \$4,180 at January 24, 2004 and October 25, 2003, respectively	77,961	74,935
Inventories, net	4,034	3,961
Deferred tax assets, net	27,238	29,569
Prepaid expenses and other current assets	14,339	14,593
Total current assets	572,055	541,041
Long-term investments	282,747	417,582
Property and equipment, net	151,411	124,274
Deferred tax assets, net	263,617	231,203
Convertible subordinated debt issuance costs	5,668	6,288
Other assets	3,256	3,558
Total assets	<u>\$1,278,754</u>	<u>\$1,323,946</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 36,089	\$ 42,942
Accrued employee compensation	26,456	30,546
Deferred revenue	22,062	19,892
Current liabilities associated with lease losses	6,087	7,759
Other accrued liabilities	65,358	64,963
Total current liabilities	156,052	166,102
Non-current liabilities associated with lease losses	20,584	16,518
Convertible subordinated debt	433,726	442,950
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.001 par value		
5,000 shares authorized, no shares outstanding	—	—
Common stock, \$0.001 par value, 800,000 shares authorized:		
Issued and outstanding: 259,034 and 257,641 shares at January 24, 2004 and October 25, 2003, respectively	259	258
Additional paid-in capital	731,762	725,253
Deferred stock compensation	(688)	(872)
Accumulated other comprehensive income	5,878	5,797
Accumulated deficit	(68,819)	(32,060)
Total stockholders' equity	668,392	698,376
Total liabilities and stockholders' equity	<u>\$1,278,754</u>	<u>\$1,323,946</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Three Months Ended	
	January 24, 2004	January 25, 2003
Cash flows from operating activities:		
Net loss	\$ (36,759)	\$ (6,890)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Deferred taxes	(30,041)	—
Depreciation and amortization	12,689	11,196
Loss on disposal of property and equipment	471	389
Amortization of debt issuance costs	495	617
Net gains on investments and marketable equity securities	(202)	(374)
Gain on repurchases of convertible subordinated debt	(521)	—
Amortization of deferred stock compensation	184	69
Provision for doubtful accounts receivable and sales returns	797	—
Non-cash restructuring charges	(3,243)	2,719
Changes in operating assets and liabilities:		
Accounts receivable	(3,823)	25,773
Inventories	(73)	(70)
Prepaid expenses and other assets	926	87
Accounts payable	2,172	(11,054)
Accrued employee compensation	(4,090)	(1,798)
Deferred revenue	2,170	(4,423)
Other accrued liabilities	4,723	(5,147)
Liabilities associated with lease losses	(1,475)	(2,461)
Net cash provided by (used in) operating activities	<u>(55,600)</u>	<u>8,633</u>
Cash flows from investing activities:		
Purchases of property and equipment	(36,171)	(8,147)
Purchases of short-term investments	(11,045)	(39,714)
Proceeds from maturities of short-term investments	49,227	—
Purchases of long-term investments	(91,551)	(60,755)
Proceeds from maturities of long-term investments	32,078	—
Net cash used in investing activities	<u>(57,462)</u>	<u>(108,616)</u>
Cash flows from financing activities:		
Purchases of convertible subordinated debt	(8,580)	—
Settlement of repurchase obligation	(9,029)	—
Proceeds from issuance of common stock, net	6,510	3,395
Net cash provided by (used in) financing activities	<u>(11,099)</u>	<u>3,395</u>
Effect of exchange rate fluctuations on cash and cash equivalents	143	160
Net decrease in cash and cash equivalents	(124,018)	(96,428)
Cash and cash equivalents, beginning of period	360,012	516,535
Cash and cash equivalents, end of period	<u>\$ 235,994</u>	<u>\$ 420,107</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

BROCADE COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Operations of Brocade

Brocade Communications Systems, Inc. (Brocade or the Company) develops, markets, sells, and supports data storage networking products and services, offering a line of storage networking products that enables companies to implement highly available, scalable, manageable, and secure environments for data storage applications. The Brocade SilkWorm® family of storage area networking (SAN) switches is designed to help companies reduce the cost and complexity of managing business information within a data storage environment. Brocade products and services are marketed, sold, and supported worldwide to end-users through distribution partners, including original equipment manufacturers (OEMs), value-added distributors, systems integrators, and value-added resellers.

Brocade was incorporated on May 14, 1999 as a Delaware corporation, succeeding operations that began on August 24, 1995. The Company's headquarters are located in San Jose, California.

Brocade, SilkWorm, and the Brocade logo are trademarks or registered trademarks of Brocade Communications Systems, Inc. in the United States and/or in other countries. All other brands, products, or service names are or may be trademarks or service marks of, and are used to identify, products or services of their respective owners.

2. Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal year is the 52 or 53 weeks ending on the last Saturday in October. Fiscal year 2004 is a 53-week fiscal year and fiscal year 2003 was a 52-week fiscal year. The second quarter of fiscal year 2004 will consist of 14 weeks, which is one week more than a typical quarter.

Basis of Presentation

The accompanying financial data as of January 24, 2004, and for the three months ended January 24, 2004 and January 25, 2003, has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The October 25, 2003 Condensed Consolidated Balance Sheet was derived from audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These 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 25, 2003.

In the opinion of management, all adjustments (which include only normal recurring adjustments, except as otherwise indicated) necessary to present a fair statement of financial position as of January 24, 2004, results of operations for the three months ended January 24, 2004 and January 25, 2003, and cash flows for the three months ended January 24, 2004 and January 25, 2003, have been made. The results of operations for the three months ended January 24, 2004 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents.

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Investments and Equity Securities

Investment securities with original or remaining maturities of more than three months but less than one year are considered short-term investments. Investment securities with original or remaining maturities of one year or more are considered long-term investments. Short-term and long-term investments consist of debt securities issued by United States government agencies, municipal government obligations, and corporate bonds and notes. Short-term and long-term investments are maintained at three major financial institutions, are classified as available-for-sale, and are recorded on the accompanying Condensed Consolidated Balance Sheets at fair value. Fair value is determined using quoted market prices for those securities. Unrealized holding gains and losses are included as a separate component of accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets, net of any related tax effect. Realized gains and losses are calculated based on the specific identification method and are included in interest and other income, net on the Condensed Consolidated Statements of Operations.

Marketable equity securities consist of equity holdings in public companies and are classified as available-for-sale when there are no restrictions on the Company's ability to immediately liquidate such securities. Marketable equity securities are recorded on the accompanying Condensed Consolidated Balance Sheets at fair value. Fair value is determined using quoted market prices for those securities. Unrealized holding gains and losses are included as a separate component of accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets, net of any related tax effect. Realized gains and losses are calculated based on the specific identification method and are included in interest and other income, net on the Condensed Consolidated Statements of Operations.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, short-term and long-term investments, and accounts receivable. Cash, cash equivalents, and short-term and long-term investments are primarily maintained at five major financial institutions in the United States. Deposits held with banks may be redeemed upon demand and may exceed the amount of insurance provided on such deposits. The Company principally invests in United States government agency debt securities municipal government obligations, and corporate bonds and notes, and limits the amount of credit exposure to any one entity.

A majority of the Company's trade receivable balance is derived from sales to OEM partners in the computer storage and server industry. As of January 24, 2004 and October 25, 2003, 78 percent and 77 percent, respectively, of accounts receivable were concentrated with five customers. 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 and sales returns, and other allowances. The Company has not experienced material credit losses in any of the periods presented.

For the three months ended January 24, 2004 and January 25, 2003, three customers and four customers, respectively, each represented greater than ten percent of the Company's total revenues for combined totals of 69 percent and 76 percent of total revenues, respectively. The level of sales to any one of these customers may vary, and the loss of, or a decrease in the level of sales to, any one of these customers, could seriously harm the Company's financial condition and results of operations.

The Company currently relies on single and limited supply sources for several key components used in the manufacture of its products. Additionally, the Company relies on two contract manufacturers for the production of its products. The inability of any single and limited source suppliers or the inability of either contract manufacturer to fulfill supply and production requirements, respectively, could have a material adverse effect on the Company's future operating results.

The Company's business is concentrated in the SAN industry, which has been impacted by unfavorable economic conditions and reduced information technology (IT) spending rates. Accordingly, the Company's future success depends upon the buying patterns of customers in the SAN industry, their response to current and future IT investment trends, and the continued demand by such customers for the Company's products. The Company's continued success will depend upon its ability to enhance its existing products and to develop and introduce, on a timely basis, new cost-effective products and features that keep pace with technological developments and emerging industry standards.

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Revenue Recognition

Product revenue. Product revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is probable. However, revenue recognition is deferred for shipments to new customers and for shipments to existing customers when significant support services are required to successfully integrate Brocade products into the customer's products. These revenues, and related costs, are deferred and recognized when the customer has successfully integrated Brocade products into its product offerings and Brocade has met any support obligations. In addition, revenue from sales to master resellers is recognized upon reported sell-through. The Company reduces revenue for estimated sales returns, sales programs, and other allowances at the time of shipment. Sales returns, sales programs, and other allowances are estimated based upon historical experience, current trends, and the Company's expectations regarding future experience. In addition, the Company maintains allowances for doubtful accounts, which are also accounted for as a reduction in revenue. The allowance for doubtful accounts is estimated based upon analysis of accounts receivable, historical collection patterns, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms and practices.

Service revenue. Service revenue consists of training, warranty, and maintenance arrangements, including post-contract customer support (PCS) services. PCS services are offered under renewable, annual fee-based contracts or as part of multiple element arrangements and typically include upgrades and enhancements to the Company's software operating system, and telephone support. For multiple element arrangements, the Company allocates revenue to each element based upon vendor-specific objective evidence (VSOE) of the fair value of the element or, if VSOE is not available, application of the residual method. VSOE of the fair value for an element is based upon the price charged when the element is sold separately. Service revenue, including revenue allocated to PCS elements, is deferred and recognized ratably over the contractual period. Service contracts are typically one to three years in length. Training revenue is recognized upon completion of the training. Service revenue was not material in any of the periods presented.

Warranty Expense. The Company provides warranties on its products ranging from one to three years. Estimated future warranty costs are accrued at the time of shipment and charged to cost of revenues based upon historical experience.

Stock-Based Compensation.

The Company has several stock-based compensation plans that are described in the Company's Annual Report on Form 10-K for the fiscal year ended October 25, 2003. The Company accounts for stock-based awards using the intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Under the intrinsic value method of accounting, no compensation expense is recognized in the Company's Condensed Consolidated Statements of Operations because the exercise price of the Company's employee stock options equals the market price of the underlying common stock on the date of grant.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS 123), established a fair value based method of accounting for stock-based awards. Under the provisions of SFAS 123, companies that elect to account for stock-based awards in accordance with the provisions of APB 25 are required to disclose the pro forma net loss that would have resulted from the use of the fair value based method under SFAS 123.

Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure an Amendment of FASB Statement No. 123," (SFAS 148), amended the disclosure requirements of SFAS 123 to require more prominent disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The pro forma information resulting from the use of the fair value based method under SFAS 123 is as follows (in thousands except per share amounts):

	Three Months Ended	
	January 24, 2004	January 25, 2003
Net loss – as reported	\$(36,759)	\$ (6,890)
Add: Stock-based compensation expense included in reported net loss, net of tax	110	41
Deduct: Stock-based compensation expense determined under the fair value based method, net of tax	(11,708)	(8,949)
Pro forma net loss	\$(48,357)	\$(15,798)
Basic and diluted net loss per share:		
As reported	\$ (0.14)	\$ (0.03)
Pro forma	\$ (0.19)	\$ (0.07)

The assumptions used for the three months ended January 24, 2004 and January 25, 2003 are as follows:

Stock Options	Three Months Ended	
	January 24, 2004	January 25, 2003
Expected dividend yield	0.0%	0.0%
Risk-free interest rate	1.2 – 4.0%	1.1 – 3.5%
Expected volatility	57.3%	81.6%
Expected life from vest date (in years)	0.5	0.5

Employee Stock Purchase Plan	Three Months Ended	
	January 24, 2004	January 25, 2003
Expected dividend yield	0.0%	0.0%
Risk-free interest rate	1.0%	1.0%
Expected volatility	61.7%	60.7%
Expected life from vest date (in years)	0.5	0.5

Computation of Net Loss per Share

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period, less shares subject to repurchase. Diluted net loss per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares result from the assumed exercise of outstanding stock options, by application of the treasury stock method, that have a dilutive effect on earnings per share, and from the assumed conversion of outstanding convertible debt if it has a dilutive effect on earnings per share.

Comprehensive Loss

The components of comprehensive loss, net of tax, are as follows (in thousands):

	Three Months Ended	
	January 24, 2004	January 25, 2003
Net loss	\$(36,759)	\$(6,890)
Other comprehensive loss:		
Change in net unrealized gains (losses) on marketable equity securities and short-term investments	(62)	1,291
Cumulative translation adjustments	143	160
Total comprehensive loss	\$(36,678)	\$(5,439)

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

Recent Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of SFAS 150 to have a material effect on the Company's financial position, results of operations, or cash flows.

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104, "Revenue Recognition" (SAB 104), which supercedes SAB 101, "Revenue Recognition in Financial Statements." The primary purpose of SAB 104 is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, which was superceded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. The adoption of SAB 104 did not have a material impact on the Company's financial statements.

3. Restructuring Costs

Fiscal 2003 Second Quarter Restructuring

During the quarter ended April 26, 2003, the Company reevaluated certain aspects of its business model and completed a program to restructure certain business operations, reorganize certain aspects of the Company, and reduce the Company's operating expense structure. The restructuring program included a workforce reduction of approximately nine percent, primarily in the sales, marketing, and engineering organizations. In addition, as a result of the restructuring, certain assets associated with reorganized or eliminated functions were determined to be impaired.

Total restructuring costs incurred of \$10.9 million consisted of severance and benefit charges, equipment impairment charges, and contract termination and other charges. Severance and benefits charges of \$4.2 million consisted of severance and related employee termination costs, including outplacement services, associated with the reduction of the Company's workforce. Equipment impairment charges of \$5.2 million primarily consisted of excess equipment that is no longer being used as a result of the restructuring program. Contract termination and other charges of \$1.5 million were primarily related to the cancellation of certain contracts in connection with the restructuring of certain business functions.

Remaining accrued liabilities related to the Company's fiscal 2003 second quarter restructuring program are included in other accrued liabilities on the accompanying Condensed Consolidated Balance Sheets. During the three months ended January 24, 2004, the Company recorded a reduction of \$0.4 million to restructuring costs, primarily due to a lower than expected outcome related to outplacement costs. No other material changes in estimates were made to the fiscal 2003 second quarter restructuring accrual. The Company expects to pay or otherwise substantially settle the remaining accrued liabilities during fiscal year 2004.

Fiscal 2003 First Quarter Restructuring

During the three months ended January 25, 2003, the Company completed a restructuring program to realign the organization and reduce the Company's expense structure. The restructuring program included a workforce reduction of approximately 12 percent, consolidation of excess facilities, and the restructuring of certain business functions.

Total restructuring costs incurred of \$10.1 million consisted of severance and benefit charges, contract termination and equipment impairment charges. Severance and benefits charges of \$8.5 million consisted of severance and associated employee termination costs related to the reduction of the Company's workforce, including outplacement services and the write-off of employee loans of certain terminated employees. Contract termination charges of \$0.9 million were primarily related to the cancellation of certain contracts in connection with the restructuring of certain business functions and the

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consolidation of excess facilities. Equipment impairment charges of \$0.6 million were related to excess computer equipment resulting from the workforce reduction, consolidation of excess facilities, and the restructuring of certain business functions.

Remaining accrued liabilities related to the restructuring programs are included in other accrued liabilities on the accompanying Condensed Consolidated Balance Sheets. Remaining accrued liabilities related to severance and benefits are expected to be substantially paid or otherwise settled during fiscal year 2004.

The following table summarizes the total restructuring costs incurred and charged to restructuring expense during the first and second quarters of fiscal year 2003, costs paid or otherwise settled, and the remaining unpaid or otherwise unsettled accrued liabilities (in thousands) as of January 24, 2004:

	Severance and Benefits	Contract Terminations and Other	Equipment Impairment	Total
Restructuring costs incurred	\$ 12,714	\$ 2,425	\$ 5,867	\$ 21,006
Cash payments	(10,019)	(1,938)	—	(11,957)
Non-cash charges	(2,221)	—	(5,867)	(8,088)
Adjustments	(178)	—	—	(178)
Remaining accrued liabilities at October 25, 2003	296	487	—	783
Cash payments	(10)	(116)	—	(126)
Adjustments	(225)	(143)	—	(368)
Remaining accrued liabilities at January 24, 2004	<u>\$ 61</u>	<u>\$ 228</u>	<u>\$ —</u>	<u>\$ 289</u>

4. Balance Sheet Details

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

	January 24, 2004	October 25, 2003
Inventories, net:		
Raw materials	\$ 1,043	\$ 893
Finished goods	2,991	3,068
Total	<u>\$ 4,034</u>	<u>\$ 3,961</u>
Property and equipment, net:		
Computer equipment and software	\$ 73,261	\$ 71,887
Engineering and other equipment	107,833	104,544
Furniture and fixtures	3,892	3,882
Leasehold improvements	38,021	34,777
Land and building	30,000	—
	253,007	215,090
Less: Accumulated depreciation and amortization	(101,596)	(90,816)
Total	<u>\$ 151,411</u>	<u>\$ 124,274</u>
Other accrued liabilities:		
Income taxes payable	\$ 32,019	\$ 30,815
Accrued warranty	4,050	3,723
Purchase commitment	5,470	4,305
Accrued sales programs	9,900	7,946
Other	13,919	18,174
Total	<u>\$ 65,358</u>	<u>\$ 64,963</u>

Leasehold improvements as of January 24, 2004 and October 25, 2003, are shown net of estimated asset impairments related to facilities lease losses (see Note 6).

5. Investments and Equity Securities

The following tables summarize the Company's investments and equity securities (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
January 24, 2004				
U.S. government obligations	\$426,824	\$8,290	\$ (2)	\$435,112
Corporate bonds and notes	60,026	186	(88)	60,124
Equity securities	694	345	—	1,039
Total	<u>\$487,544</u>	<u>\$8,821</u>	<u>\$ (90)</u>	<u>\$496,275</u>
Reported as:				
Short-term investments				\$212,489
Other current assets				1,039
Long-term investments				282,747
Total				<u>\$496,275</u>
October 25, 2003				
U.S. government obligations	\$409,045	\$9,063	\$ (37)	\$418,071
Corporate bonds and notes	57,649	27	(194)	57,482
Equity securities	694	—	(25)	669
Total	<u>\$467,388</u>	<u>\$9,090</u>	<u>\$(256)</u>	<u>\$476,222</u>
Reported as:				
Short-term investments				\$ 57,971
Other current assets				669
Long-term investments				417,582
Total				<u>\$476,222</u>

For the three months ended January 24, 2004 and January 25, 2003, total gains realized on the sale of investments or marketable equity securities were \$0.2 million and zero, respectively. As of January 24, 2004 and October 25, 2003, net unrealized holding gains of \$8.7 million and \$8.8 million, respectively, were included in accumulated other comprehensive income in the accompanying Condensed Consolidated Balance Sheets.

The following table summarizes the maturities of the Company's investments in debt securities issued by United States government agencies, municipal government obligations, and corporate bonds and notes as of January 24, 2004 (in thousands):

	Amortized Cost	Fair Value
Less than one year	\$207,609	\$212,490
Due in 1 – 2 years	172,519	174,540
Due in 2 – 3 years	106,722	108,206
Total	<u>\$486,850</u>	<u>\$495,236</u>

6. Liabilities Associated with Facilities Lease Losses

Lease Termination Charge and Other, Net

On November 18, 2003, the Company purchased a building located at its San Jose headquarters. This 194,000 square foot facility was previously leased, and certain unused portions of the facility were previously reserved and included in the facilities lease loss liability noted below. The total consideration for the building purchase was \$106.8 million plus transaction costs, consisting of the purchase of land and building valued at \$30.0 million and a lease termination fee of \$76.8 million. The fair value of the land and building as of the purchase date was determined based on valuations prepared by two independent third-party appraisers. As a result of the building purchase, during the first quarter of fiscal 2004, the Company recorded

adjustments of \$23.7 million to the previously recorded facilities lease loss reserve, deferred rent, and leasehold improvement impairments related to the purchased facility.

During the first quarter of fiscal 2004, the Company consolidated the engineering organization and development, test and interoperability laboratories into the purchased facilities and vacated other existing leased facilities. As a result, the Company recorded a charge of \$20.9 million related to estimated facilities lease losses, net of expected sublease income, on the vacated facilities. These charges represented the fair value of the lease liability based on assumptions regarding the vacancy period, sublease terms, and the probability of subleasing this space. The assumptions that the Company used were based on market data, including the then current vacancy rates and lease activities for similar facilities within the area. Should there be changes in real estate market conditions or should it take longer than expected to find a suitable tenant to sublease the remaining vacant facilities, adjustments to the facilities lease losses reserve may be necessary in future periods based upon then current actual events and circumstances.

The following table summarizes the activity related to the lease termination charge and other, net incurred in the first quarter ended January 24, 2004 (in thousands):

Lease termination charge	\$ 76,800
Closing costs and other related charges	1,234
Reversal of previously recorded lease loss reserve	(16,933)
Reversal of previously recorded leasehold impairment reserve	(2,954)
Reversal of previously recorded deferred rent liability	(3,844)
Additional reserve booked as a result of facilities consolidation	20,855
Asset impairments associated with facilities consolidation	433
Total charge, net	<u>\$ 75,591</u>

The tax effect associated with the lease termination charges and other, net resulted in an increase of \$32.4 million in long-term deferred tax assets and a decrease of \$2.3 million in short-term deferred tax assets for the quarter ended January 24, 2004.

Facilities Lease Losses Liability

During the three months ended October 27, 2001, the Company recorded a charge of \$39.8 million related to estimated facilities lease losses, net of expected sublease income, and a charge of \$5.7 million in connection with the estimated impairment of certain related leasehold improvements. These charges represented the low-end of an estimated range that may be adjusted upon the occurrence of future triggering events. A portion of this lease loss liability and leasehold improvements impairment reserve were related to the recently purchased building and accordingly, were reversed during the quarter ended January 24, 2004.

During the three months ended July 27, 2002, the Company completed a transaction to sublease a portion of these vacant facilities. Accordingly, based on then current market data, the Company revised certain estimates and assumptions, including those related to estimated sublease rates, estimated time to sublease the facilities, expected future operating costs, and expected future use of the facilities. The Company reevaluates its estimates and assumptions on a quarterly basis and makes adjustments to the reserve balance if necessary.

As previously described, in November 2003 the Company purchased a previously leased building. In addition, the Company consolidated the engineering organization and development, test and interoperability laboratories into the purchased facilities and vacated other existing leased facilities. As a result, the Company recorded adjustments to the previously recorded facilities lease loss reserve, deferred rent and leasehold improvement impairments, and recorded additional reserve in connection with the facilities consolidation.

The following table summarizes the activity related to the facilities lease losses reserve, net of expected sublease income (in thousands), as of January 24, 2004:

	Facilities Lease Losses
Reserve balances at October 25, 2003	\$ 24,277
Reversal of previously recorded lease loss reserve	(16,933)
Additional reserve booked as a result of facilities consolidation	20,855
Cash payments on facilities leases	(1,475)
Non-cash charges	(53)
Reserve balances at January 24, 2004	<u>\$ 26,671</u>

Cash payments for facilities leases related to the above noted facilities lease losses will be paid over the respective lease terms through fiscal year 2010.

7. Convertible Subordinated Debt

On December 21, 2001, and January 10, 2002, the Company sold, in private placements pursuant to Section 4(2) of the Securities Act of 1933, as amended, \$550 million in aggregate principal amount, two percent convertible subordinated notes due January 2007. The initial purchasers purchased the notes from the Company at a discount of 2.25 percent of the aggregate principal amount. Holders of the notes may, in whole or in part, convert the notes into shares of the Company's common stock at a conversion rate of 22.8571 shares per \$1,000 principal amount of notes (aggregate of approximately 9.9 million shares based on outstanding debt of \$433.7 million as of January 24, 2004) at any time prior to maturity on January 1, 2007. At any time on or after January 5, 2005, the Company may redeem the notes in whole or in part at the following prices expressed as a percentage of the principal amount:

<u>Redemption Period</u>	<u>Price</u>
Beginning on January 5, 2005 and ending on December 31, 2005	100.80%
Beginning on January 1, 2006 and ending on December 31, 2006	100.40%
On January 1, 2007 and thereafter	100.00%

The Company is required to pay interest on January 1 and July 1 of each year, beginning July 1, 2002. Debt issuance costs of \$12.4 million are being amortized over the term of the notes. The amortization of debt issuance costs will accelerate upon early redemption or conversion of the notes. The net proceeds remain available for general corporate purposes, including working capital and capital expenditures. As of January 24, 2004, the remaining balance of unamortized debt issuance costs was \$5.7 million.

During the first quarter of fiscal year 2004, the Company repurchased on the open market \$9.2 million in face value of its two percent convertible subordinated notes due 2007. The Company paid an average of \$0.93 on each dollar of face value for an aggregate purchase price of \$8.6 million, which resulted in a pre-tax gain of \$0.5 million for the first quarter of fiscal year 2004. To date, the Company has repurchased a total of \$116.3 million in face value of its convertible subordinated notes. As of January 24, 2004, the remaining balance outstanding of the convertible subordinated debt was \$433.7 million.

The notes are not listed on any securities exchange or included in any automated quotation system; however, the notes are eligible for trading on the PortalSM Market. On January 23, 2004, the average bid and ask price on the Portal Market of the notes was 93.25, resulting in an aggregate fair value of approximately \$404.4 million.

8. Commitments and Contingencies

Leases

The Company leases its facilities and certain equipment under various operating lease agreements expiring through August 2010. In connection with its facilities lease agreements, the Company has signed unconditional, irrevocable letters of credit totaling \$8.3 million as security for the leases. Future minimum lease payments under all non-cancelable operating leases as of January 24, 2004 were \$96.5 million. In addition to base rent, many of the facilities lease agreements require that the Company pay a proportional share of the respective facilities' operating expenses.

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As of January 24, 2004, the Company had recorded \$26.7 million in facilities lease loss reserves related to future lease commitments, net of expected sublease income (see Note 6).

Product Warranties

The Company provides warranties on its products ranging from one to three years. Estimated future warranty costs are accrued at the time of shipment and charged to cost of revenues based upon historical experience. The Company's accrued liability for estimated future warranty costs is included in other accrued liabilities on 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 three months ended January 24, 2004 (in thousands):

	<u>Accrued Warranty</u>
Balance at October 25, 2003	\$3,723
Liabilities accrued for warranties issued during the period	690
Warranty claims paid during the period	(198)
Changes in liability for pre-existing warranties during the period	(165)
Balance at January 24, 2004	<u>\$4,050</u>

In addition, the Company has standard 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 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 January 24, 2004, there have been no known events or circumstances that have resulted in an indemnification related liability to the Company.

Manufacturing and Purchase Commitments

The Company has manufacturing agreements with Soletron Corporation (Soletron) and Hon Hai Precision Industry Co. (Foxconn) under which the Company provides twelve-month product forecasts and places purchase orders in advance of the scheduled delivery of products to the Company's customers. The required lead-time for placing orders with both Soletron and Foxconn depends on the specific product. As of January 24, 2004, the Company's aggregate commitment to Soletron and Foxconn for inventory components used in the manufacture of Brocade products was \$43.7 million, net of purchase commitment reserves of \$5.5 million, which the Company expects to utilize during future normal ongoing operations. The Company's purchase orders placed with Soletron and Foxconn are cancelable, however if cancelled, the agreements with Soletron and Foxconn require the Company to purchase from Soletron and Foxconn all inventory components not returnable or usable by, or sold to other customers of Soletron or Foxconn.

Legal Proceedings

From time to time, claims are made against the Company in the ordinary course of its business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting the Company from selling one or more products or engaging in other activities. The occurrence of an unfavorable outcome in any specific period could have a material adverse affect on the Company's results of operations for that period or future periods.

On May 23, 2003, a suit captioned *Vixel Corporation v. Brocade Communications Systems, Inc.* was filed in the United States District Court for the Northern District of California. The complaint alleges that Brocade products infringe United States Patents Nos. 6,118,776; 6,470,007; and 6,185,203 relating to switching and Fibre Channel technologies. The complaint seeks unspecified compensatory and exemplary damages and to permanently enjoin Brocade from infringing the patents in the future. A case management conference is scheduled for March 26, 2004. The Company believes that it has meritorious defenses to the claims and intends to defend the action vigorously. The Company believes that the ultimate disposition of this matter will not have a material adverse effect on its business or financial position and results of operations.

On February 14, 2002, a suit captioned *McDATA Corp. v. Brocade Communications Systems, Inc.* was filed against the Company in the United States District Court for the District of Colorado. The complaint alleged that the Brocade SilkWorm 3800 Enterprise Fibre Channel Fabric Switch and Brocade SilkWorm 12000 Core Fabric Switch infringe United States Patent

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No. 6,233,236, entitled "Method and Apparatus for Measuring Traffic Within a Switch." The complaint seeks unspecified compensatory and exemplary damages and to permanently enjoin the Company from infringing the patent in the future. On March 4, 2002, McDATA Corporation (McDATA) filed an amended complaint in which it additionally alleged that the Brocade SilkWorm 3200 Entry Fabric Switch infringed this patent. In connection with this suit, on March 4, 2002, McDATA filed a motion for a preliminary injunction against the Company with regard to the patent. On April 8, 2002, the Company filed an answer and counterclaims asserting, among other things, no infringement, and that the patent is invalid, unenforceable and covered by an existing covenant not to sue between the parties. A hearing on McDATA's motion for preliminary injunction was held during the week of July 15, 2002. In an order dated December 6, 2002, the Court denied McDATA's motion for a preliminary injunction. On December 23, 2002, McDATA filed a demand for arbitration to move this matter from the United States District Court for the District of Colorado to arbitration. The matter was referred to arbitration. On March 5, 2004, the Company and McData entered into a settlement agreement. Under the settlement agreement, all matters will be dismissed without prejudice, no restrictions of any kind are imposed on either party's ability to sell products, no licenses will be granted by either party, and no money or other consideration is being exchanged. Both parties preserved their respective rights and agreed to a three-year standstill during which neither party may initiate litigation against the other party with respect to their respective patents.

On July 20, 2001, the first of a number of putative class actions for violation of the federal securities laws was filed in the United States District Court for the Southern District of New York against the Company, certain of its officers and directors, and certain of the underwriters for the Company's initial public offering of securities. These cases were consolidated under the caption *Chae v. Brocade Communications Systems, Inc. et al.* The complaints generally alleged that various underwriters engaged in improper and undisclosed activities related to the allocation of shares in the Company's initial public offering. On March 1, 2002, the Court entered an order dismissing without prejudice all claims against the Company and its officers and directors named in the consolidated proceeding. On April 19, 2002, a consolidated amended class action captioned *In Re Brocade Communications Systems, Inc. Initial Public Offering Securities Litigation* was filed making claims against the Brocade parties that are substantially similar to those alleged in the earlier case. The complaint seeks unspecified damages on behalf of a purported class of purchasers of common stock from May 24, 1999 to December 6, 2000. The lawsuit against the Brocade parties is one of a number of cases challenging underwriter practices in the initial public offerings of more than 300 cases. All of the cases have been coordinated for pretrial proceedings as *In Re Initial Public Offering Securities Litigation, 21 MC 92(SAS)*. In October 2002, the individual defendants were dismissed without prejudice from the action pursuant to a tolling agreement. On February 19, 2003, the Court issued an Opinion and Order dismissing all of the plaintiffs' claims against the Company. Subsequently, the plaintiffs in all of the cases presented a settlement proposal to all of the issuer defendants. Under the proposed settlement, the plaintiffs will dismiss and release all claims against participating issuer defendants in exchange for a contingent payment guaranty by the insurance companies collectively responsible for insuring the issuer defendants in all of the related cases, and the assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. A special committee of the Company's Board of Directors approved the proposed settlement. However, the proposed settlement is subject to acceptance by a substantial majority of the issuer defendants, execution of a definitive settlement agreement and approval of the Court. If the proposed settlement is not consummated, the Company intends to defend the lawsuit vigorously. At this time the Company cannot predict the outcome of this suit.

9. Segment Information

The Company is organized and operates as one operating segment: the design, development, marketing and selling of infrastructure for SANs. The CEO is the Company's Chief Operating Decision Maker (CODM), as defined by SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." The CODM allocates resources and assesses the performance of the Company based on revenues and overall profitability.

Revenues are attributed to geographic areas based on the location of the customer to which products are shipped. Domestic revenues include sales to certain OEM customers who take possession of Brocade products domestically and then distribute these products to their international customers. Domestic and international revenues were approximately 63 percent and 37 percent of total revenues, respectively, for the three months ended January 24, 2004. Domestic and international revenues were approximately 69 percent and 31 percent of total revenues, respectively, for the three months ended January 25, 2003. To date, service revenue has not exceeded 10 percent of total revenues. Identifiable assets located in foreign countries were not material as of January 24, 2004 and October 25, 2003. For the three months ended January 24, 2004, three customers each represented greater than ten percent of the Company's total revenues for combined totals of 69 percent of total revenues. For the three months ended January 25, 2003, four customers each represented greater than ten percent of the Company's total revenues for combined totals of 76 percent of total revenues.

10. Gain on Investments, net

Net gain on investments for the three months ended January 24, 2004 and January 25, 2003 was \$0.2 million and \$0.3 million, respectively, and were included in interest and other income, net on the Condensed Consolidated Statements of

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Operations. Net gain on investments of \$0.2 million for the three months ended January 24, 2004 was related to sales of marketable securities. Net gain on investments for the three months ended January 25, 2003 consisted of a gain of \$2.5 million resulting from a publicly traded company's acquisition of 100 percent of the equity of a non-publicly traded company in which Brocade had a minority equity investment. As a result of this acquisition, Brocade received common shares of the publicly traded company in exchange for its minority equity investment in the non-publicly traded company. In addition, during the three months ended January 25, 2003, the Company recorded an impairment charge of \$2.2 million related to an other-than-temporary decline in the estimated fair value of a minority equity investment in a different non-publicly traded company. The impairment charge reduced the carrying value of the Company's investment to zero, which is the estimated fair value.

11. Net Loss per Share

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

	Three Months Ended	
	January 24, 2004	January 25, 2003
Net loss	\$ (36,759)	\$ (6,890)
Basic and diluted net loss per share:		
Weighted-average shares of common stock outstanding	258,281	235,130
Less: Weighted-average shares of common stock subject to repurchase	(485)	(232)
Weighted-average shares used in computing basic net loss per share	257,796	234,898
Dilutive effect of common share equivalents	—	—
Weighted-average shares used in computing diluted net loss per share	257,796	234,898
Basic and diluted net loss per share	\$ (0.14)	\$ (0.03)

For the three months ended January 24, 2004 and January 25, 2003, stock options outstanding of 47.5 million and 65.7 million shares, respectively, were antidilutive as the Company had net losses for the periods, and therefore, not included in the computation of diluted earnings per share. In addition, for the three months ended January 24, 2004 and January 25, 2003, potential common shares resulting from the potential conversion, on a weighted average basis, of the Company's convertible subordinated debt of 9.9 million and 12.6 million common shares, respectively, were antidilutive and therefore not included in the computation of diluted earnings per share.

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

This Quarterly Report on Form 10-Q (Quarterly Report) contains forward-looking statements. These forward-looking statements include predictions regarding our future:

- revenues and profits, including average unit prices and shipping volumes;
- gross margin;
- customer concentration;
- research and development expenses;
- sales and marketing expenses;
- general and administrative expenses;
- pricing and cost reduction activities;
- income tax provision and effective tax rate;
- realization of deferred tax assets;
- cash flows from employee participation in employee stock programs;
- liquidity and sufficiency of existing cash, cash equivalents, and short-term investments for near-term requirements;
- purchase commitments;

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- technology and products;
- outcomes of pending or threatened litigation; and
- financial condition and results of operations as a result of recent accounting pronouncements.

You can identify these and other forward-looking statements by the use of words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue,” or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under the heading “Risk Factors.” All forward-looking statements included in this document are based on information available to us on the date hereof. We assume no obligation to update any forward-looking statements.

The following information should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included in Item 1 of this Quarterly Report, and with the Management’s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended October 25, 2003.

Recent Events

On March 5, 2004, Brocade and McDATA entered into a settlement agreement regarding patent litigation and associated arbitration related to McDATA’s claim that Brocade’s Fibre Channel fabric switches and unique Frame Filtering technology infringed on a McDATA patent (U.S. Patent No. 6,233,236). McDATA filed suit against Brocade on February 14, 2002, and on March 4, 2002, McDATA requested a preliminary injunction to force Brocade to disable the frame filtering in its existing product lines. On December 6, 2003 the United States District Court for the District of Colorado denied McDATA’s Motion for a Preliminary Injunction against Brocade. Under the settlement agreement, all matters will be dismissed without prejudice, and no restrictions of any kind will be imposed on either party’s ability to sell products. Both parties preserved their respective rights and agreed to a three-year standstill during which neither party may initiate litigation against the other party with respect to their respective patents. In addition, no licenses will be granted by either party, and no funds or other considerations are being exchanged.

Results of Operations

The following table sets forth certain financial data for the periods indicated as a percentage of total net revenues:

	Three Months Ended	
	January 24, 2004	January 25, 2003
Net revenues	100.0%	100.0%
Cost of revenues	45.1	46.3
Gross margin	54.9	53.7
Operating expenses:		
Research and development	26.3	25.9
Sales and marketing	18.2	25.0
General and administrative	4.0	4.0
Amortization of deferred stock compensation	0.1	0.1
Restructuring costs	(0.3)	8.2
Lease termination charge and other, net	52.1	—
Total operating expenses	100.4	63.2
Loss from operations	(45.5)	(9.5)
Interest and other income, net	3.1	4.3
Interest expense	(1.8)	(2.7)
Gain on repurchases of convertible subordinated debt	0.4	—
Loss before benefit from income taxes	(43.8)	(7.9)
Income tax benefit	(18.5)	(2.3)
Net loss	(25.3)%	(5.6)%

Revenues. Our revenues are derived primarily from sales of our SilkWorm family of products. Net revenues for the three months ended January 24, 2004 were \$145.0 million, an increase of 18 percent compared with net revenues of \$123.1 million for the three months ended January 25, 2003. The increase in net revenues was the result of increased sales volume, partially offset by declines in average selling prices, which we believe will likely continue as a result of increased competition in the SAN industry. We plan to introduce new products in fiscal year 2004, which we believe will further expand our market opportunity. We also expect shipping volumes will fluctuate depending on the supply and demand for SAN switching products.

Domestic and international revenues were approximately 63 percent and 37 percent of total revenues, respectively, for the three months ended January 24, 2004. Domestic and international revenues were approximately 69 percent and 31 percent of total revenues, respectively, for the three months ended January 25, 2003. Historically, domestic revenues have been

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between 60 percent and 75 percent of total revenues. International revenues, which primarily consisted of sales to customers in Western Europe and the greater Asia Pacific region, have increased primarily as a result of faster growth in the Asia Pacific region. However, certain OEM customers 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 customers.

A significant portion of our revenues is concentrated among a relatively small number of customers. For the three months ended January 24, 2004, three customers each represented greater than ten percent of our total revenues for combined totals of 69 percent of total revenues. For the three months ended January 25, 2003, four customers each represented greater than ten percent of our total revenues for combined totals of 76 percent of total 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 customers. Therefore, the loss of, or a decrease in the level of sales to, any one of these customers, could seriously harm our financial condition and results of operations.

Gross margin. Gross margin for the three months ended January 24, 2004 was 54.9 percent, compared with 53.7 percent for the three months ended January 25, 2003. The increase in gross margin for the three months ended January 24, 2004 was the result of a decrease in cost of goods sold relative to net revenues. Cost of goods sold consists of product costs and manufacturing operations costs. Product costs relative to net revenues remained consistent, primarily due to lower component and manufacturing costs, offset by decreases in the average unit selling prices of our products. However, manufacturing operations costs, which are substantially fixed in nature, decreased relative to net revenues, principally due to increased net revenues.

Gross margin is primarily affected by average unit selling prices, shipping volumes, and cost of goods sold. We expect that average unit prices of our products will likely continue to decline in the future as a result of competitive pricing pressures or new product introductions by us or our competitors. We believe that we have the ability to mitigate a certain amount of the effect of declines in average unit selling prices on gross margins through the reductions in our product costs and cost of manufacturing. During fiscal year 2003, the average unit selling prices of our products began to decline at a higher than historical rate. To the extent that this dynamic continues, we may not be able to reduce our costs fast enough to prevent a decline in our gross margins. In addition, we must also maintain or increase current shipping volumes to maintain our current gross margins. If we are unable to offset future average unit price reductions of our products with reduced product manufacturing costs, or if as a result of future reductions in average unit prices our revenues do not grow, our gross margins may be negatively affected.

We expect to introduce new products in fiscal year 2004. As new or enhanced products are introduced, we must successfully manage the transition from older products in order to minimize disruption in customers' ordering patterns, avoid excessive levels of older product inventories, and ensure that sufficient supplies of new products can be delivered to meet customer demands. Our gross margins will be adversely affected if we fail to successfully manage the introductions of these new products.

Research and development expenses. Research and development (R&D) expenses increased to \$38.2 million for the three months ended January 24, 2004, compared with \$31.9 million for the three months ended January 25, 2003. R&D expenses consist primarily of salaries and related expenses for personnel engaged in engineering and R&D activities; fees paid to consultants and outside service providers; nonrecurring engineering charges; prototyping expenses related to the design, development, testing and enhancement of our products; depreciation related to engineering and other test equipment; and IT and facilities expenses. Further, the increase in R&D expenses for the quarter ended January 24, 2004 was due to the incremental spending associated with our acquisition of Rhapsody and additional expense related to new product development. We currently anticipate that R&D expenses for the next three months will increase on an absolute dollars basis primarily resulting from incremental spending associated with an extra week in our second quarter of fiscal year 2004.

Sales and marketing expenses. Sales and marketing expenses decreased to \$26.3 million for the three months ended January 24, 2004, compared with \$30.8 million for the three months ended January 25, 2003. Sales and marketing expenses consist primarily of salaries, commissions and related expenses for personnel engaged in marketing and sales; costs associated with promotional and travel expenses; and IT and facilities expenses. The decrease in sales and marketing expenses was primarily due to the reduction in headcount that occurred in the first and second quarters of fiscal year 2003 and decreased travel and marketing program expenses resulting from various cost-cutting actions. We currently anticipate that sales and

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marketing expenses for the next three months will increase slightly on an absolute dollar basis, primarily resulting from incremental spending associated with an extra week in our second quarter of fiscal year 2004.

General and administrative expenses. General and administrative (G&A) expenses were \$5.7 million for the three months ended January 24, 2004, compared with \$5.0 million for the three months ended January 25, 2003. G&A expenses consist primarily of salaries and related expenses for corporate executives, finance, human resources and investor relations, as well as recruiting expenses, accounting and professional fees, corporate legal expenses, other corporate expenses, and IT and facilities expenses. The increase in G&A expenses was primarily due to additional headcount and related expenses necessary to manage and support increased levels of business activity. We currently anticipate that G&A expenses for the next three months will remain relatively consistent with the quarter ended January 24, 2004 on an absolute dollar basis.

Amortization of deferred stock compensation. Amortization of deferred stock compensation was \$0.2 million and \$0.1 million for the three months ended January 24, 2004 and January 25, 2003, respectively. In the second quarter of fiscal 2003, we recorded \$1.7 million of deferred stock compensation in connection with our acquisition of Rhapsody. The \$1.7 million of deferred stock compensation represented the intrinsic value of unvested restricted common stock and assumed stock options, and is being amortized over the respective remaining service periods on a straight-line basis. As of January 24, 2004, the remaining unamortized balance of this deferred stock compensation was \$0.7 million. Amortization of deferred stock compensation for the three months ended January 25, 2003 was related to the grant of certain stock options to employees during the year ended October 31, 1999, which resulted in deferred stock compensation of \$5.1 million. As of January 25, 2003, all of the \$5.1 million previously recorded deferred stock compensation had been fully amortized.

Restructuring costs. During the three months ended January 25, 2003, we completed a restructuring program to realign the organization and reduce our expense structure. The restructuring program included a workforce reduction of approximately 12 percent, consolidation of excess facilities, and the restructuring of certain business functions. As a result of the restructuring program, we recorded restructuring costs of \$10.1 million during the three months ended January 25, 2003. During the three months ended January 24, 2004, we recorded a reduction of \$0.4 million to restructuring costs related to our other previously recorded restructuring liability, primarily due to a lower than expected outcome related to outplacement costs (see Note 3, "Restructuring Costs," of the Notes to Condensed Consolidated Financial Statements).

Lease termination charge and other, net. During the three months ended January 24, 2004, we purchased a previously leased building located at our San Jose headquarters for \$106.8 million in cash plus transaction costs, consisting of the purchase of land and building valued at \$30.0 million and a lease termination fee of \$76.8 million. The 194,000 square foot facility, which houses our engineering organization and development, test and interoperability laboratories, was previously leased. As a result of the building purchase, during the first quarter of fiscal year 2004, we recorded adjustments to the previously recorded facilities lease loss reserve and recorded a charge of \$75.6 million primarily related to lease termination, facilities consolidation and other associated costs (see Note 6, "Liabilities Associated with Facilities Lease Losses," of the Notes to Condensed Consolidated Financial Statements).

Interest and other income, net. Net interest and other income was \$4.5 million for the three months ended January 24, 2004, compared with \$5.3 million for the three months ended January 25, 2003. The decrease was primarily the result of the result of lower interest rates and decreased average cash and investment balances. The decrease in cash and investment balances was primarily related to the purchase of a building at our San Jose headquarters and the repurchases of our two percent convertible subordinated notes due 2007.

Interest expense. Interest expense was \$2.7 million for the three months ended January 24, 2004, compared with \$3.4 million for the three months ended January 25, 2003. Interest expense primarily represents the interest cost associated with our two percent convertible subordinated notes due 2007. The decrease was primarily the result of the repurchases of our convertible subordinated debt, resulting in a lower debt outstanding as of January 24, 2004. The balance outstanding of our convertible subordinated debt as of January 24, 2004 and January 25, 2003 was \$433.7 million and \$550.0 million, respectively.

Gain on repurchases of convertible subordinated debt. During the first quarter of fiscal 2004, we repurchased on the open market \$9.2 million in face value of our convertible subordinated debt. We paid an average of \$0.93 on each dollar of face value for an aggregate purchase price of \$8.6 million, which resulted in a pre-tax gain of \$0.5 million for the quarter ended January 24, 2004. There were no repurchases of convertible subordinated debt during the quarter ended January 25, 2003.

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Income tax benefit. Our effective tax rate for the three months ended January 24, 2004 was a benefit of 42.3 percent, compared with a benefit of 29.0 percent for the three months ended January 25, 2003. The effective tax rate in the three months ended January 24, 2004 was impacted by certain non-routine events, including lease termination and facilities consolidations. Additionally, our effective tax rate reflects the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. To the extent that international revenues and earnings differ from those historically achieved, a factor largely influenced by the buying behavior of our OEM partners, or if unfavorable changes in tax laws and regulations or other non-routine events that are not deductible occur, our effective tax rate may be impacted.

Liquidity and Capital Resources

Cash, cash equivalents, short-term investments and long-term investments were \$731.2 million as of January 24, 2004. For the three months ended January 24, 2004, we used \$55.6 million in cash from operating activities, primarily related to lease termination, facilities lease losses and other related charges. Days sales outstanding in accounts receivable for the three months ended January 24, 2004 was 49 days, compared with 53 days for the three months ended January 25, 2003.

Net cash used in investing activities for the three months ended January 24, 2004 totaled \$57.5 million and was the result of \$21.3 million in net purchases of short and long-term investments and \$36.2 million invested in capital equipment, including \$30.0 million for building purchase at our San Jose headquarters. Net cash used in financing activities for the three months ended January 24, 2004 was \$11.1 million, and was the result of repurchases of our convertible subordinated debt, partially offset by net proceeds from the issuance of common stock related to employee participation in employee stock programs and exercises of stock options.

Net proceeds from the issuance of common stock related to employee participation in employee stock programs have historically been a significant component of our liquidity. The extent to which our employees participate in these programs generally increases or decreases based upon changes in the market price of our common stock. As a result, our cash flows resulting from the issuance of common stock related to employee participation in employee stock programs will vary. As a result of our voluntary stock option exchange program, which was completed in July 2003, we do not expect to generate significant cash flow from the issuance of common stock related to the employee participation in employee stock programs during fiscal year 2004 unless our future common stock price exceeds \$6.54 per share.

We have a manufacturing agreement with Solectron and Foxconn under which we provide twelve-month product forecasts and place purchase orders in advance of the scheduled delivery of products to our customers. The required lead-time for placing orders with both Solectron and Foxconn depends on the specific product. As of January 24, 2004, our aggregate commitment to Solectron and Foxconn for inventory components used in the manufacture of Brocade products was \$43.7 million, net of purchase commitment reserves of \$5.5 million, which we expect to utilize during future normal ongoing operations. Although the purchase orders we place with Solectron and Foxconn are cancelable, the terms of the agreements require us to purchase from Solectron and Foxconn all inventory components not returnable or usable by, or sold to other customers of Solectron or Foxconn.

On December 21, 2001, and January 10, 2002, we sold \$550 million in aggregate principal amount of two percent convertible subordinated notes due 2007 (see note 7, "Convertible Subordinated Debt," of the Notes to Condensed Consolidated Financial Statements). Holders of the notes may, in whole or in part, convert the notes into shares of our common stock at a conversion rate of 22.8571 shares per \$1,000 principal amount of notes (aggregate of approximately 9.9 million shares based on outstanding debt of \$433.7 million as of January 24, 2004) at any time prior to maturity on January 1, 2007. At any time on or after January 5, 2005, we may redeem the notes in whole or in part at the following prices expressed as a percentage of the principal amount:

Redemption Period	Price
Beginning on January 5, 2005 and ending on December 31, 2005	100.80%
Beginning on January 1, 2006 and ending on December 31, 2006	100.40%
On January 1, 2007 and thereafter	100.00%

We are required to pay interest on January 1 and July 1 of each year, beginning July 1, 2002. Debt issuance costs of \$12.4 million are being amortized over the term of the notes. The amortization of debt issuance costs will accelerate upon early redemption or conversion of the notes. The net proceeds remain available for general corporate purposes, including working capital and capital expenditures. As of January 24, 2004, the remaining balance of unamortized debt issuance costs was \$5.7 million.

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During the first quarter of fiscal year 2004, we repurchased on the open market \$9.2 million in face value of our convertible subordinated notes due 2007. To date, we have repurchased a total of \$116.3 million in face value of our convertible subordinated notes. As of January 24, 2004, the remaining balance outstanding of the convertible subordinated debt was \$433.7 million.

On November 18, 2003, we purchased a previously leased building located at our San Jose headquarters, and issued a \$1.0 million guarantee as part of the purchase agreements.

The following table summarizes our contractual obligations (including interest expense) and commitments as of January 24, 2004 (in thousands):

	Total	Less than 1 year	1 – 3 years	After 3 years
Contractual Obligations:				
Convertible subordinated notes, including interest	\$459,750	\$ 8,675	\$451,075	\$ —
Non-cancelable operating leases	105,707	21,391	32,370	51,946
Unconditional purchase obligations, gross	49,214	49,214	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total contractual cash obligations	\$614,671	\$79,280	\$483,445	\$51,946
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other Commitments:				
Standby letters of credit	\$ 8,343	\$ n/a	\$ n/a	\$ n/a
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Guarantee	\$ 1,015	\$ n/a	\$ n/a	\$ n/a
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

We believe that our existing cash, cash equivalents, short-term and long-term investments, and cash expected to be generated from future operations will be sufficient to meet our capital requirements at least through the next 12 months. Our future capital requirements will depend on many factors, including: the rate of revenue growth; the timing and extent of spending to support product development efforts and the expansion of sales and marketing; the timing of introductions of new products and enhancements to existing products; and the market acceptance of our products.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate, on an on-going basis, our estimates and judgments, including those related to sales returns, bad debts, excess inventory and purchase commitments, investments, warranty obligations, lease losses, income taxes, and contingencies and litigation. We base our estimates on historical experience and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The methods, estimates, and judgments we use in applying our most critical accounting policies have a significant impact on the results that we report in our Consolidated Financial Statements. The SEC considers an entity's most critical accounting policies to be those policies that are both most important to the portrayal of a company's financial condition and results of operations, and those that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about matters that are inherently uncertain at the time of estimation. We believe the following critical accounting policies, among others, require significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

- Revenue recognition, and allowances for sales returns, sales programs, and doubtful accounts;
- Warranty reserves;
- Inventory and purchase commitment reserves;
- Restructuring charges and lease loss reserves;
- Litigation costs; and
- Accounting for income taxes.

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Revenue recognition, and allowances for sales returns, sales programs, and doubtful accounts. Product revenue is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred, fee is fixed or determinable, and collection is probable. However, revenue recognition is deferred for shipments to new customers and for shipments to existing customers when significant support services are required to successfully integrate our products into our customer's products. These revenues, and related costs, are deferred and recognized when the customer has successfully integrated our products into its product offerings, and we have met any support obligations. In addition, revenue from sales to master resellers is recognized upon reported sell-through.

We reduce revenue for estimated sales returns, sales programs, and other allowances at the time of shipment. Sales returns, sales programs, and other allowances are estimated based on historical experience, current trends, and our expectations regarding future experience. Reductions to revenue associated with sales returns, sales programs, and other allowances include consideration of historical sales levels, the timing and magnitude of historical sales returns, claims under sales programs, and other allowances, and a projection of this experience into the future. In addition, we maintain allowances for doubtful accounts, which are also accounted for as a reduction in revenue, for estimated losses resulting from the inability of our customers to make required payments. We analyze accounts receivable, historical collection patterns, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms and practices when evaluating the adequacy of the allowance for doubtful accounts. If actual sales returns, sales programs, and other allowances exceed our estimate, or if the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances and charges may be required.

Service revenue consists of training, warranty, and maintenance arrangements, including post-contract customer support (PCS) services. PCS services are offered under renewable, annual fee-based contracts or as part of multiple element arrangements and typically include upgrades and enhancements to our software operating system software, and telephone support. For multiple element arrangements, we allocate revenue to each element based upon vendor-specific objective evidence (VSOE) of the fair value of the element or, if VSOE is not available, application of the residual method. VSOE of the fair value for an element is based upon the price charged when the element is sold separately and therefore may change as a result of amendments to customer contracts or changes in pricing. The revenue allocated to each element is recognized when all criteria for revenue recognition for that element are met. Service revenue, including revenue allocated to PCS elements, is deferred and recognized ratably over the contractual period. Service contracts are typically one to three years in length. Training revenue is recognized upon completion of the training. Changes in the allocation of revenue to each element in a multiple element arrangement may affect the timing of revenue recognition.

Warranty reserves. We provide warranties on our products ranging from one to three years. Estimated future warranty costs are accrued at the time of shipment and charged to cost of revenues based upon historical experience, current trends and our expectations regarding future experience. If actual warranty costs exceed our estimate, additional charges may be required.

Inventory and purchase commitment reserves. We write down inventory and record purchase commitment reserves for estimated excess and obsolete inventory equal to the difference between the cost of inventory and the estimated fair value based upon assumptions about future demand, product transition cycles, and market conditions. Although we strive to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and commitments, and our reported results. If actual market conditions are less favorable than those projected, additional inventory write-downs, purchase commitment reserves, and charges against earnings might be required.

Restructuring charges and lease loss reserves. We monitor and regularly evaluate our organizational structure and associated operating expenses. Depending on events and circumstances, we may decide to restructure our operations to reduce future operating costs as our business requirements evolve. In determining the restructuring charges, we analyze our future operating requirements, including the required headcount by business functions and facility space requirements. Our restructuring costs, and any resulting accruals, involve significant estimates made by management using the best information available at the time the estimates are made, some of which may be provided by third parties. In recording facilities lease loss reserves, we make various assumptions, including the time period over which the facilities will be vacant, expected sublease terms, expected sublease rates, anticipated future operating expenses, and expected future use of the facilities. Our estimates involve a number of risks and uncertainties, some of which are beyond our control, including future real estate market conditions and our ability to successfully enter into subleases or lease termination agreements with terms as favorable as those assumed when arriving at our estimates. We regularly evaluate a number of factors to determine the appropriateness and

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reasonableness of our restructuring and lease loss accruals including the various assumptions noted above. If actual results differ significantly from our estimates, we may be required to adjust our restructuring and lease loss accruals in the future.

Litigation costs. We are subject to the possibility of legal actions arising in the ordinary course of business. We regularly monitor the status of pending legal actions to evaluate both the magnitude and likelihood of any potential loss. We accrue for these potential losses when it is probable that a liability has been incurred and the amount of loss, or possible range of loss, can be reasonably estimated. If actual results differ significantly from our estimates, we may be required to adjust our accruals in the future.

Accounting for income taxes. The determination of our tax provision is subject to judgments and estimates due to operations in several tax jurisdictions outside the United States. Sales to our international customers are principally taxed at rates that are lower than United States rates, resulting in a reduction of our effective tax rate. The ability to maintain our current effective tax rate is contingent upon existing tax laws in both the United States and in the respective countries in which our international subsidiaries are located. Future changes in domestic or international tax laws could affect the continued realization of the tax benefits we are currently receiving and expect to receive from international sales. In addition, a decrease in the percentage of our total revenue from international customers or in the mix of international revenue among particular tax jurisdictions could change our overall effective tax rate. Also, our current effective tax rate assumes that United States income taxes are not provided for undistributed earnings of certain non-United States subsidiaries. These earnings could become subject to United States federal and state income taxes and foreign withholding taxes, as applicable, should they be either deemed or actually remitted from our international subsidiaries to the United States.

The carrying value of our net deferred tax assets, which is made up primarily of income tax deductions and credits resulting from stock option exercises, assumes that we will be able to generate sufficient future income to fully utilize these tax deductions and credits. If we do not generate sufficient future income, the realization of these deferred tax assets may be impaired resulting in additional income tax expense. We evaluate the expected realization of our deferred tax assets and assess the need for valuation allowances quarterly.

Recent Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 150, "*Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*" (SFAS 150). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of SFAS 150 to have a material effect on the Company's financial position, results of operations, or cash flows.

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104, "*Revenue Recognition*" (SAB 104), which supercedes SAB 101, "*Revenue Recognition in Financial Statements*." The primary purpose of SAB 104 is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, which was superceded as a result of the issuance of EITF 00-21, "*Accounting for Revenue Arrangements with Multiple Deliverables*." While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. The adoption of SAB 104 did not have a material impact on the Company's financial statements.

Risk Factors

Our quarterly and annual revenues and operating results may fluctuate in future periods for a number of reasons, which could adversely affect the trading price of our stock.

Our quarterly and annual revenues and operating results may vary significantly in the future due to a number of factors, any of which may cause our stock price to fluctuate. Factors that may affect the predictability of our annual and quarterly results include, but are not limited to, the following:

- changes in general economic conditions, specifically in the information technology industry;
- the timing of customer orders, product qualifications, and product introductions of our OEM partners;
- disruptions or downturns in general economic activity resulting from terrorist activity and armed conflict;
- announcements, introductions, and transitions of new products by us and our competitors;

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- average unit prices of our products, which are likely to continue to decline in the future as a result of competitive pricing pressures or new product introductions by us or our competitors;
- the ability of new competitors to enter the market and effectively compete against us;
- deferrals of customer orders in anticipation of new products, services, or product enhancements introduced by us or our competitors;
- our ability to obtain sufficient supplies of sole- or limited-sourced components, including ASICs, microprocessors, certain connectors, certain logic chips, and programmable logic devices;
- increases in prices of components used in the manufacture of our products;
- our ability to attain and maintain production volumes and quality levels;
- variations in the mix of our products sold and the mix of distribution channels through which they are sold;
- pending or threatened litigation; and
- legislation and regulatory developments.

Accordingly, the results of any prior periods should not be relied upon as an indication of future performance. If our revenues or operating results are below the expectations of stock market analysts or investors, our stock price will likely decline.

As we introduce new products, we must manage the transition between our new products and our older products.

As new or enhanced products are introduced, we must successfully manage the transition from older products in order to minimize disruption in customers' ordering patterns, avoid excessive levels of older product inventories, and ensure that sufficient supplies of new products can be delivered to meet customer demands. When we introduce new products and product enhancements, we face numerous risks relating to product transitions, including the inability to accurately forecast demand, excess inventories of older products, product and software defects, and different sales and support requirements due to the complexity of these new systems. For example, we expect to introduce new director switches in the second quarter of fiscal year 2004. If we fail to develop and successfully introduce these new products, or if we fail to otherwise successfully manage the transition to these new products, our business and financial results will be adversely affected. For example, during the fourth quarter ended October 27, 2001, we recorded charges to cost of revenues of \$7.7 million primarily associated with the accrual of purchase commitments for excess inventory components related to a transition of product offerings from 1 to 2 Gigabit per second (Gbit/sec) technology.

Increased market competition may lead to reduced sales of our products, reduced margins, reduced profits, and reduced market share.

The market for SAN solutions is becoming more competitive and subject to rapid technological change. Increased competition could result in greater pricing pressures, reduced sales, reduced margins, reduced profits, and reduced market share. Currently, we believe that we principally face competition from providers of Fibre Channel switching products for interconnecting servers and storage. These competitors include Cisco, Computer Network Technology Corporation, McDATA, and Qlogic.

The SAN market is likely to become even more competitive as new products and technologies are introduced by existing competitors and as new competitors enter the market. Our OEM partners could potentially become new competitors by developing and introducing products competitive with our product offerings. These new competitive products could be based on existing technologies or new technologies that may or may not be compatible with our SAN technology. In addition, our OEM partners, who also have relationships with some of our current competitors, could choose to sell our competitors' products instead of our products, or offer preferred pricing or promotions on our competitors' products.

Some of our competitors have longer operating histories and significantly greater human, financial, and capital resources than us. These competitors could adopt more aggressive pricing policies and devote greater resources to the development, promotion, and sale of their products than we can. As a result, they may be able to respond more quickly to changes in customer or market requirements. We may not have the financial resources, technical expertise or marketing, manufacturing, distribution, and support capabilities to compete successfully against current or future competitors. This could materially harm our business.

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We depend on OEM partners. The loss of any of these OEM partners could significantly reduce our revenues and negatively affect our financial results.

We depend on recurring purchases from a limited number of large OEM partners for the majority of our revenue. Our agreements with our OEM partners are typically cancelable, non-exclusive, have no minimum purchase requirements and have no specific timing requirements for purchases. For the quarter ended January 24, 2004, three customers each represented greater than ten percent of our total revenues for a combined total of 69 percent. We anticipate that our revenues and operating results will continue to depend on sales to a relatively small number of customers. The loss of any one significant customer, or a decrease in the level of sales to any one significant customer, or unsuccessful negotiation on major terms and conditions of purchase orders placed during a quarter, could seriously harm our financial condition and results of operations.

The prices of our products have recently declined at a higher than historical rate. We expect the pricing of our products to continue to decline, which would reduce our revenues, gross margins, and profitability.

The average unit prices of our products have recently declined at a higher than historical rate, and we expect them to continue to decline in the future as a result of changes in product mix, competitive pricing pressures, increased sales discounts, enhanced marketing programs, new product introductions by us or our competitors, or other factors. If we are unable to offset these factors by increasing sales volumes, or reducing product manufacturing cost, our total revenues and gross margins may decline. In addition, to maintain our gross margins we must maintain or increase current shipment volumes, develop and introduce new products and product enhancements, and we must continue to reduce the manufacturing cost of our products. Failure to reduce the manufacturing cost of our products in response to declines in unit selling prices would result in a further decline in our gross margins. Moreover, most of our expenses are fixed in the short-term or incurred in advance of receipt of corresponding revenue. As a result, we may not be able to decrease our spending to offset any unexpected shortfall in revenues. If this occurs, we could incur losses, our operating results and gross margins may be below our expectations and the expectations of investors and stock market analysts, and our stock price could be negatively affected.

We may not be able to attain profitability.

In fiscal year 2004, we do not expect to attain profitability, and may not be able to attain profitability at all in the future. We expect to incur significant costs and expenses for product development, sales and marketing, and customer support. We make investment decisions based upon anticipated revenues and margins. If these anticipated revenues and margins do not materialize, our future profitability could be adversely affected. We also make operating decisions, such as our recent purchase of a 194,000 square foot building located at our San Jose headquarters, based on our anticipated future expansion. We expect our building purchase to adversely affect our earnings per share at least through our fiscal year 2004 as we recorded a \$75.6 million charge related to lease termination, facilities consolidation, and other associated costs (see Note 6, "Liabilities Associated with Facilities Lease Losses," of the Notes to Condensed Consolidated Financial Statements).

During fiscal year 2003, we completed programs to restructure certain business operations that included workforce reductions and the impairment of certain assets no longer being used as a result of the restructuring programs. We may not be able to achieve our planned reduction in spending related to these restructuring programs if we incur unforeseen expenses in future quarters or if we are unable to reduce expenses without jeopardizing further development, marketing, and sales of our products. Additionally, it is possible that these reductions in spending may not be sufficient to achieve their intended goals. If we are unable to achieve our planned reduction in spending or if our current reductions in spending are insufficient, we may be required to undertake additional restructuring activities that may involve our personnel, real estate, fixed assets, marketing programs and research and development programs.

These actions involve numerous risks, including unanticipated costs, diversion of management's attention from our core business and adverse effects on existing business relationships with suppliers, customers, and employees. In addition, it is difficult to forecast future operating results based on historical results. We plan our operating expenses based in part on future revenue projections. Our ability to accurately forecast quarterly and annual revenues is limited for the reasons discussed above in "Our quarterly and annual revenues and operating results may fluctuate in future periods for a number of reasons, which could adversely affect the trading price of our stock." Moreover, most of our expenses are fixed in the short-term or incurred in advance of receipt of corresponding revenue. As a result, we may not be able to decrease our spending to offset any unexpected shortfall in revenues. In addition, future regulatory changes, such as the FASB's effort to mandate the expensing of stock options, could affect our future profitability. If any of these events occur, we could incur losses, and our operating results and gross margins may be below our expectations and those of investors and stock market analysts.

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As of January 24, 2004, we have total short-term and long-term deferred tax assets of \$290.9 million. If we are unable to attain profitability beyond fiscal year 2004, and the realization of the deferred tax assets through future taxable income becomes uncertain, we may be required to provide a valuation allowance for our deferred tax assets resulting in additional income tax expense.

On July 10, 2003, as part of our voluntary stock option exchange program, we granted to employees 26.6 million new stock options at an exercise price of \$6.54 per share. The 26.6 million new stock options represented approximately 10 percent of our total shares of common stock outstanding as of January 24, 2004, and could have a dilutive effect on our future earnings per share to the extent that we attain profitability in the future, or if market price of our common stock exceeds \$6.54 per share. In addition, in connection with the acquisition of Rhapsody Networks, Inc. (Rhapsody) in January 2003, we agreed to issue up to an additional 2.9 million shares of Brocade common stock if the Rhapsody business successfully completed specified product milestones by November 30, 2003. We determined that the specified product milestones were not met, and therefore, we do not intend to issue the additional shares. However, the representative for the former Rhapsody stockholders has indicated that he disagrees with our determination and has initiated discussions with us on this matter. If we are unable to reach an agreement on this matter, our future earnings per share could be further diluted by an issuance of additional shares.

Our revenues may be affected by changes in IT spending levels.

Unfavorable economic conditions and reduced global IT spending rates have adversely affected our operating results and led to a decline in our growth rates. Although general economic conditions appear to be improving, we are unable to predict when IT spending rates will improve, if at all. Furthermore, even if IT spending rates improve, we cannot be certain that the market for SAN solutions will be positively impacted. If there are further reductions in either domestic or international IT spending rates, or if IT spending rates do not improve, our revenues, operating results and financial condition may be adversely affected.

Our storage networking products are sold as part of storage systems and subsystems. As a result, the demand for our storage networking products has historically been affected by changes in storage requirements associated with growth related to new applications and an increase in transaction levels. Although in the past we have experienced historical growth in our business as enterprise-class customers have adopted SAN technology, demand for SAN products in the enterprise-class sector continues to be adversely affected by the effects of the weakened economy in recent periods, and because larger businesses are focusing on more efficiently using their existing IT infrastructure rather than making new equipment purchases. Increases in a customer's ability to utilize existing storage infrastructure and the continued weakened IT spending levels may cause a decline in the demand for SAN products. This may harm our financial condition and results of operations.

We must achieve market acceptance for our recently introduced SilkWorm Fabric Application Platform product family.

We recently introduced, and intend to continue to make substantial investments in, our SilkWorm Fabric Application Platform product family. The success of this product family is subject to risks and uncertainties including our ability to produce these products in a timely manner, our ability to produce these products in the volume and with the performance and feature set required by customers, the market acceptance of these products, and the availability of applications developed by our OEM partners and other application developers for these products. We cannot be certain that the SilkWorm Fabric Application Platform product family will be successfully developed or achieve market acceptance. In addition, we cannot be certain that our OEM partners or other application developers will develop applications for this product family in a timely manner, if at all, or if applications that are developed will be sufficient. If our SilkWorm Fabric Application Platform product family does not achieve market acceptance, our business will be adversely affected.

Our success depends on our ability to develop new and enhanced products that achieve widespread market acceptance.

We currently derive the majority of our revenues from sales of our SilkWorm family of products. We expect that revenue from this product family will continue to account for a substantial portion of our revenues for the foreseeable future. Therefore, widespread market acceptance of these products is critical to our future success. Some of our products have been recently introduced, and the demand and market acceptance of these new products are uncertain. Factors that may affect market acceptance include performance, price, and total cost of ownership; features and functionality; availability and price of competing products and technologies; and the success and development of our OEM partners and other distribution channels. Many of these factors are beyond our control. For example, we have recently introduced our SilkWorm Fabric Application Platform product family. Our success with this product family will depend on the extent to which our OEM partners develop applications for this product family. The market acceptance of, and consequently the revenues we receive from, our Fabric Application Platform product family may be adversely affected if our OEM partners do not develop applications for these products, or do not successfully migrate applications to these products.

Our future success depends upon our ability to address the rapidly changing needs of our customers by developing and introducing high-quality, cost-effective products and product enhancements on a timely basis, and by keeping pace with

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technological developments and emerging industry standards. We expect to launch new products and product enhancements during the next year that will further expand the market opportunity for our products. We expect that our future revenue growth will be dependent on the success of our current line of products, new product enhancements, and the continued development of new products. In the past we have experienced delays in product development. Such delays could occur in the future. If we are unable to achieve market acceptance of our new products, our business and results of operations could be harmed.

Failure to manage distribution channels and relationships could significantly reduce our revenues.

Our success will depend on our continuing ability to develop and manage relationships with large distribution partners, including OEM partners, value-added distributors, systems integrators, and value-added resellers, and on the sales efforts and success of these distribution partners. Our OEM partners must evaluate and qualify our products for a limited time period before they begin to market and sell them. Assisting these distribution partners through the evaluation process requires significant sales, marketing, and management efforts on our part, particularly if our products are being qualified with multiple distribution partners at the same time. In addition, once our products have been qualified, our customer agreements have no minimum purchase commitments. We may not be able to effectively maintain or expand our distribution channels, manage distribution relationships successfully, or market our products through distribution partners. Our failure to manage successfully our distribution relationships or the failure of our distribution partners to sell our products could reduce our revenues.

International political instability and concerns about other international crises may increase our cost of doing business and disrupt our business.

International political instability, evidenced by the occurrence and threat of terrorist attacks, enhanced national security measures, and military action and armed conflicts in the Middle East, Africa and Asia, may halt or hinder our ability to do business and may increase our costs. In addition, concerns about other international crises, such as the SARS virus, may have an adverse effect upon the world economy and could adversely affect our business operations or the operations of our OEM partners, contract manufacturers and suppliers. This political instability and concerns about other international crises may, for example:

- negatively affect the reliability and cost of transportation;
- negatively affect the desire and ability of our employees and customers to travel;
- disrupt the production capabilities of our OEM partners, contract manufacturers and suppliers;
- adversely affect our ability to obtain adequate insurance at reasonable rates; and
- require us to take extra security precautions for our operations.

Furthermore, to the extent that air transportation is delayed or disrupted, the operations of our contract manufacturers and suppliers may be disrupted, particularly if shipments of components and raw materials are delayed.

Failure to adequately anticipate future OEM and end-user product needs could negatively affect the demand for our products and reduce our revenues.

We market and sell our products through distribution partners, including OEM partners, value-added distributors, system integrators, and value-added resellers. Therefore, we must continually assess, anticipate, and respond to the needs of these distribution partners and ensure that our products integrate with their solutions. We must also continually assess, anticipate, and respond to the needs of our distribution partners' customers, who are the end-users of our products. In the future, our ability to respond to the needs of these groups may depend on third parties producing complementary products and applications for our products. If we fail to respond to the needs of these groups, our business and operating results could be harmed.

Because we have an indirect distribution model, our contact with the actual end-users of our products is limited. Although we make every effort to communicate with, understand, and anticipate the current and future needs of the end-users of our products, to a large extent we rely on our distribution partners for visibility into those end-user requirements. Our failure to adequately assess and anticipate future end-user needs could negatively affect the demand for our products and reduce our revenues.

Uncertainties involving sales and demand forecasts for our products could negatively affect our business.

We have limited ability to forecast the demand for our products. In preparing sales and demand forecasts, we rely largely on input from our distribution partners. If our distribution partners are unable to accurately forecast demand, or if we fail to effectively communicate with our distribution partners about end-user demand or other time sensitive information, sales and demand forecasts may not reflect the most accurate, up-to-date information. Because we make business decisions based on our sales and demand forecasts, if these forecasts are inaccurate, our business and financial results could be negatively affected. Furthermore, we may not be able to identify these forecast differences until late in our fiscal quarter. Consequently, we may not be able to make adjustments to our business model without negatively affecting our business and results of operations.

We plan to continue to increase our international sales activities, which will subject us to additional business risks.

We plan to continue to expand our international operations and sales activities. Expansion of international operations will involve inherent risks that we may not be able to control, including:

- supporting multiple languages;
- recruiting sales and technical support personnel with the skills to design, manufacture, sell, and support our products;
- increased complexity and costs of managing international operations;
- increased exposure to foreign currency exchange rate fluctuations;
- commercial laws and business practices that favor local competition;
- multiple, potentially conflicting, and changing governmental laws and regulations, including differing labor and employment laws;
- longer sales cycles and manufacturing lead times;
- difficulties in collecting accounts receivable;
- reduced or limited protections of intellectual property rights;
- more complicated logistics and distribution arrangements; and
- political and economic instability.

To date, no material amount of our international revenues and costs of revenues have been denominated in foreign currencies. As a result, an increase in the value of the United States dollar relative to foreign currencies could make our products more expensive and, thus, less competitive in foreign markets. Additionally, a decrease in the value of the United States dollar relative to foreign currencies could increase our operating costs in foreign locations. In the future, a larger portion of our international revenues may be denominated in foreign currencies, including the Euro, which will subject us to risks associated with fluctuations in those foreign currencies. Additionally, we receive significant tax benefits from sales to our international customers. These benefits are contingent upon existing tax laws in both the United States and in the respective countries in which our international customers are located.

Future changes in domestic or international tax laws could affect the continued realization of the tax benefits that we currently receive and expect to receive from sales to our international customers. In addition, a decrease in the percentage of our total revenue from international customers, or in the mix of international revenue among particular tax jurisdictions, could increase our overall effective tax rate.

Our business may be subject to seasonal fluctuations and uneven sales patterns in the future.

Many of our OEM partners experience seasonality and uneven sales patterns in their businesses. For example, some of our partners close a disproportionate percentage of their sales transactions in the last month, weeks and days of each quarter; and other partners experience spikes in sales during the fourth calendar quarter of each year. As a greater percentage of our products are sold to OEM partners who experience seasonal fluctuations and uneven sales patterns in their businesses, we could begin to experience similar seasonality and uneven sales patterns. It is difficult for us to evaluate the degree to which the seasonality and uneven sales patterns of our OEM partners may affect our business in the future because the historical growth of our business may have lessened the effect of this seasonality and uneven sales patterns on our business in the past.

The loss of our third-party contract manufacturers or the failure to accurately forecast demand for our products or successfully manage the production of our products could negatively affect our ability to manufacture and sell our products.

We currently depend on two third-party contract manufacturers, Solectron and Foxconn, to manufacture our products. If we should fail to effectively manage the production of our products through Solectron and Foxconn, or if Solectron or Foxconn experience delays, disruptions, capacity constraints, component parts shortages, or quality control problems in their manufacturing operations, shipment of our products to our customers could be delayed and our competitive position and reputation could be harmed. Qualifying a new contract manufacturer and commencing volume production is a lengthy and expensive process and if we are required or choose to change contract manufacturers, we may lose revenue and injure our customer relationships.

We provide product forecasts to our contract manufacturers and place purchase orders with them in advance of the scheduled delivery of products to our customers. Although our purchase orders placed with our contract manufacturers are cancelable, we could be required to purchase certain unused material not returnable, usable by, or sold to other customers if we cancel any of our orders. Accordingly, if we inaccurately forecast demand for our products, we may be unable to obtain adequate manufacturing capacity from our contract manufacturers to meet customers' delivery requirements, or we may accumulate excess inventories. If we are unable to obtain adequate manufacturing capacity from our contract manufacturers or if we accumulate excess inventories, our business and results of operations may be negatively affected.

As part of our business strategy, we may seek to transition a greater portion of our product manufacturing to third parties that are located overseas. This kind of transition would expose us to certain inherent risks, including unexpected changes in regulatory requirements and tariffs, delays related to the acquisition of product components and distribution of our products and potentially adverse tax consequences, all of which could harm our business. If we are not successful in our strategy to further transition our manufacturing to overseas markets, or if we are not successful in the implementation of this overseas manufacturing, our ability to manufacture and sell our products could be substantially impaired.

We are dependent on sole source and limited source suppliers for certain key components.

We currently purchase several key components used in the manufacture of our products from single or limited sources. We purchase application specific integrated circuits (ASICs) from a single source, and we purchase microprocessors, certain connectors, certain logic chips, and programmable logic devices from limited sources. In addition, we license certain third-party software that is incorporated into our operating system software and other software products. If we are unable to buy or license these components on a timely basis, we may not be able to deliver our products to our customers in a timely manner.

We use rolling forecasts based on anticipated product orders to determine component requirements. If we overestimate component requirements, we may have excess inventory, which would increase our costs. If we underestimate component requirements, we may have inadequate inventory, which could interrupt the manufacturing process and result in lost or deferred revenue. In addition, lead times for components vary significantly and depend on factors such as the specific supplier, contract terms, and demand for a component at a given time. We also may experience shortages of certain components from time to time, which also could delay the manufacturing and sales processes.

Failure to manage our business effectively could seriously harm our business, financial condition, and prospects.

Our ability to successfully implement our business plan, develop and offer products, and manage our business in a rapidly evolving market requires a comprehensive and effective planning and management process. We continue to change the scope of our operations domestically and internationally, including managing our headcount appropriately. Changes in our business, headcount, organizational structure and relationships with customers and other third parties has placed, and will continue to place, a significant strain on management systems and resources. Our failure to continue to improve upon our operational, managerial, and financial controls, enterprise-wide management information and reporting systems, and procedures, and our failure to continue to train and manage our workforce worldwide, could seriously harm our business and financial results.

Undetected software or hardware errors could increase our costs and reduce our revenues.

Networking products frequently contain undetected software or hardware errors, or "bugs," when first introduced or as new versions are released. Our products are becoming increasingly complex, and errors may be found from time to time in our new or enhanced products. In addition, our products are combined with products from other vendors. As a result, when

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problems occur, it may be difficult to identify the source of the problem. These problems may cause us to incur significant warranty and repair costs, divert the attention of engineering personnel from product development efforts and cause significant customer relations problems. Moreover, the occurrence of hardware and software errors, whether caused by another vendor's SAN products, or ours, could delay or prevent the development of the SAN market.

If we lose key personnel or are unable to hire additional qualified personnel, we may not be successful.

Our success depends to a significant degree upon the continued contributions of key management, engineering, and sales and marketing personnel, many of whom would be difficult to replace. We do not have life insurance on any of our key personnel. Our compensation packages include equity-based incentives. To the extent that our stock price remains low, our ability to continue to offer competitive compensation packages could be affected.

We believe our future success will also depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing, finance, and operations personnel, and on the ability of management to operate effectively, both individually and as a group. We have experienced difficulty in hiring qualified ASIC, software, system and test, sales and marketing, key management, and customer support personnel. We may not be successful in attracting and retaining these individuals in the future. The loss of the services of any of our key employees, the inability to attract or retain qualified personnel in the future, or delays in hiring required personnel, particularly engineers and sales personnel, could delay the development and introduction of, and negatively affect our ability to sell, our products.

In addition, companies in the computer storage and server industry whose employees accept positions with competitors frequently claim that their competitors have engaged in unfair hiring practices. We may receive such claims in the future as we seek to hire qualified personnel. Such claims, if received, could result in material litigation. As a result, we could incur substantial costs in defending against these claims, regardless of their merits.

We may be unable to protect our intellectual property, which would negatively affect our ability to compete.

We rely on a combination of patent, copyright, trademark, and trade secret laws, confidentiality agreements, and other contractual restrictions on disclosure to protect our intellectual property rights. We also enter into confidentiality or license agreements with our employees, consultants, and corporate partners, and control access to and distribution of our technology, software, documentation, and other confidential information. These measures may not preclude competitors from independently developing products with functionality or features similar to our products. Despite efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our products is difficult, and we cannot be certain that the steps we take to prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect proprietary rights as fully as in the United States, will be effective.

Others may bring infringement claims, which could be time-consuming and expensive to defend, against us.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. For example, on February 14, 2002, a suit captioned *McDATA Corp. v. Brocade Communications Systems, Inc.* was filed against us in the United States District Court for the District of Colorado. The complaint alleged that the Brocade SilkWorm 3800 Enterprise Fibre Channel Fabric Switch and Brocade SilkWorm 12000 Core Fabric Switch infringe United States Patent No. 6,233,236, entitled "Method and Apparatus for Measuring Traffic Within a Switch." On March 5, 2004, we entered into a settlement agreement with McDATA. Under the settlement agreement, all matters will be dismissed without prejudice, no restrictions of any kind are imposed on either party's ability to sell products, no licenses will be granted by either party, and no money or other consideration is being exchanged. Both parties preserved their respective rights and agreed to a three-year standstill during which neither party may initiate litigation against the other party with respect to their respective patents (see Part II, Item 1 – Legal Proceedings for additional information regarding this lawsuit).

We are currently a party to another intellectual property-related lawsuit, and may be a party to litigation in the future, to protect our intellectual property or as a result of an alleged infringement of the intellectual property of others. These claims and any resulting lawsuit, including the current lawsuits, could subject us to significant liability for damages and invalidation of proprietary rights. These lawsuits, regardless of their success, would likely be time-consuming and expensive to resolve and would divert management's time and attention. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling, incorporating or using products or services that use the challenged intellectual property;

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- obtain from the owner of the infringed intellectual property a license to the relevant intellectual property, which may require us to license our intellectual property to such owner, or may not be available on reasonable terms or at all; and
- redesign those products or services that use technology that is the subject of an infringement claim.

If we are forced to take any of the foregoing actions, we may be unable to manufacture, use, sell, import and export our products, which would reduce our revenues.

Our business may be harmed by class-action litigation.

Securities class-action litigation is often brought against a company following periods of volatility in the market price of its securities. As our stock price remains volatile, we could become the target of securities litigation in the future. Any current or future securities litigation in which we are involved could result in substantial costs to us and divert management's attention and resources.

We may engage in future acquisitions that dilute our stockholders and cause us to use cash, incur debt, or assume contingent liabilities.

We completed our acquisition of Rhapsody on January 27, 2003. As part of our strategy, we expect to continue to review opportunities to buy other businesses or technologies that would complement our current products, expand the breadth of our markets or enhance our technical capabilities, or that may otherwise offer growth opportunities. We may buy other businesses, products, or technologies in the future. In the event of any future purchases, we could:

- issue stock, or assume stock option plans that would dilute our current stockholders' percentage ownership;
- use cash, which may result in a reduction of our liquidity;
- incur debt; or
- assume liabilities.

These purchases also involve numerous risks, including:

- problems combining the purchased operations, technologies, personnel or products;
- unanticipated costs;
- diversion of management's attention from our core business;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering into markets in which we have no, or limited, prior experience; and
- potential loss of key employees of acquired organizations.

We may not be able to successfully integrate any businesses, products, technologies, or personnel that we might acquire, or to realize expected benefits of acquisitions that we may undertake in the future.

Our products must comply with evolving industry standards and government regulations.

Industry standards for SAN products are continuing to emerge, evolve, and achieve acceptance. To remain competitive, we must continue to introduce new products and product enhancements that meet these industry standards. All components of the SAN must interoperate together. Industry standards are in place to specify guidelines for interoperability and communication based on standard specifications. Our products encompass only a part of the entire SAN solution utilized by the end-user, and we depend on the companies that provide other components of the SAN solution, many of whom are significantly larger than we are, to support the industry standards as they evolve. The failure of these providers to support these industry standards could adversely affect the market acceptance of our products.

In addition, in the United States, our products comply with various regulations and standards defined by the Federal Communications Commission and Underwriters Laboratories. Internationally, products that we develop will be required to comply with standards established by authorities in various countries. Failure to comply with existing or evolving industry standards or to obtain timely domestic or foreign regulatory approvals or certificates could materially harm our business.

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Provisions in our charter documents, customer agreements, Delaware law, our convertible subordinated notes, and our stockholder rights plan could prevent or delay a change in control of Brocade, which could hinder stockholders' ability to receive a premium for our stock.

Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These provisions include:

- authorizing the issuance of preferred stock without stockholder approval;
- providing for a classified board of directors with staggered, three-year terms;
- prohibiting cumulative voting in the election of directors;
- limiting the persons who may call special meetings of stockholders;
- prohibiting stockholder actions by written consent; and
- requiring super-majority voting to effect amendments to the foregoing provisions of our certificate of incorporation and bylaws.

Certain provisions of Delaware law also may discourage, delay, or prevent someone from acquiring or merging with us, and our agreements with certain of our customers require that we give prior notice of a change of control and grant certain manufacturing rights following a change of control. In addition, we currently have in place a stockholder rights plan. Furthermore, any of these things could prevent or delay a change in control of Brocade, which could hinder stockholders' ability to receive a premium for our stock.

Also, if we incur a "fundamental change" as defined in our convertible subordinated notes, we could be required to repurchase all of our outstanding notes. A "fundamental change" is generally defined as any transfer or event in which all or substantially all of our common stock is exchanged for, converted into or acquired for, or constitutes solely the right to receive consideration which is not all or substantially all common stock that is listed on a United States national securities exchange or the Nasdaq National Market or similar automated quotation system.

We expect to experience volatility in our stock price, which could negatively affect stockholders' investments.

The market price of our common stock has experienced significant volatility in the past and will likely continue to fluctuate significantly in response to the following factors, some of which are beyond our control:

- macroeconomic conditions;
- actual or anticipated fluctuations in our operating results;
- changes in financial estimates and ratings by securities analysts;
- changes in market valuations of other technology companies;
- announcements of financial results by us or other technology companies;
- announcements by us, our competitors, customers, or similar businesses of significant technical innovations, contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- losses of major OEM partners;
- additions or departures of key personnel;
- sales by us of common stock or convertible securities;
- incurring additional debt; and
- other risk factors detailed in this section.

In addition, the stock market has experienced extreme volatility that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of how the business performs.

Business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, and other events beyond our control. A substantial portion of our facilities, including our corporate headquarters, is located near major earthquake faults. In the event of a major earthquake, we could experience business interruptions, destruction of facilities and loss of life. We neither carry earthquake insurance nor have we set aside funds or reserves to cover such earthquake-related losses. Our operations are also subject to business interruptions that may occur as a result of a change or upgrade in our

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information technology systems, consolidation of our business operations, or a transition to new facilities in the United States of America or abroad. Although we carry business interruption insurance to mitigate the effect of potential business interruptions, should a business interruption occur, our business could be seriously harmed.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

We are exposed to market risk related to changes in interest rates and equity security prices.

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 and short-term and long-term investment portfolios. Our cash, cash equivalents, and short-term and long-term investments are primarily maintained at five major financial institutions in the United States. As of January 24, 2004, we did not hold any derivative instruments. The primary objective of our investment activities is the preservation of principal while maximizing investment income and minimizing risk.

The following table presents the hypothetical changes in fair values of our investments as of January 24, 2004 that are sensitive to changes in interest rates (in thousands):

Issuer	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value As of January 24, 2004	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
	(150 BPS)	(100 BPS)	(50 BPS)		50 BPS	100 BPS	150 BPS
U.S. government obligations	\$443,313	\$440,428	\$436,894	\$435,112	\$433,069	\$429,469	\$426,708
Corporate bonds and notes	\$ 61,663	\$ 61,143	\$ 60,627	\$ 60,124	\$ 59,618	\$ 59,121	\$ 58,631
Total	\$504,976	\$501,571	\$497,521	\$495,236	\$492,687	\$488,590	\$485,339

These instruments are not leveraged and are classified as available-for-sale. The modeling technique used measures the change in fair values arising from selected potential changes in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points (BPS), 100 BPS, and 150 BPS, which are representative of the historical movements in the Federal Funds Rate.

The following table (in thousands) presents our cash equivalents and short-term and long-term investments subject to interest rate risk and their related weighted average interest rates as of January 24, 2004. Carrying value approximates fair value.

	Amount	Weighted Average Interest Rate
Cash and cash equivalents	\$235,994	0.8%
Short-term investments	212,489	4.0%
Long-term investments	282,747	3.0%
Total	\$731,230	2.4%

Our convertible subordinated debt is subject to a fixed interest rate and the notes are based on a fixed conversion ratio into common stock. Therefore, we are not exposed to changes in interest rates related to our long-term debt instruments. The notes are not listed on any securities exchange or included in any automated quotation system; however, the notes are eligible for trading on the PortalSM Market. On January 24, 2004, the average bid and ask price on the Portal Market of our convertible subordinated notes due 2007 was 93.25, resulting in an aggregate fair value of approximately \$404.4 million. Our common stock is quoted on the Nasdaq National Market under the symbol "BRCD." On January 23, 2004, the last reported sale price of our common stock on the Nasdaq National Market was \$6.61 per share.

Equity Security Price Risk

Our exposure to market risk due to equity security price fluctuations primarily relates to investments in marketable equity securities. These investments are principally in companies in the volatile high-technology sector. We do not attempt to reduce or eliminate the market exposure on these securities. Adverse changes in equity prices of 25 percent, 50 percent, and 75 percent would result in decreases of approximately \$0.3 million, \$0.5 million and \$0.8 million in the fair value of marketable equity securities as of January 24, 2004, respectively. Any changes in fair value are accounted for as unrealized holding gains and losses, and are included as a separate component of accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets, net of any related tax effect.

Item 4. Controls and Procedures

- (a) *Evaluation of disclosure controls and procedures:* Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.
- (b) *Changes in internal control over financial reporting:* There was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, claims are made against us in the ordinary course of our business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities. The occurrence of an unfavorable outcome in any specific period could have a material adverse affect on our results of operations for that period or future periods.

On May 23, 2003, a suit captioned *Vixel Corporation v. Brocade Communications Systems, Inc.* was filed in the United States District Court for the Northern District of California. The complaint alleges that Brocade products infringe United States Patents Nos. 6,118,776; 6,470,007; and 6,185,203 relating to switching and Fibre Channel technologies. The complaint seeks unspecified compensatory and exemplary damages and to permanently enjoin Brocade from infringing the patents in the future. A case management conference is scheduled for March 26, 2004. We believe that we have meritorious defenses to the claims and intend to defend the action vigorously. We believe that the ultimate disposition of this matter will not have a material adverse effect on our business or financial position and results of operations.

On February 14, 2002, a suit captioned *McDATA Corp. v. Brocade Communications Systems, Inc.* was filed against Brocade in the United States District Court for the District of Colorado. The complaint alleged that the Brocade SilkWorm 3800 Enterprise Fibre Channel Fabric Switch and Brocade SilkWorm 12000 Core Fabric Switch infringe United States Patent No. 6,233,236, entitled "Method and Apparatus for Measuring Traffic Within a Switch." The complaint seeks unspecified compensatory and exemplary damages and to permanently enjoin Brocade from infringing the patent in the future. On March 4, 2002, McDATA Corporation (McDATA) filed an amended complaint in which it additionally alleged that the Brocade SilkWorm 3200 Entry Fabric Switch infringed this patent. In connection with this suit, on March 4, 2002, McDATA filed a motion for a preliminary injunction against Brocade with regard to the patent. On April 8, 2002, we filed an answer and counterclaims asserting, among other things, no infringement, and that the patent is invalid, unenforceable and covered by an existing covenant not to sue between the parties. A hearing on McDATA's motion for preliminary injunction was held during the week of July 15, 2002. In an order dated December 6, 2002, the Court denied McDATA's motion for a preliminary

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injunction. On December 23, 2002, McDATA filed a demand for arbitration to move this matter from the United States District Court for the District of Colorado to arbitration. The matter was referred to arbitration. On March 5, 2004, we entered into a settlement agreement with McDATA. Under the settlement agreement, all matters will be dismissed without prejudice, no restrictions of any kind are imposed on either party's ability to sell products, no licenses will be granted by either party, and no money or other consideration is being exchanged. Both parties preserved their respective rights and agreed to a three-year standstill during which neither party may initiate litigation against the other party with respect to their respective patents.

On July 20, 2001, the first of a number of putative class actions for violation of the federal securities laws was filed in the United States District Court for the Southern District of New York against Brocade, certain of its officers and directors, and certain of the underwriters for Brocade's initial public offering of securities. These cases were consolidated under the caption *Chae v. Brocade Communications Systems, Inc. et al.* The complaints generally alleged that various underwriters engaged in improper and undisclosed activities related to the allocation of shares in Brocade's initial public offering. On March 1, 2002, the Court entered an order dismissing without prejudice all claims against Brocade and its officers and directors named in the consolidated proceeding. On April 19, 2002, a consolidated amended class action captioned *In Re Brocade Communications Systems, Inc. Initial Public Offering Securities Litigation* was filed making claims against the Brocade parties that are substantially similar to those alleged in the earlier case. The complaint seeks unspecified damages on behalf of a purported class of purchasers of common stock from May 24, 1999 to December 6, 2000. The lawsuit against the Brocade parties is one of a number of cases challenging underwriter practices in the initial public offerings of more than 300 cases. All of the cases have been coordinated for pretrial proceedings as *In Re Initial Public Offering Securities Litigation, 21 MC 92(SAS)*. In October 2002, the individual defendants were dismissed without prejudice from the action, pursuant to a tolling agreement. On February 19, 2003, the Court issued an Opinion and Order dismissing all of the plaintiffs' claims against Brocade. Subsequently, the plaintiffs in all of the cases presented a settlement proposal to all of the issuer defendants. Under the proposed settlement, the plaintiffs will dismiss and release all claims against participating issuer defendants in exchange for a contingent payment guaranty by the insurance companies collectively responsible for insuring the issuer defendants in all of the related cases, and the assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. A special committee of Brocade's Board of Directors approved the proposed settlement. However, the proposed settlement is subject to acceptance by a substantial majority of the issuer defendants, execution of a definitive settlement agreement and approval of the Court. If the proposed settlement is not consummated, Brocade intends to defend the lawsuit vigorously. At this time we cannot predict the outcome of this suit.

Item 6. Exhibits and Reports on Form 8-K**(a) Exhibits.**

Exhibit Number	Description of Document
2.1 (14)	Agreement and Plan of Reorganization by and among Brocade, Rhapsody Networks, Inc., and certain other parties dated November 5, 2002.
2.2 (14)	First Amendment to Agreement and Plan of Reorganization by and among Brocade, Rhapsody Networks, Inc., and certain other parties dated January 5, 2003.
3.1 (8)	Amended and Restated Certificate of Incorporation.
3.2 (1)	Bylaws of the Registrant.
3.3 (10)	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Brocade Communications Systems, Inc.
4.1 (1)	Form of Registrant's Common Stock certificate.
4.2 (10)	Preferred Stock Rights Agreement dated as of February 7, 2002 between Brocade and Wells Fargo Bank MN, N.A.
4.3 (9)	Indenture, dated as of December 21, 2001, between Brocade and State Street Bank and Trust Company of California, N.A.
4.4 (9)	Form of Note (included in Exhibit 4.3).
4.5 (9)	Registration Rights Agreement, dated as of December 21, 2001, by and among Brocade and Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co., Salomon Smith Barney Inc. and Merrill Lynch Pierce Fenner and Smith Incorporated.
10.1 (1)	Form of Indemnification Agreement entered into between Brocade and each of its directors and executive officers.
10.2 (1) *	1995 Equity Incentive Plan and forms of agreements thereunder.
10.3 (1) *	1998 Equity Incentive Plan and forms of agreements thereunder.
10.4 (1) *	1998 Executive Equity Incentive Plan and forms of agreements thereunder.

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.5 (7) *	Amended and Restated 1999 Director Option Plan as of April 17, 2001, and form of agreement thereunder.
10.6 (2) *	1999 Employee Stock Purchase Plan.
10.7 (2) *	1999 Stock Plan and forms of agreements thereunder.
10.8 (13) *	1999 Nonstatutory Stock Option Plan and forms of agreements thereunder, as amended.
10.9 (1)	Master Equipment Lease Agreement between Venture Lending & Leasing, Inc. and Brocade dated September 5, 1996.
10.10 (1) #	Acknowledgement between Wind River Systems, Inc. and Brocade dated April 22, 1999.
10.11 (3) #	Manufacturing Agreement between Solectron California Corporation and Brocade dated July 30, 1999.
10.12 (3)	Master Lease Agreement between Spieker Properties and Brocade dated December 17, 1999.
10.13 (5)	First Amendment to Lease between Spieker Properties and Brocade dated February 16, 2000.
10.14 (5)	Second Amendment to Lease between Spieker Properties and Brocade dated August 11, 2000.
10.15 (4)	Credit Agreement between Comerica Bank-California and Brocade dated January 5, 2000.
10.16 (5)	First Amendment to Credit Agreement between Comerica Bank-California and Brocade dated March 21, 2000.
10.17 (5)	Second Amendment to Credit Agreement between Comerica Bank-California and Brocade dated September 20, 2000.
10.18 (5)	Master Lease Agreement between Spieker Properties and Brocade dated July 26, 2000.
10.19 (5) #	Purchase Agreement between Compaq Computer Corporation and Brocade dated February 1, 2000.
10.20 (5) #	Purchase Agreement between EMC Corporation and Brocade dated January 25, 2000 (EMC Purchase Agreement).
10.21 (8) #	Extension Agreement between EMC Corporation and Brocade dated December 18, 2000.
10.22 (14)	Extension Agreement between EMC Corporation and Brocade dated November 13, 2002.
10.23 (8) #	Goods Agreement between International Business Machines Corporation and Brocade dated April 15, 1999.
10.24 (8)	Amendment #1 to the Goods Agreement between International Business Machines Corporation and Brocade.
10.25 (8) #	Statement of Work #1 between International Business Machines Corporation and Brocade.
10.26 (8) #	Amendment #3 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.27 (8) #	Amendment #4 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.28 (8) #	Statement of Work #2 between International Business Machines Corporation and Brocade.
10.29 (6)	Third Amendment to Credit Agreement between Comerica Bank-California and Brocade dated January 22, 2001.
10.30 (6)	Lease Agreement between MV Golden State San Jose, LLC and Brocade dated December 1, 2000.
10.31 (11) #	Amendment No. 5 to Statement of Work No. 1 between International Business Machines Corporation and Brocade.
10.32 (11) #	Amendment No. 6 to Statement of Work No. 1 between International Business Machines Corporation and Brocade.
10.33 (12) +	Amendment No. 7 to Statement of Work No. 1 between International Business Machines Corporation and Brocade.
10.34 (14) #	Amendment No. 8 to Statement of Work No. 1 between International Business Machines Corporation and Brocade.
10.35 (14) #	Amendment No. 9 to Statement of Work No. 1 between International Business Machines Corporation and Brocade.
10.36 (11) #	Amendment No. 1 to Statement of Work No. 2 between International Business Machines Corporation and Brocade.
10.37 (11)	Amendment No. 2 to Statement of Work No. 2 between International Business Machines Corporation and Brocade.
10.38 (12) +	OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated January 28, 2000 (2000 OEM Purchase Agreement).
10.39 (12) +	Amendment to 2000 OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated April 20, 2001.
10.40 (12)	Letter Amendment to 2000 OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated January 25, 2002.
10.41 (12) +	OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated April 20, 2001 (2001 OEM Purchase Agreement).

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.42 (12) +	Amendment No. 1 to 2001 OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated July 1, 2001.
10.43 (12) +	Amendment No. 2 to 2001 OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated November 6, 2001.
10.44 (12) +	Amendment No. 3 to 2001 OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated February 1, 2002.
10.45 (12) +	Amendment No. 4 to 2001 OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated June 5, 2002.
10.46 (14) #	OEM Purchase Agreement between Brocade and Hewlett-Packard Company dated December 16, 2002.
10.47 (15) #	Manufacturing and Purchase Agreement between Brocade and Hon Hai Precision Industry Co., Ltd. dated April 5, 2003 (HHPT Manufacturing and Purchase Agreement).
10.48 (15)	Amendment Number One to HHPI Manufacturing and Purchase Agreement between Brocade and Hon Hai Precision Industry Co., Ltd. dated April 5, 2003.
10.49 (15) #	Manufacturing and Purchase Agreement between Brocade Communications Switzerland SarL and Hon Hai Precision Industry Co., Ltd. dated May 1, 2003.
10.50 (15) #	Manufacturing and Purchase Agreement between Brocade and Solectron Corporation dated February 21, 2003 (Solectron Manufacturing and Purchase Agreement).
10.51 (15)	Amendment No. 1 to Solectron Manufacturing and Purchase Agreement between Brocade and Solectron Corporation dated March 21, 2003.
10.52 (15) #	Manufacturing and Purchase Agreement between Brocade Communications Switzerland SarL and Solectron Corporation dated March 21, 2003.
10.53 (15) #	Amendment No. 2 to EMC Purchase Agreement between Brocade and EMC dated February 18, 2003.
10.54 (16) +	Amendment No. 3 to EMC Purchase Agreement between Brocade and EMC dated July 30, 2003.
10.55 +	Amendment # 10 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.56 +	Amendment # 11 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.57 (16) +	Amendment # 12 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.58 +	Amendment # 13 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.59 +	Amendment # 14 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.60 +	Statement of Work #3 between International Business Machines Corporation and Brocade dated December 15, 2003.
10.61 +	Amendment No. 4 to EMC Purchase Agreement between Brocade and EMC dated October 29, 2003.
10.62	Third Amendment to Lease between Spieker Properties and Brocade Communications Systems, Inc. dated November 30, 2000.
10.63	Fourth Amendment to Lease between Spieker Properties and Brocade Communications Systems, Inc. dated November 18, 2003.
10.64	Fifth Amendment to Lease between Spieker Properties and Brocade Communications Systems, Inc. dated November 18, 2003.
10.65	Sixth Amendment to Lease between Spieker Properties and Brocade Communications Systems, Inc. dated November 18, 2003.
10.66	Real Estate Sale and Lease Termination Agreement between EOP-Skyport I, L.L.C and Brocade Communications Systems, Inc. dated November 18, 2003.
10.67	Grant Deed from EOP-Skyport I, L.L.C to Brocade Communications Systems Skyport LLC dated November 18, 2003.
10.68	Fourth Amendment to the Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions dated October 18, 2003.
10.69	Guaranty of Brocade Communications Systems, Inc. to EOP Skyport I, L.L.C. dated November 18, 2003.
10.70	Right of First Offer Agreement between EOP-Skyport I, L.L.C and Brocade Communications Systems Skyport LLC dated November 18, 2003.
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.
*	Indicates management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.
#	Confidential treatment granted as to certain portions, which portions were omitted and filed separately with the Securities and Exchange Commission.
+	Confidential treatment requested as to certain portions, which portions were omitted and filed separately with the Securities and Exchange Commission.
(1)	Incorporated by reference from Brocade's Registration Statement on Form S-1 (Reg. No. 333-74711), as amended.
(2)	Incorporated by reference from Brocade's Registration Statement on Form S-8 (Reg. No. 333-95653) filed on January 28, 2000.
(3)	Incorporated by reference from Brocade's Annual Report on Form 10-K for the fiscal year ended October 31, 1999, as amended.

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- (4) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended January 29, 2000.
- (5) Incorporated by reference from Brocade's Annual Report on Form 10-K for the fiscal year ended October 28, 2000.
- (6) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended January 27, 2001.
- (7) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended July 28, 2001.
- (8) Incorporated by reference from Brocade's Annual Report on Form 10-K for the fiscal year ended October 27, 2001.
- (9) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended January 26, 2002.
- (10) Incorporated by reference from Brocade's Registration Statement on Form 8-A filed on February 11, 2002.
- (11) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended April 27, 2002.
- (12) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended July 27, 2002.
- (13) Incorporated by reference from Brocade's Annual Report on Form 10-K for the fiscal year ended October 26, 2002.
- (14) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended January 25, 2003.
- (15) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended April 26, 2003.
- (16) Incorporated by reference from Brocade's Annual Report on Form 10-K for the fiscal year ended October 25, 2003.

(b) Reports on Form 8-K.

We filed one report on Form 8-K during the quarter ended January 24, 2004. Information regarding the items reported on is as follows:

<u>Date</u>	<u>Item Reported On</u>
November 20, 2003	Announcement of financial results for the fourth quarter and fiscal year ended October 25, 2003, and the purchase of a building located in San Jose, California, under Items 5, 7 and 12 thereof.

Items 2, 3, 4, and 5 are not applicable and have been omitted.

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: March 8, 2004

By: /s/ ANTONIO CANOVA

Antonio Canova
Vice President, Finance and
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of Document
2.1 (14)	Agreement and Plan of Reorganization by and among Brocade, Rhapsody Networks, Inc., and certain other parties dated November 5, 2002.
2.2 (14)	First Amendment to Agreement and Plan of Reorganization by and among Brocade, Rhapsody Networks, Inc., and certain other parties dated January 5, 2003.
3.1 (8)	Amended and Restated Certificate of Incorporation.
3.2 (1)	Bylaws of the Registrant.
3.3 (10)	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Brocade Communications Systems, Inc.
4.1 (1)	Form of Registrant's Common Stock certificate.
4.2 (10)	Preferred Stock Rights Agreement dated as of February 7, 2002 between Brocade and Wells Fargo Bank MN, N.A.
4.3 (9)	Indenture, dated as of December 21, 2001, between Brocade and State Street Bank and Trust Company of California, N.A.
4.4 (9)	Form of Note (included in Exhibit 4.3).
4.5 (9)	Registration Rights Agreement, dated as of December 21, 2001, by and among Brocade and Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co., Salomon Smith Barney Inc. and Merrill Lynch Pierce Fenner and Smith Incorporated.
10.1 (1)	Form of Indemnification Agreement entered into between Brocade and each of its directors and executive officers.
10.2 (1) *	1995 Equity Incentive Plan and forms of agreements thereunder.
10.3 (1) *	1998 Equity Incentive Plan and forms of agreements thereunder.
10.4 (1) *	1998 Executive Equity Incentive Plan and forms of agreements thereunder.

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Exhibit Number	Description of Document
10.5 (7) *	Amended and Restated 1999 Director Option Plan as of April 17, 2001, and form of agreement thereunder.
10.6 (2) *	1999 Employee Stock Purchase Plan.
10.7 (2) *	1999 Stock Plan and forms of agreements thereunder.
10.8 (13) *	1999 Nonstatutory Stock Option Plan and forms of agreements thereunder, as amended.
10.9 (1)	Master Equipment Lease Agreement between Venture Lending & Leasing, Inc. and Brocade dated September 5, 1996.
10.10 (1) #	Acknowledgement between Wind River Systems, Inc. and Brocade dated April 22, 1999.
10.11 (3) #	Manufacturing Agreement between Solectron California Corporation and Brocade dated July 30, 1999.
10.12 (3)	Master Lease Agreement between Spieker Properties and Brocade dated December 17, 1999.
10.13 (5)	First Amendment to Lease between Spieker Properties and Brocade dated February 16, 2000.
10.14 (5)	Second Amendment to Lease between Spieker Properties and Brocade dated August 11, 2000.
10.15 (4)	Credit Agreement between Comerica Bank-California and Brocade dated January 5, 2000.
10.16 (5)	First Amendment to Credit Agreement between Comerica Bank-California and Brocade dated March 21, 2000.
10.17 (5)	Second Amendment to Credit Agreement between Comerica Bank-California and Brocade dated September 20, 2000.
10.18 (5)	Master Lease Agreement between Spieker Properties and Brocade dated July 26, 2000.
10.19 (5) #	Purchase Agreement between Compaq Computer Corporation and Brocade dated February 1, 2000.
10.20 (5) #	Purchase Agreement between EMC Corporation and Brocade dated January 25, 2000 (EMC Purchase Agreement).
10.21 (8) #	Extension Agreement between EMC Corporation and Brocade dated December 18, 2000.
10.22 (14)	Extension Agreement between EMC Corporation and Brocade dated November 13, 2002.
10.23 (8) #	Goods Agreement between International Business Machines Corporation and Brocade dated April 15, 1999.
10.24 (8)	Amendment #1 to the Goods Agreement between International Business Machines Corporation and Brocade.
10.25 (8) #	Statement of Work #1 between International Business Machines Corporation and Brocade.
10.26 (8) #	Amendment #3 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.27 (8) #	Amendment #4 to Statement of Work #1 between International Business Machines Corporation and Brocade.
10.28 (8) #	Statement of Work #2 between International Business Machines Corporation and Brocade.
10.29 (6)	Third Amendment to Credit Agreement between Comerica Bank-California and Brocade dated January 22, 2001.
10.30 (6)	Lease Agreement between MV Golden State San Jose, LLC and Brocade dated December 1, 2000.
10.31 (11) #	Amendment No. 5 to Statement of Work No. 1 between International Business Machines Corporation and Brocade.
10.32 (11) #	Amendment No. 6 to Statement of Work No. 1 between International Business Machines Corporation and Brocade.
10.33 (12) +	Amendment No. 7 to Statement of Work No. 1 between International Business Machines Corporation and Brocade.
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31.1	Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer.
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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.
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- (15) Incorporated by reference from Brocade's Quarterly Report on Form 10-Q for the fiscal quarter ended April 26, 2003.
- (16) Incorporated by reference from Brocade's Annual Report on Form 10-K for the fiscal year ended October 25, 2003.

[IBM LOGO]

5600 Cottle Road
San Jose, CA 95193 0001

April 1, 2003

Brocade Communications Systems, Inc.
1745 Technology Drive
San Jose, CA 95110

Attention: Mr. Michael Harrison

Subject: Amendment 10 to SOW#1 of the IBM/Brocade Goods Agreement ROC-P-68

Dear Michael:

This letter (the "Amendment") serves as Amendment Number 10 to SOW#1, including all amendments thereto ("SOW#1") of the Goods Agreement ROC-P-68, including all amendments thereto (the "Goods Agreement") which the parties hereto do mutually agree to amend as follows:

1. Delete pricing table in its entirety in Section 2.1, "Pricing" and replace with the following:

IBM P/N / NUMA-Q P/N	BROCADE P/N	DESCRIPTION	UNIT PRICE
[*]	[*]	8-Port Fibre Channel Switch Single Power Supply (SW2400) Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	16 Port Fibre Channel Switch Single Power Supply (SW2800) Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	Silkworm 2000 Power Supply	[*]
[*]	[*]	Mainboard, SW 2400 (8-port)	[*]
[*]	[*]	Fan Tray, SW 2400 (8-port)	[*]
[*]	[*]	Chassis, SW 2400 (8-port)	[*]
[*]	[*]	Mainboard, SW 2800 (16-port)	[*]
[*]	[*]	Fan Tray, SW 2800 (16-port)	[*]

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

Amendment #10 to SOW #1 of IBM/Brocade Agreement ROC-P-68

April 1, 2003
CONFIDENTIAL INFORMATION

[*]	[*]	Chassis, SW 2800 (16-port) with operator panel / LCD	[*]
[*]	[*]	Quick Loop License	[*]
[*]	[*]	Fabric Watch License	[*]
[*]	[*]	Extended Fabrics	[*]
[*]	[*]	Extended Fabrics	[*]
[*]	[*]	Remote Switch	[*]
[*]	[*]	Remote Switch	[*]
[*]	[*]	8 Port Fibre Channel Switch Single Power Supply (SW3200) Includes Web Tools	[*]
			* The then current unit price of part number [*] will be [*] as referenced below, if the purchases made by Buyer [*].
			NOTE 1: [*] NOTE 2: [*]
[*]	[*]	Full Fabric Upgrade Includes Zoning and Fabric Watch	[*]
			If Buyer purchases [] the unit price effective [*].
			Note 1: [*]. If Buyer purchases [*].
			Note 2: The price will be [*].
[*]	[*]	16 Port Fibre Channel Switch Single Power Supply (SW3800) Includes Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	Fan (SW3800)	[*]
[*]	[*]	Power Supply (SW3800)	[*]
[*]	[*]	Mainboard FRU (SW3800)	[*]
[*]	[*]	32 Port Fibre Channel Switch Double Power Supply (SW3900) Includes, Webtools, Zoning, Fabric Watch, Trunking, and Performance Monitor - whole unit switch Product	[*]
[*]	[*]	Fan (SW3900)	[*]
[*]	[*]	Power Supply (SW3900)	[*]

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Amendment #10 to SOW #1 of IBM/Brocade Agreement ROC-P-68

April 1, 2003
CONFIDENTIAL INFORMATION

[*]	[*]	Mainboard FRU (SW3900)	[*]
[*]	[*]	LUN Zoning	[*]
[*]	[*]	LUN Zoning	[*]
[*]	[*]	LUN Zoning	[*]
[*]	[*]	Secure Fabric OS (SW3200)	[*]
[*]	[*]	Secure Fabric OS (SW3800)	[*]
[*]	[*]	16b Secure Fabric OS	[*]
[*]	[*]	Secure Fabric OS (SW3900)	[*]
[*]	[*]	Secure Fabric OS (SW12000)	[*]
[*]	[*]	Performance Bundle (Trunking and Performance Monitoring)	[*]
[*]	[*]	Performance Bundle (Trunking and Performance Monitoring)	[*]
[*]	[*]	32 Port Fibre Channel Core Switch (SW12000) Includes 2 Stiletto Port Blades, 2 CP Blades, 4 Power Supplies, 3 Blowers, 6 Port Blade Filler Panels, 1 Cable Management Pillar, Fabric OS, Advanced Web Tools, Advanced Zoning, Fabric Watch, Performance Monitoring, Trunking.	[*]
[*]	[*]	Rack Mounting Kit 14U, FRU	[*]
[*]	[*]	Switch Blade 16 port, 2GB	[*]
[*]	[*]	Switch Blade 16 port, 2Gb, FRU	[*]
[*]	[*]	Chassis Door, Includes Plastic and Metal door Components and IBM Front Badge	[*]
[*]	[*]	Control Processor Blade	[*]
[*]	[*]	Stiletto Port Blade Slot Filler Panel, SW12000, FRU	[*]

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Amendment #10 to SOW #1 of IBM/Brocade Agreement ROC-P-68

April 1, 2003
CONFIDENTIAL INFORMATION

[*]	[*]	Power Supply , 180-264VAC, 1000W, FRU	[*]
[*]	[*]	Blower Assembly, FRU	[*]
[*]	[*]	Cable Management Pillar, FRU	[*]
[*]	[*]	WWN Card	[*]
[*]	[*]	Power Plug, Switch and Distribution Panel	[*]
[*]	[*]	Chassis FRU, includes backplane, blower and power supply backplane, AC and blower harness.	[*]
[*]	[*]	Rear WWN Bezel Assy	[*]
[*]	[*]	Cable Management Tray	[*]
[*]	[*]	AC Power Cord, FRU	[*]
[*]	[*]	AC Power Cord, UK/Ireland, 250V, FRU	[*]
[*]	[*]	AC Power Cord, Cont. Europe CEE7/7, FRU	[*]
[*]	[*]	AC Power Cord, AUST/INZ, 250V	[*]
[*]	[*]	AC Power Cord, Intl IEC	[*]
[*]	[*]	Remote Switch software	[*]
[*]	[*]	Extended Fabric software	[*]
[*]	[*]	Fabric Manager 3.x	[*]
[*]	[*]	Fabric Manager 4.0-Enterprise (Unlimited copies per one server/PC)	[*]
[*]	[*]	Fabric Manager 4.0 - 3.0 to 4.0 Upgrade to Enterprise (Unlimited copies per one server/PC)	[*]

All prices are in [*].

- -----
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Amendment #10 to SOW #1 of IBM/Brocade Agreement ROC-P-68

April 1, 2003
CONFIDENTIAL INFORMATION

2. Section 9.3, "Post Warranty Services," "Pricing" delete table in its entirety and replace with the following:

IBM P/N	BROCADE P/N	DESCRIPTION	POST WARRANTY REPAIR PRICING
[*]	[*]	Mainboard, SW 2400, 8 port	[*]
[*]	[*]	Mainboard, SW 2800, 16 port	[*]
[*]	[*]	Switch Blade 16port, 2Gb	[*]
[*]	[*]	CP Blade	[*]
[*]	[*]	Power Supply	[*]
[*]	[*]	Fan	[*]
[*]	[*]	Power Supply	[*]
[*]	[*]	Mainboard	[*]
[*]	[*]	Fan	[*]
[*]	[*]	Power Supply	[*]
[*]	[*]	Mainboard	[*]
[*]	[*]	8 port Switch	[*]

3. Delete the table in Section 10.0, "Communications Coordinators" and in Attachment A, delete the paragraphs entitled "Key IBM Contacts" and "Brocade Contacts" in their entirety. Replace in both Section 10.0 and the foregoing paragraphs in Attachment A with the following:

KEY IBM CONTACTS

Technical Coordinator
 Karen Ward
 Program Manager
 Phone: (408) 256-8185
 Fax: (408) 256-6843
 Email: kaward@us.ibm.com

Business Coordinator
 Karen Takahashi
 Procurement Commodity Manager
 Phone: (408) 256-0111
 Fax: (408) 256-0443
 Email: ktakahash@us.ibm.com

KEY BROCADE CONTACTS

Technical Coordinator
 Jim Baldyga
 Sr. Systems Engineer
 Phone: (408) 487-8005
 Fax: (408) 603-584-8110
 Email: jbaldyga@brocade.com

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Amendment #10 to SOW #1 of IBM/Brocade Agreement ROC-P-68

April 1, 2003
 CONFIDENTIAL INFORMATION

Business Coordinator
Michael Harrison
Corporate Sales Director
Phone: (303) 746-0780
mharriso@brocade.com

Please have your authorized representative indicate acceptance thereof by signing both copies of the Amendment and returning one copy to the attention of Karen Takahashi at 5600 Cottle Road, San Jose, California 95193.

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

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

ACCEPTED AND AGREED TO:
BROCADE COMMUNICATIONS SYSTEMS, INC.

By: /s/ Karen Takahashi 4/28/03 By: /s/ Jack Cuthbert 4/21/03

Authorized Signature Date Authorized Signature Date

Karen Takahashi

Jack Cuthbert

Type or Print Name

Type or Print Name

Procurement Commodity Mgr.

V.P. Worldwide Sales

Title & Organization

Title & Organization

Amendment #10 to SOW #1 of IBM/Brocade Agreement ROC-P-68

April 1, 2003
CONFIDENTIAL INFORMATION

[IBM LOGO]
 5600 Cottle Road
 San Jose, CA 95193 0001

May 5, 2003

Brocade Communications Systems, Inc.
 1745 Technology Drive
 San Jose, CA 95110

Attention: Mr. Michael Harrison

Subject: Amendment 11 to SOW#1 of the IBM/Brocade Goods Agreement ROC-P-68

Dear Michael:

This letter (the "Amendment") serves as Amendment Number 11 to SOW#1, including all amendments thereto ("SOW#1") of the Goods Agreement ROC-P-68, including all amendments thereto (the "Goods Agreement") which the parties hereto do mutually agree to amend as follows:

1. Delete pricing table in its entirety in Section 2.1, "Pricing" and replace with the following:

IBM P/N / NUMA-Q P/N	BROCADE P/N	DESCRIPTION	UNIT PRICE
[*]	[*]	8-Port Fibre Channel Switch Single Power Supply (SW2400) Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	16 Port Fibre Channel Switch Single Power Supply (SW2800) Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	Silkworm 2000 Power Supply	[*]
[*]	[*]	Mainboard, SW 2400 (8-port)	[*]
[*]	[*]	Fan Tray, SW 2400 (8-port)	[*]
[*]	[*]	Chassis, SW 2400 (8-port)	[*]
[*]	[*]	Mainboard, SW 2800 (16-port)	[*]
[*]	[*]	Fan Tray, SW 2800 (16-port)	[*]

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

Amendment #11 to SOW #1 of IBM/Brocade Agreement ROC-P-68

MAY 5, 2003
 CONFIDENTIAL INFORMATION

[*]	[*]	Chassis, SW 2800 (16-port) with operator panel / LCD	[*]
[*]	[*]	Quick Loop License	[*]
[*]	[*]	Fabric Watch License	[*]
[*]	[*]	Extended Fabrics	[*]
[*]	[*]	Extended Fabrics	[*]
[*]	[*]	Remote Switch	[*]
[*]	[*]	Remote Switch	[*]
[*]	[*]	8 Port Fibre Channel Switch Single Power Supply (SW3200) Includes Web Tools	[*]
[*]	[*]	8 Port Fibre Channel Switch Single Power Supply (SW3200) Includes Web Tools, Full Fabric Upgrade Zoning and Fabric Watch	[*] Note: Price for part number [*] will be [*].
[*]	[*]	Full Fabric Upgrade Includes Zoning and Fabric Watch	[*]
[*]	[*]	16 Port Fibre Channel Switch Single Power Supply (SW3800) Includes Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	Fan (SW3800)	[*]
[*]	[*]	Power Supply (SW3800)	[*]
[*]	[*]	Mainboard FRU (SW3800)	[*]
[*]	[*]	32 Port Fibre Channel Switch Double Power Supply (SW3900) Includes, Webtools, Zoning, Fabric Watch, Trunking, and Performance Monitor - whole unit switch Product	[*]
[*]	[*]	Fan (SW3900)	[*]
[*]	[*]	Power Supply (SW3900)	[*]
[*]	[*]	Mainboard FRU (SW3900)	[*]
[*]	[*]	LUN Zoning	[*]
[*]	[*]	LUN Zoning	[*]
[*]	[*]	LUN Zoning	[*]

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

Amendment #11 to SOW #1 of IBM/Brocade Agreement ROC-P-68

MAY 5, 2003
CONFIDENTIAL INFORMATION

[*]	[*]	Secure Fabric OS (SW3200)	[*]
[*]	[*]	Secure Fabric OS (SW3800)	[*]
[*]	[*]	16b Secure Fabric OS	[*]
[*]	[*]	Secure Fabric OS (SW3900)	[*]
[*]	[*]	Secure Fabric OS (SW12000)	[*]
			Note 1: Supplier will provide to Buyer [*] each purchase of part number [*]. Note 2: In addition [*] Supplier will provide [*] to Buyer if Buyer [*] as provided below [*].
			[*]
[*]	[*]	Performance Bundle (Trunking and Performance Monitoring)	[*]
[*]	[*]	Performance Bundle (Trunking and Performance Monitoring)	[*]
[*]	[*]	32 Port Fibre Channel Core Switch (SW12000) Includes 2 Stiletto Port Blades, 2 CP Blades, 4 Power Supplies, 3 Blowers, 6 Port Blade Filler Panels, 1 Cable Management Pillar, Fabric OS, Advanced Web Tools, Advanced Zoning, Fabric Watch, Performance Monitoring, Trunking.	[*]
			Note 1: If Buyer purchases a [*] Supplier will [*] of those units purchased [*]. Note 2: If Buyer purchases a [*] Supplier will [*] purchased [*]
[*]	[*]	Rack Mounting Kit 14U, FRU	[*]
[*]	[*]	Switch Blade 16 port, 2GB	[*]
[*]	[*]	Switch Blade 16 port, 2Gb, FRU	[*]
[*]	[*]	Chassis Door, Includes Plastic and Metal door Components and IBM Front Badge	[*]
[*]	[*]	Control Processor Blade	[*]

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

Amendment #11 to SOW #1 of IBM/Brocade Agreement ROC-P-68

MAY 5, 2003
 CONFIDENTIAL INFORMATION

[*]	[*]	Stiletto Port Blade Slot Filler Panel, SW12000, FRU	[*]
[*]	[*]	Power Supply , 180-264VAC, 1000W, FRU	[*]
[*]	[*]	Blower Assembly, FRU	[*]
[*]	[*]	Cable Management Pillar, FRU	[*]
[*]	[*]	WWN Card	[*]
[*]	[*]	Power Plug, Switch and Distribution Panel	[*]
[*]	[*]	Chassis FRU, includes backplane, blower and power supply backplane, AC and blower harness.	[*]
[*]	[*]	Rear WWN Bezel Assy	[*]
[*]	[*]	Cable Management Tray	[*]
[*]	[*]	AC Power Cord, FRU	[*]
[*]	[*]	AC Power Cord, UK/Ireland, 250V, FRU	[*]
[*]	[*]	AC Power Cord, Cont. Europe CEE7/7, FRU	[*]
[*]	[*]	AC Power Cord, AUST/INZ, 250V	[*]
[*]	[*]	AC Power Cord, Intl IEC	[*]
[*]	[*]	Remote Switch software	[*]
[*]	[*]	Extended Fabric software	[*]
[*]	[*]	Fabric Manager 3.x	[*]
[*]	[*]	Fabric Manager 4.0-Enterprise [*]	[*]
[*]	[*]	Fabric Manager 4.0 - 3.0 to 4.0 Upgrade to Enterprise [*]	[*]

All prices are in U.S. dollars.

2. Section 2.1, Pricing, after the pricing table add the following:

[*]

Please have your authorized representative indicate acceptance thereof by signing both copies of the Amendment and returning one copy to the attention of Karen Takahashi at 5600 Cottle Road, San Jose, California 95193.

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

Amendment #11 to SOW #1 of IBM/Brocade Agreement ROC-P-68

MAY 5, 2003
CONFIDENTIAL INFORMATION

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

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

ACCEPTED AND AGREED TO:
INTERNATIONAL BUSINESS MACHINES CORPORATION

By: /s/ Karen Takahashi 6/2/03

Authorized Signature Date

Karen Takahashi for Mark Scheftel

Type or Print Name

OEM Procurement Management

Title & Organization

ACCEPTED AND AGREED TO:
BROCADE COMMUNICATIONS SYSTEMS, INC.

By: /s/ Jack Cuthbert 5/13/03

Authorized Signature Date

Jack Cuthbert

Type or Print Name

V.P. Worldwide Sales

Title & Organization

Amendment #11 to SOW #1 of IBM/Brocade Agreement ROC-P-68

MAY 5, 2003
CONFIDENTIAL INFORMATION

[IBM LOGO]
5600 Cottle Road
San Jose, CA 95193 0001

September 29, 2003

Brocade Communications Systems, Inc.
1745 Technology Drive

San Jose, CA 95110

Attention: Mr. Michael Harrison

Subject: Amendment 13 to SOW#1 of the IBM/Brocade Goods Agreement ROC-P-68

Dear Michael:

This letter (the "Amendment") serves as Amendment Number 13 to SOW#1, including all amendments thereto ("SOW#1") of the Goods Agreement ROC-P-68, including all amendments thereto (the "Goods Agreement") which the parties hereto do mutually agree to amend as follows:

1. Delete pricing table in its entirety in Section 2.1, "Pricing" and replace with the following:

IBM P/N / NUMA-Q P/N	BROCADE P/N	DESCRIPTION	UNIT PRICE
[*]	[*]	8-Port Fibre Channel Switch Single Power Supply (SW2400) Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	16 Port Fibre Channel Switch Single Power Supply (SW2800) Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	Silkworm 2000 Power Supply	[*]
[*]	[*]	Mainboard, SW 2400 (8-port)	[*]
[*]	[*]	Fan Tray, SW 2400 (8-port)	[*]
[*]	[*]	Chassis, SW 2400 (8- port)	[*]
[*]	[*]	Mainboard, SW 2800 (16-port)	[*]
[*]	[*]	Fan Tray, SW 2800 (16-port)	[*]

* Certain information on this page has been omitted and filed separately with the Commission.

Confidential treatment has been requested with respect to the omitted portions.

Amendment #13 to SOW#1 of IBM/Brocade Agreement ROC-P-68
September 29, 2003
Confidential Information

[*]	[*]	Chassis, SW 2800 (16-port) with operator panel / LCD	[*]
[*]	[*]	Quick Loop License	[*]
[*]	[*]	Fabric Watch License	[*]
[*]	[*]	Extended Fabrics	[*]
[*]	[*]	Extended Fabrics	[*]
[*]	[*]	Remote Switch	[*]
[*]	[*]	Remote Switch	[*]
[*]	[*]	8 Port Fibre Channel Switch Single Power Supply (SW3200) Includes Web Tools and Advance Zoning (to be included prior to 10/28/03 for availability for Buyer customer shipments)	[*]
[*]	[*]	8 Port Fibre Channel Switch Single Power Supply (SW3200) Includes Web Tools, Full Fabric Upgrade Zoning and Fabric Watch	[*]
			Note: Price for part number [*] will be [*].
[*]	[*]	Full Fabric Upgrade Includes Advance Zoning and Fabric Watch	[*]
[*]	[*]	16 Port Fibre Channel Switch Single Power Supply (SW3800) Includes Web tools, Advance Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	Fan (SW3800)	[*]
[*]	[*]	Power Supply (SW3800)	[*]
[*]	[*]	Mainboard FRU (SW3800)	[*]
[*]	[*]	32 Port Fibre Channel Switch Double Power Supply (SW3900) Includes, Webtools, Advance Zoning, Fabric Watch, Trunking, and Performance Monitor- whole unit switch Product	[*]

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* Certain information on this page has been omitted and filed separately with the Commission.
Confidential treatment has been requested with respect to the omitted portions.
Amendment #13 to SOW#1 of IBM/Brocade Agreement ROC-P-68
September 29, 2003
Confidential Information

[*]	[*]	Fan (SW3900)	[*]
[*]	[*]	Power Supply (SW3900)	[*]
[*]	[*]	Mainboard FRU (SW3900)	[*]
[*]	[*]	LUN Zoning	[*]
[*]	[*]	LUN Zoning	[*]
[*]	[*]	LUN Zoning	[*]
[*]	[*]	Secure Fabric OS (SW3200)	[*]
[*]	[*]	Secure Fabric OS (SW3800)	[*]
[*]	[*]	1Gb Secure Fabric OS	[*]
[*]	[*]	Secure Fabric OS (SW3900)	[*]
[*]	[*]	Secure Fabric OS (SW12000)	[*]
			Note 1: Supplier will provide to Buyer [*] will be provided to Buyer by Supplier [*]. Note 2: In addition [*] Supplier will provide a [*] to Buyer if Buyer [*].
			[*]
[*]	[*]	Performance Bundle (Trunking and Performance Monitoring)	[*]
[*]	[*]	Performance Bundle (Trunking and Performance Monitoring)	[*]
[*]	[*]	32 Port Fibre Channel Core Switch (SW12000) Includes 2 Stiletto Port Blades, 2 CP Blades, 4 Power Supplies, 3 Blowers, 6 Port Blade Filler Panels, 1 Cable Management Pillar, Fabric OS, Advanced Web Tools, Advanced Zoning, Fabric Watch, Performance Monitoring, Trunking.	[*]
			Note 1: If Buyer purchases a [*] Supplier will [*] of those units purchased during the [*]. Note 2: If Buyer purchases a [*] Supplier will [*] purchased during the [*]
[*]	[*]	Rack Mounting Kit 14U, FRU	[*]
[*]	[*]	Switch Blade 16 port, 2GB	[*]

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* Certain information on this page has been omitted and filed separately with the Commission.

Confidential treatment has been requested with respect to the omitted portions.

Amendment #13 to SOW#1 of IBM/Brocade Agreement ROC-P-68
September 29, 2003
Confidential Information

[*]	[*]	Switch Blade 16 port, 2Gb, FRU	[*]
[*]	[*]	Chassis Door, Includes Plastic and Metal door Components and IBM Front Badge	[*]
[*]	[*]	Control Processor Blade	[*]
[*]	[*]	Stiletto Port Blade Slot Filler Panel, SW12000, FRU	[*]
[*]	[*]	Power Supply , 180- 264VAC, 1000W, FRU	[*]
[*]	[*]	Blower Assembly, FRU	[*]
[*]	[*]	Cable Management Pillar, FRU	[*]
[*]	[*]	WWN Card	[*]
[*]	[*]	Power Plug, Switch and Distribution Panel	[*]
[*]	[*]	Chassis FRU, includes backplane, blower and power supply backplane, AC and blower harness.	[*]
[*]	[*]	Rear WWN Bezel Assy	[*]
[*]	[*]	Cable Management Tray	[*]
[*]	[*]	AC Power Cord, FRU	[*]
[*]	[*]	AC Power Cord, UK/Ireland, 250V, FRU	[*]
[*]	[*]	AC Power Cord, Cont. Europe CEE7/7, FRU	[*]
[*]	[*]	AC Power Cord, AUST/INZ, 250V	[*]
[*]	[*]	AC Power Cord, Intl IEC	[*]
[*]	[*]	Remote Switch software	[*]
[*]	[*]	Extended Fabric software	[*]
[*]	[*]	Fabric Manager 3.x	[*]
[*]	[*]	Fabric Manager 4.x- Enterprise (Unlimited copies per one server/PC)	[*]

- -----
* Certain information on this page has been omitted and filed separately with the Commission.

Confidential treatment has been requested with respect to the omitted portions.

Amendment #13 to SOW#1 of IBM/Brocade Agreement ROC-P-68
September 29, 2003
Confidential Information

[*]	[*]	Fabric Manager 4.x - 3.0 to 4.x Upgrade to Enterprise (Unlimited copies per one server/PC)	[*]
[*]	[*]	Fabric Manager 4.x with 10 Domains	[*]
[*]	[*]	Fabric Manager 4.x Upgrade from 10 Domains to Maximum Domains	[*]
[*]	[*]	ISL Trunking (SW3200)	[*]
[*]	[*]	ISL Trunking (SW3800)	[*]

All prices are in U.S. dollars.

Please have your authorized representative indicate acceptance thereof by signing both copies of the Amendment and returning one copy to the attention of Karen Takahashi at 5600 Cottle Road, San Jose, California 95193.

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

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

ACCEPTED AND AGREED TO:
BROCADE COMMUNICATIONS SYSTEMS, INC.

By: /s/ Karen Takahashi 10/6/03	By: /s/ Jack Cuthbert	10/01/03
-----	-----	-----
Authorized Signature	Authorized Signature	Date

Karen Takahashi	Jack Cuthbert
-----	-----
Type or Print Name	Type or Print Name

Procurement Commodity Mgr.	V.P. OEM Sales
-----	-----
Title & Organization	Title & Organization

* Certain information on this page has been omitted and filed separately with the Commission.

Confidential treatment has been requested with respect to the omitted portions.

Amendment #13 to SOW#1 of IBM/Brocade Agreement ROC-P-68
September 29, 2003
Confidential Information

[IBM LOGO]

3039 Cornwallis Road

RTP, NC 27709

January 9, 2004

Brocade Communications Systems, Inc.
 1745 Technology Drive
 San Jose, CA 95110

Attention: Mr. Michael Harrison

Subject: Amendment 14 to SOW#1 of the IBM/Brocade Goods Agreement ROC-P-68

Dear Michael:

This letter (the "Amendment") serves as Amendment Number 14 to SOW#1, including all amendments thereto ("SOW#1") of the Goods Agreement ROC-P-68, including all amendments thereto (the "Goods Agreement"), which the parties hereto do mutually agree to amend as follows:

1. Delete the table in Section 1.1, "Specifications," and replace with the following table:

IBM SPECIFICATION/ATTACHMENTS (IF APPLICABLE) -----	ENGINEERING CHANGE LEVEL -----	DESCRIPTION -----
NA	Version 1.0	SilkWorm 2000 Family Product Specification 90-0000001-01
Attachment B GA-219261-11	Dated 8/06/2001 Version 10	Supplier Quality Attachment Packaging and Materials Handling Specification
Attachment A	Dated 10/27/03, part number 22R0129	IBM SAN CSP Specification
NA	Version 2.0	Brocade Fabric OS Publication 53-0001487-03
NA	Version 2.1	Brocade WebTools Reference Manual Publication 53-0001490-02
NA	Version 2.0	Brocade Zoning Reference Manual Publication 53-0001488-02
NA	Version 1.0	SilkWorm 3800 Product Specification - 90-0000077-01
NA	Version 1.1	SilkWorm 3900 Product Specification - 79-0000002-01
NA		SilkWorm 3200 Product Specification - Reference the SilkWorm 3800 Product
NA	Dated: March 8, 2002	SilkWorm 12000 Product Specification - 79-0000001-01
NA	Version 4.1.2	Brocade Fabric OS Reference 53-0000519-06
NA	Version 3.1.0	Brocade Fabric OS Reference 53-0000500-02

Amendment #14 to SOW#1 of IBM/Brocade Agreement ROC-P-68
 January 9, 2004
 Confidential Information

2. Delete Attachment A, "IBM CSP Requirements" and replace in its entirety with "IBM SAN CSP Specification".

3. Delete pricing table in its entirety in Section 2.1, "Pricing" and replace with the following:

IBM P/N / NUMA-Q P/N	ROCADE P/N	DESCRIPTION	UNIT PRICE
[*]	[*]	8-Port Fibre Channel Switch Single Power Supply (SW2400) Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	16 Port Fibre Channel Switch Single Power Supply (SW2800) Includes SES, Web tools, Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	Silkworm 2000 Power Supply	[*]
[*]	[*]	Mainboard, SW 2400 (8-port)	[*]
[*]	[*]	Fan Tray, SW 2400 (8-port)	[*]
[*]	[*]	Chassis, SW 2400 (8-port)	[*]
[*]	[*]	Mainboard, SW 2800 (16-port)	[*]
[*]	[*]	Fan Tray, SW 2800 (16-port)	[*]
[*]	[*]	Chassis, SW 2800 (16-port) with operator panel / LCD	[*]
[*]	[*]	Quick Loop License	[*]
[*]	[*]	Fabric Watch License	[*]
[*]	[*]	Extended Fabrics	[*]
[*]	[*]	Extended Fabrics	[*]
[*]	[*]	Remote Switch	[*]
[*]	[*]	Remote Switch	[*]
[*]	[*]	8 Port Fibre Channel Switch Single Power Supply (SW3200) Includes Web Tools and Advance Zoning (to be included prior to 10/28/03 for availability for Buyer customer shipments)	[*]

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

[*]	[*]	8 Port Fibre Channel Switch Single Power Supply (SW3200) Includes Web Tools, Full Fabric Upgrade Zoning and Fabric Watch	[*]
[*]	[*]	Full Fabric Upgrade Includes Advance Zoning and Fabric Watch	[*]
[*]	[*]	16 Port Fibre Channel Switch Single Power Supply (SW3800) Includes Web tools, Advance Zoning and Fabric Watch - whole unit switch Product	[*]
[*]	[*]	Fan (SW3800)	[*]
[*]	[*]	Power Supply (SW3800)	[*]
[*]	[*]	Mainboard FRU (SW3800)	[*]
[*]	[*]	32 Port Fibre Channel Switch Double Power Supply (SW3900) Includes, Webtools, Advance Zoning, Fabric Watch, Trunking, and Performance Monitor - whole unit switch Product	[*]
[*]	[*]	Fan (SW3900)	[*]
[*]	[*]	Power Supply (SW3900)	[*]
[*]	[*]	Mainboard FRU (SW3900)	[*]
[*]	[*]	Secure Fabric OS (SW3200)	[*]
[*]	[*]	Secure Fabric OS (SW3800)	[*]
[*]	[*]	1Gb Secure Fabric OS	[*]
[*]	[*]	Secure Fabric OS (SW3900)	[*]
[*]	[*]	Secure Fabric OS (SW12000)	[*]
[*]	[*]	Performance Bundle (Trunking and Performance Monitoring)	[*]

- - - - -
 * Certain information on this page has been omitted and filed separately with the Commission.

Confidential treatment has been requested with respect to the omitted portions.

Amendment #14 to SOW#1 of IBM/Brocade Agreement ROC-P-68
 January 9, 2004
 Confidential Information

[*]	[*]	Performance Bundle (Trunking and Performance Monitoring)	[*]
[*]	[*]	32 Port Fibre Channel Core Switch (SW12000) Includes 2 Stiletto Port Blades, 2 CP Blades, 4 Power Supplies, 3 Blowers, 6 Port Blade Filler Panels, 1 Cable Management Pillar, Fabric OS, Advanced Web Tools, Advanced Zoning, Fabric Watch, Performance Monitoring, Trunking.	[*]
[*]	[*]	Rack Mounting Kit 14U, FRU	[*]
[*]	[*]	Switch Blade 16 port, 2GB	[*]
[*]	[*]	Switch Blade 16 port, 2Gb, FRU	[*]
[*]	[*]	Chassis Door, Includes Plastic and Metal door Components and IBM Front Badge	[*]
[*]	[*]	Control Processor Blade	[*]
[*]	[*]	Stiletto Port Blade Slot Filler Panel, SW12000, FRU	[*]
[*]	[*]	Power Supply , 180- 264VAC, 1000W, FRU	[*]
[*]	[*]	Blower Assembly, FRU	[*]
[*]	[*]	Cable Management Pillar, FRU	[*]
[*]	[*]	WWN Card	[*]
[*]	[*]	Power Plug, Switch and Distribution Panel	[*]
[*]	[*]	Chassis FRU, includes backplane, blower and power supply backplane, AC and blower harness.	[*]
[*]	[*]	Rear WWN Bezel Assy	[*]
[*]	[*]	Cable Management Tray	[*]
[*]	[*]	AC Power Cord, FRU	[*]

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

Amendment #14 to SOW#1 of IBM/Brocade Agreement ROC-P-68
January 9, 2004
Confidential Information

[*]	[*]	AC Power Cord, UK/Ireland, 250V, FRU	[*]
[*]	[*]	AC Power Cord, Cont. Europe CEE7/7, FRU	[*]
[*]	[*]	AC Power Cord, AUST/INZ, 250V	[*]
[*]	[*]	AC Power Cord, Intl IEC	[*]
[*]	[*]	Remote Switch software	[*]
[*]	[*]	Extended Fabric software	[*]
[*]	[*]	Fabric Manager 3.x	[*]
[*]	[*]	Fabric Manager 4.x-Enterprise[*]	[*]
[*]	[*]	Fabric Manager 4.x -3.0 to 4.x Upgrade to Enterprise[*]	[*]
[*]	[*]	Fabric Manager 4.x with 10 Domains	[*]
[*]	[*]	Fabric Manager 4.x Upgrade from 10 Domains to Maximum Domains	[*]
[*]	[*]	ISL Trunking (SW3200)	[*]
[*]	[*]	ISL Trunking (SW3800)	[*]

All prices are in U.S. dollars.

Please have your authorized representative indicate acceptance thereof by signing both copies of the Amendment and returning one copy to the attention of:

Rob Tice
Bldg 060/A119
3030 Cornwallis Road
RTP, NC 27709

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

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

- - - - -
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Amendment #14 to SOW#1 of IBM/Brocade Agreement ROC-P-68
January 9, 2004
Confidential Information

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.

Amendment #14 to SOW#1 of IBM/Brocade Agreement ROC-P-68
January 9, 2004
Confidential Information

ACCEPTED AND AGREED TO:
INTERNATIONAL BUSINESS MACHINES CORPORATION

By: /s/ Robert J. Tice 1/21/04

Authorized Signature Date

Robert J. Tice for Mark Scheftel

Type or Print Name

OEM Procurement Team Lead

Title & Organization

ACCEPTED AND AGREED TO:
BROCADE COMMUNICATIONS SYSTEMS, INC.

By: /s/ Jack Cuthbert 1/16/04

Authorized Signature Date

Jack Cuthbert

Type or Print Name

V.P. OEM Sales

Title & Organization

Amendment #14 to SOW#1 of IBM/Brode Agreement ROC-P-68
January 9, 2004
Confidential Information

INTEGRATED STATEMENT OF WORK FOR PRODUCTION PROCUREMENT GOODS AGREEMENT

GOODS AGREEMENT # ROC-P-68 MASTER AGREEMENT NUMBER
SOW # 4903RL1112SOW NUMBER

This Statement of Work ("SOW") No. # 4903RL1112 adopts and incorporates by reference the terms and conditions of Goods Agreement # ROC-P-68 ("GA") between International Business Machines Corporation "Buyer" or "IBM") and Brocade Communications Systems, Inc with offices at 1745 Technology Drive, San Jose, CA 95110 ("Supplier" or "Brocade"). This SOW is effective beginning on December 15, 2003 ("Effective Date") and will remain in effect until December 14, 2006, and shall automatically renew for another term of one (1) year unless either party gives written notice (90) days prior to the termination of this Agreement, this process will be repeated for up to two (2) additional years. Transactions performed under this SOW will be conducted in accordance with and be subject to the terms and conditions of this SOW, the GA and any applicable Work Authorizations ("WAs"). This SOW is not a WA. Product Unique Attachments and any changes thereto must be in a writing signed by both parties, and the terms of a Product Unique Attachment will apply only to the Products identified in such Product Unique Attachment. The initial Product Unique Attachment is attached hereto and incorporated herein by reference as "Product Unique Attachment # 1", and the additional Attachments 2 through 5 are attached hereto and incorporated herein by reference. Subsequent Product Unique Attachments or changes to existing Product Unique Attachments will take effect on the effective date provided therein and will be incorporated herein upon execution by the parties.

1.0 DEFINITIONS

All capitalized terms shall have the meaning provided in the Goods Agreement unless otherwise defined in this SOW.

"AFFILIATE" means an entity(ies) that control, is/are controlled by, or are under common control with, a party to this Agreement.

"APAR" means the form used to report suspected Problems to Supplier, and to request their resolution.

"APAR CLOSING CODES" means the established set of codes used to denote the final resolution of an APAR.

"APAR CORRECTION TIMES" means the objectives that Supplier will achieve for resolution of Problems.

- - "SEVERITY 1" Problems will be resolved by Supplier [*], and Supplier will [*] relief to affected Customers [*] of Supplier's receipt of the APAR.

- - "SEVERITY 2" Problem will be resolved by Supplier [*];

- - "SEVERITY 3" Problem will be resolved by Supplier [*]; and

- - "SEVERITY 4" Problem will be resolved by Supplier [*].

"AUTHORIZED THIRD PARTY" A party authorized to procure Product pursuant to a Letter of Authorization by Buyer and mutually agreed to by Supplier and the Authorized Third Party.

"CERTIFIED SERVICE PRODUCT" or "CSP" means Repaired Products. Notwithstanding the relevant "Ongoing Warranties" provision in the GA, CSP may contain used or reconditioned part(s), provided that such part(s) are properly marked as "SERVICEABLE USED PART(S)" as further described in this SOW.

"CONSIGNED MATERIAL" means materials that Buyer owns and continues to own that are entrusted to Supplier.

"CUSTOMER(S)" mean Buyer's customer(s).

"DEVELOPER TEST SYSTEMS" means a configuration of installed hardware and software that Supplier maintains which is representative of typical Customer installations for the Product and, at a minimum, contains current and current minus 1 level of the Product and any prerequisite and co-requisite hardware and software specified by Buyer.

"DEVELOPMENT PHASE" shall be defined as the period of time starting from the effective date of this Agreement up to and including the date of first delivery of production units of the Product.

"DISCRETEWA" means a Purchase Order issued from Buyer to Supplier that is not pursuant to the hub warehouse order fulfillment.

"EMERGENCY ORDER" or "EO" means a WA placed by Buyer for FRUs with a Lead Time not to exceed [*].

"END OF LIFE" OR "EOL" means the date and process by which Supplier discontinues the manufacture of a product.

"END OF SERVICE" or "EOS" means date when Buyer officially discontinues Customer service and support for a Product. EOS dates are only addressed for the purposes of defining the date through which Supplier will make Repair Services available for Products, and do not affect Supplier's obligations with respect to FRU or other Product availability.

"ENGINEERING CHANGE" or "EC" means any change(s) to Product.

"FIELD REPLACEABLE UNIT" or "FRU" means a Product, Product component, Product subassembly, Product documentation, Product code, or other Product part used to service a Customer system as described in the Product Unique Attachment 1.

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"GENERAL AVAILABILITY" shall mean, with respect to a particular Product, the date on which such Product is available for purchase by members of the general public by Buyer and or by Buyer's Authorized Third Party.

"HARMFUL CODE" means any computer code, programming instruction, or set of instructions (including without limitation, self-replicating and self propagating programming instructions commonly called viruses and worms) that is constructed with the ability to damage, interfere with, or otherwise adversely affect computer programs, data files, or hardware, without the consent or intent of the computer user.

"INTEGRATED PRODUCTS" means products which contain one or more Supplier products and or one or more Buyer products. Integrated Products may include both hardware and software.

"LEAD TIME" means the minimum length of time prior to a specific delivery date that Supplier must receive a WA from Buyer to ensure delivery by such date.

"MAINTENANCE LEVEL SERVICE" means the service provided, as set forth below, when a Customer identifies a Problem:

- - "LEVEL 1" is initial service in response to Customer's request for support in connection with a suspected Problem;
- - "LEVEL 2" is service provided to diagnose and resolve or assist Level 3 in resolving Problems identified by Level 1; and,
- - "LEVEL 3" is service provided to develop final resolutions for Problems not resolved by Level 1 and Level 2.

"MAINTENANCE RELEASE" means an incremental software releases that provides maintenance fixes and may provide additional; features. Maintenance releases are designated by Supplier as a change in the digit(s) to the right of the tenths digit of the software version number [X.X.(X)] or an alphabetic digit to the right of that digit [X.X.X.(a)].

"MAJOR RELEASE" means a software release that provides additional software features and/or functions. Major Releases are designated by Supplier as a change in the ones digit of the Software version number [(X).X.X.].

"MINOR RELEASE" means an incremental software release that provides maintenance fixes and additional features. Minor releases include all Maintenance Releases issued from last minor release and are designated by Supplier as a change in the tenths digit(s) of the software version number [X.(X).X].

"PROBLEM" means any Product defect, including, without limitation, any defects arising as a result of the failure of the Products to function in accordance with the written specifications and other requirements, or other failures or errors or other defects arising as a result of the failure of the Products to function in accordance with the written specifications and other requirements.

"PROBLEM MANAGEMENT RECORD" or "PMR" means a record documenting support actions taken in response to a Customer's request for support in connection with a suspected Problem.

"PRODUCT UNIQUE ATTACHMENT" is a document entitled Product Unique Attachment which contains the additional terms and conditions unique to a specific Product.

"REPAIR" or "REPAIRED" means all required repair activity including, disassembly, failure analysis, testing, component recovery, rework, warranty process, packaging, final testing, and all other processes necessary to ensure Products, which are sent to Supplier for repair within or outside of the relevant Product warranty, meet all the functional performance requirements applicable to newly manufactured Products in accordance with this SOW or relevant WA.

"SOFTWARE MAINTENANCE" refers to the provision to Buyer by Supplier of certain software updates at no additional charge during the Software Maintenance period. Maintenance Releases and Minor Releases are generally included with Software Maintenance. Major Releases generally are not included with Software Maintenance.

"TAXES" means any and all applicable taxes, charges, fees, levies or other assessments imposed or collected by any governmental entity worldwide or any political subdivision thereof and however designated or levied on sales of Products or Services, or sales, use, transfer, goods and services or value added tax or any other duties or fees related to any payment made by Buyer to Supplier for Product and/or Service provided by Supplier to Buyer under or pursuant to this Agreement; exclusive, however, of taxes imposed upon the net income or capital of Supplier or taxes in lieu of such net income taxes or such other taxes which are to be borne by the Supplier under law. Supplier shall also bear sole responsibility for all taxes, assessments, or other levies on its own leased or purchased property, equipment or software.

"TURN AROUND TIME" or "TAT" means the elapsed time from the date of receipt acknowledgment of a Product arriving at Supplier's location for Repair until shipment notice of Repaired Product back to Buyer.

"YIELD" means the relationship between Product sent to Supplier for Repair and the CSP returned to Buyer.

2.1 PRODUCT DESCRIPTION.

The Products are described in the Product Unique Attachment #1. Products also include all FRUs, CSPs, Product code, and Product documentation as applicable and described in the Attachment #1.

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2.2 PRODUCT SPECIFICATIONS & CERTIFICATIONS.

Products will comply with all the requirements set forth below:

- - CS11-1121-015, IBM Corporate Standard "Automatic Identification (AI) for Packaging, Distribution and Manufacturing - Bar Coded Labels"
- - GA21-9261-11a, "Packaging and Handling - Supplier and Interplant Requirements"
- - Product/Process Quality Plan, Quality Assurance Instruction 1057, QAI-1057
- - ISO 2859, Sampling Procedures for Inspection by Attributes
- - ISO 3951, Sampling Procedures for Inspection by Variables
- - EIA - 599 - A, Continuous Improvement
- - EIA - 659 - A, Failure, Mechanism, Driven Reliability Monitoring
- - EIA - 670, Quality System Assessment
- - EIA - 671- A, Problem Analysis and Corrective Actions
- - EIA - JESD - 38, Standard for Failure Analysis Report Format
- - EIA - JESD - 46, Product Change Notice
- - EIA - JESD - 50, Maverick Product Elimination
- - Supplier's published specifications, catalogs, marketing materials, and other documentation, including references in such materials to future upgrades or performance
- - FAA Certification, Supplier certifies that Products and their packages do not contain explosives, hazardous materials, incendiaries and/or destructive devices as defined by the FAA
- - All Product claims, descriptions, specifications, and other requirements described in the Product bill of material, elsewhere in this Agreement, and via other written or electronic communications sent from or approved by Buyer.

2.3 [*] PRODUCT CERTIFICATION.

Supplier certifies that the Products [*] specified in the Product Unique Attachment(s) to this SOW. If there are any changes to this information, Supplier will notify Buyer by providing a new [*] signed by an authorized Supplier representative before shipping any affected Products. If any part number has more than [*], Supplier certifies that each [*] in the Product Unique Attachment(s), and Supplier will deliver to Buyer, instructions regarding how Buyer can distinguish [*] for part numbers with more than one [*] prior to shipping the affected Products.

2.4 ENGINEERING CHANGES.

Engineering Changes shall not be applied to any Product under this Agreement unless implementation is conducted in accordance with the following engineering process:

Supplier Changes: Supplier will not make any changes to the Products that affect the form, fit or function, which have been certified by Buyer without Buyer's prior written consent. Supplier will notify Buyer (through the Technical Coordinator) of any engineering change proposed to be made by Supplier to the Product and will supply Buyer with a written description of the anticipated effect the engineering change will have on the Product, including price (savings), performance, reliability, serviceability, manufacturability and any cost impact to Buyer as a result of the implementation of the engineering change. Buyer has the right to approve or disapprove of such engineering change, which approval shall not be unreasonably withheld. Buyer may elect to evaluate and test the prototype, parts and/or designs specified as part of the proposed change and Supplier shall provide such parts to Buyer at no charge for such evaluation and testing. Buyer (through the Technical Coordinator) shall approve or disapprove Supplier proposed changes within [*], unless otherwise agreed to by both parties, of receipt of a written request, except for changes required to satisfy governmental standards or safety for which Buyer shall respond within [*], unless extended by mutual consent. Failure to respond shall be deemed to be Buyer's acceptance of such proposed change. If such change affects price, the Buyer Business Coordinator must also provide approval. If Buyer approves the engineering change, the product specification and unit pricing will be amended as required. Buyer will not unreasonably refuse to approve Supplier's engineering changes to the Product. In the event that Supplier makes such changes to form, fit or function, that affect the Product without Buyer's consent, at Buyer's discretion Supplier will either: [*] mutually agreed upon by Supplier and Buyer, [*]

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that are associated with such Products' [*] the price of the Products.

Buyer Changes: Buyer may request in writing (through the Technical Coordinator) that Supplier incorporate an engineering change into the Product. Such request will include a description of the proposed change sufficient to permit Supplier to evaluate its feasibility. Within [*] of such request (or extended by mutual consent), Supplier will advise Buyer of the conditions under which it would make the engineering change. Supplier's evaluation will be in writing and will state the increase or decrease price adjustment (if any) and the effect on the performance, reliability, safety, appearance, dimensions, tolerances, manufacturability and serviceability of the Product. Buyer's Technical Coordinator shall approve or disapprove the engineering change based on Supplier's written evaluation. If such change affects price, the Buyer's Business Coordinator must provide approval prior to implementation. If Buyer approves the engineering change, the product specification and unit pricing will be amended as required. Supplier [*] Buyer's engineering changes into the Product.

2.5 PRODUCT SOFTWARE AND DOCUMENTATION.

Supplier will deliver, at the earlier of a date requested by Buyer or prior to its first shipment of Product, [*] and (ii) all Product code (as may be mutually agreed upon and described in the Attachment 1 for the Product), publications, and documentation in a format and media as specified by Buyer. Additionally, Supplier will deliver to Buyer any Minor and Maintenance Releases (including bug fixes) without an additional charge. Some software releases are considered a Major Release and may be offered to Buyer for an additional fee as Supplier offers such enhancements to other customers.

"Documentation" shall mean the OEM Manual and the Users Guide which Supplier generally makes available to its customers containing descriptive, operating, installation, engineering and maintenance information for Products, as such documents may be amended from time to time and any updates, modifications and enhancements made to them, during the term of this SOW.

Supplier shall provide Buyer with a master copy and one copy of all Documentation for each Product, in both hardcopy format and electronic format, suitable for dissemination by Buyer. Solely in conjunction with Buyer's sale, installation, service and support of Products purchased under this Agreement, Supplier grants Buyer a nonexclusive, royalty-free right and license to copy, use, modify, translate [*] the Documentation and distribute the Documentation and derivative works to its customers, provided that Buyer keep Supplier's copyright and other proprietary notices as may appear on such Documentation and refrain from doing anything that would jeopardize Supplier's proprietary and other rights in the Documentation. Should Buyer require Supplier to make modifications to said Documentation, the cost will be at Buyer's expense.

All Products purchased under this SOW are subject to an annual Software Maintenance Support Program. Under the terms of this support program Supplier shall provide Software Maintenance, which includes Maintenance Level Service, for a period of one year commencing on the Effective Date of the Agreement. Thereafter, the annual Software Maintenance Support Program shall be automatically renewed for additional one-year periods commencing on the anniversary of the Effective Date of the Agreement, unless cancelled by Buyer with [*] prior written notice to Supplier. The fees for this annual Software Maintenance Support Program shall be calculated as the Annual Software Maintenance Fee per Unit, as described in Attachment 1, Section 4.1 "Product Price List and Descriptions" multiplied by the average cumulative number of units purchased each month (cumulative number each month added together divided by 12) during the annual Software Maintenance Support period. For the convenience of the Buyer, Software Maintenance shall be billed to Buyer with each Product purchased as described in Attachment 1, Section 4.1 "Product Price List and Descriptions" and will be used to determine the total billings. The amounts for the Annual Software Maintenance Fee per Unit and the Software Maintenance billed to Buyer with each Product purchased shall be mutually agreed upon by the Supplier and the Buyer. If total billings for Software Maintenance during an annual period exceed the fee for the annual Software Maintenance Support Program as determined per the calculation as described in this section, the excess billings will be used to offset fees for the annual Software Maintenance Support Program in a subsequent period, may be refunded to the Buyer should the Buyer elect not to

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renew the annual Software Maintenance Support Program, or may be used as an adjustment to amounts due to Supplier as mutually agreed upon. If total billings for Software Maintenance during an annual period are less than the fee for the annual Software Maintenance Support Program as determined per the calculation as described in this section, Buyer at Buyer's option may elect to either have the Supplier invoice such amount, adjust the unit price in subsequent period(s) for the deficient amount, or adjust other amounts due to Supplier based on mutual agreement between the parties. When initiating a technical support request with Supplier, Buyer [*] the serial number or worldwide name of the Product. Supplier shall have the right to assign support obligations to the appropriate local Supplier subsidiary.

2.6 TAMPER EVIDENT PROTECTION.

To the extent that Supplier ships new Product in its final Customer ready form, Supplier shall apply tamper evident protection on the finished Product packaging in a form agreeable to both parties and in such a manner that if removed or tampered with, it would be evident that the finished Product packaging has been opened. Supplier will have controls to prevent unauthorized use or dissemination of such tamper evident protection used on Product purchased by Buyer and to limit the access to such materials to only those responsible for the tamper evident sealing on the Products.

3.0 PURCHASING

3.1 WA ISSUANCE.

Buyer is under no obligation to purchase any Products and/or Services, except as ordered in WAs and within the liability limits addressed elsewhere in the Agreement, including those addressed in the Product Unique Attachment(s) to this SOW. Supplier will comply with Buyer's requested changes to delivery of Products specified in a WA as described in the Product Unique Attachment(s) to this SOW. If Buyer decreases Product quantities specified in a WA outside of allowances described in the Product Unique Attachment(s) to this SOW, Supplier will use all efforts to mitigate Buyer's liability. The parties acknowledge that WA's may be placed on Supplier under this SOW by entities other than the Buyer, or its Affiliates, but only to the extent preauthorized by Buyer in writing and mutually agreed to by Supplier.

3.2 PRICE MODIFICATIONS

The parties agree to review in good faith price changes, based on market conditions including but not limited to changes in Product cost, support variances, and the business relationship. Such reviews shall occur as mutually agreed upon between the parties. Furthermore, the parties agree to [*] after General Availability for the Product. Any pricing changes which, may result of such reviews and activities shall become effective on the first day of the following month or as otherwise agreed to by the parties.

3.3 FIELD REPLACEABLE UNIT (FRU) AVAILABILITY.

Supplier will maintain the capability to supply and shall provide Product FRU(s) to Buyer's along with access to technical support from Supplier in accordance with pricing as provided in this SOW for a term of [*] commencing upon the earlier of either the Product End of Life (EOL) in accordance with the earlier of Section 3.4 (Notice of Product Withdraw), or the termination of this SOW (Section 3.0 Goods Agreement).

3.4 NOTICE OF PRODUCT WITHDRAW

3.4.1 Buyer's Product Withdraw Notice.

Product may be withdrawn from production and end of life at Buyer's sole option. Buyer shall notify Supplier of withdrawal of any Product(s). Product withdrawals will not affect spare parts. Upon Buyer's notice to Supplier of withdrawal of Product, Buyer must make any last time buys for such Product within [*] of the withdrawal notice, and must take delivery of all last time buys within [*] from the date of the withdrawal notice. Orders made subsequent to withdrawal notice under this section shall be non-cancelable and non-returnable.

3.4.2 Supplier Product Withdraw.

Supplier shall provide written notification to Buyer [*] ("Notice Period") in advance of to its intent to discontinue the manufacture, sale or distribution of any or all Products ("End of Life" or "EOL"), and such notification shall not occur within the [*] following Buyer's General Availability date of such Product(s). Buyer shall provide to Supplier a non-binding

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forecast for Products and FRUs, [*] from the receipt of Suppliers notice of End of Life and Buyer may place orders for such Products as Buyer seems necessary. However, Buyer shall provide to Supplier last-time buy purchase FRU forecast [*] prior to the End of Life date (last date of manufacture or sales/distribution date) and shall provide a non-cancelable WA for [*] the total last time buy FRU forecast. Such purchases which may be rescheduled will be delivered upon Buyer's request during the [*] 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).

3.5 USE OF SUBCONTRACTORS.

Supplier's use of subcontractors will not relieve Supplier of the responsibility for the subcontractor's performance, and Supplier's responsibilities assumed under this SOW will be equally applicable to such subcontractors, as must be agreed upon between Supplier and such subcontractors. [*].

3.5.1 DIVERSITY ENTERPRISES SPENDING

Supplier [*] join and support Buyer's efforts to utilize Minority and Women Owned Businesses (M/WBE), Disabled Business Enterprises (DBE), and Small Business Enterprises (SBE) for a target percentage of 10-15% of Suppliers total enterprise spend. The parties recognize that Supplier does not participate in a M/WBE formal program at the time of this SOW execution, however Supplier will use reasonable efforts to establish such a formal program and provide status as requested to Buyer. Supplier's failure to achieve this goal may be considered non-compliance with Buyer's MWBE initiative and shall be considered a factor by Buyer for future business with Supplier however; it shall not be considered a material breach of this Agreement.

As part of the parties' obligations under this Section, the parties will perform the following:

- (i) Supplier shall identify M/WBE Direct Opportunities: Identify procurement opportunities that may exist relating to this SOW that include, or may include, M/WBE participation in the production or distribution of the Supplier's Products and Services.
- (ii) If Buyer has a list of potential M/WBE suppliers who can perform under this SOW, Buyer will provide that list to Supplier, so long as Supplier identifies the opportunity and specifies the product or service to Buyer

3.6 TAXES AND DUTIES.

Supplier will ensure that the Prices do not include any sales, use or other similar taxes that do not apply to Buyer as a reseller of Products and/or Services. The parties agree to negotiate in good faith to establish the terms and conditions for all legal, regulatory and administrative requirements, in addition to all associated duties and fees, associated with importation of Products into the country where the Product is received by Buyer, no later than February 15, 2004 which will be incorporated into this Agreement when signed by both parties.

Supplier's invoices shall state applicable taxes owed by the Buyer, if any, by tax jurisdiction and with a proper breakdown between taxable and non-taxable Products and Services. Supplier shall remit such tax payments to the appropriate jurisdiction. Supplier agrees to use its commercially reasonable efforts to properly calculate any applicable Taxes at the time of invoice. Supplier and Buyer agree to cooperate to minimize any applicable Taxes, including reasonable notice and cooperation in connection with any audit. Any incremental taxes shall be Supplier's responsibility. If Buyer provides certification of an exemption from Tax or reduced rate of Tax imposed by an applicable taxing authority, then Supplier shall not invoice for nor pay over any such Tax unless and until the applicable taxing authority assesses such Tax, at which time Supplier shall invoice and Buyer shall pay any such Tax that is legally owed.

Buyer shall withhold taxes, if required under the law to be withheld on payments made to Supplier hereunder and shall be required to remit to Supplier only the net proceeds thereof. Buyer shall remit the taxes withheld to the appropriate government authority and agrees to provide Supplier in a timely manner with properly executed documentation or other information or receipts or certificates evidencing Buyers payment of any such withholding tax.

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3.7 INVOICES.

Terms for payment on all Supplier invoices will be net [*] from: 1) receipt of an acceptable invoice for a Discrete WA's purchases; or 2) as described in order fulfillment models (see Attachment 5). [*] Invoices to Buyer must include, at a minimum, the following: (i) applicable WA line item numbers; (ii) SOW and WA numbers; (iii) terms of payment as provided herein; (iv) billing date (v) applicable Product unit Prices; (vi) total amount invoiced; (vii) the Harmonized Tariff Code of the importing country for every Product; and, (viii) Product descriptions with sufficient detail to enable verification of associated Product categorical classifications.

3.8 ELECTRONIC COMMERCE.

Buyer may issue scheduling documents ("Blanket Purchase Orders") which may have the appearance of a normal WA, but do not include a delivery date. Such Blanket Purchase Orders are issued only as a logistical processing document to enable the use of electronic purchase order communications and are not binding in any manner and shall not be considered as WA's by the parties, regardless of quantities or prices that may be included in such Blanket Purchase Orders. Unless previously submitted by Supplier, in order to initiate electronic transfer of payments associated with this SOW, Supplier will complete the form entitled "Authorization for Electronic Funds Transfer" as provided to Supplier by Buyer and fax the completed form to Accounts Payable at the number included on the form.

4.0 MAINTENANCE LEVEL SERVICE

Maintenance Level Services includes the Level 1, Level 2, and Level 3 responsibilities defined below, for Product, documentation and Maintenance and Minor Releases arising out of technical support responsibilities, and all such releases created or made available by Supplier.

4.1 LEVEL 1.

Supplier will assist Buyer as required by Buyer, in performing the following Level 1 support responsibilities:

- - create the PMR;
- - obtain from Customer a description of the Problem;
- - search for any known resolution(s) relevant to the Problem;
- - if a resolution to the Problem is known, specify such resolution to Customer;
- - if no resolution to Problem is known, generate APAR, assign APAR Correction Time, forward APAR to Level 2; and
- - pass the PMR to Level 2, and update the PMR documenting Level 1 actions.

4.2 LEVEL 2.

Supplier will assist Buyer, as required by Buyer, in performing the following Level 2 support responsibilities:

- - receive the PMR/APAR from Level 1;
- - analyze Problem symptoms and gather additional data from Customer as required;
- - recreate Problem on the Developer Test System;
- - determine if Problem is due to improper installation of the Product by Customer;
- - determine if Problem is due to operationally related hardware or software at the Customer location;
- - attempt a bypass or circumvention for high impact Problems (i.e., Severity 1 and 2);
- - create APAR record if no resolution to Problem is attained; and
- - update the PMR documenting Level 2 actions.

4.3 LEVEL 3.

Supplier will perform the following Level 3 support responsibilities:

- - receive the APAR/PMR and supporting documentation and materials from Level 2;
- - analyze Problem symptoms and diagnose Problem;
- - notify Level 2 if additional information, materials or documentation are required;
- - attempt to recreate Problem on the Developer Test System;
- - assist Level 2 in developing a bypass or circumvention for high impact

Problem (i.e., Severity 1 and 2);

- - deliver corrections to the Product and/or Product code (as defined in Attachment 1) to Buyer within the applicable APAR Correction Times to fix Problems identified by Buyer;

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- - return all APARS to Buyer with an APAR Closing Code assigned, including text describing the resolution of Problem
- - confirm resolution of Problem with Customer, and update PMR documenting Level 3 actions; and
- - answer any questions from Buyer and/or Customer concerning the operation and use of Products.

4.4 OTHER TECHNICAL SUPPORT RESPONSIBILITIES.

Supplier will provide to Buyer the name and phone numbers of Supplier Personnel to contact for all technical support matters related to the Product. [*] required by Buyer to enable Buyer to perform technical support functions for the Product and will keep Buyer informed of any known Problems and their associated solutions. Supplier shall contact IBM directly in the event IBM Customers contact Supplier for Product support services. No other support shall be provided unless directed by IBM for these Products.

4.5 TECHNICAL SUPPORT TRAINING.

Supplier shall make available to Buyer technical training for support of end user implementation of the Product. Buyer shall not use any training materials in a manner that provides revenue solely from the use of these materials to IBM. Technical training requested by Buyer will be made available by Supplier to Buyer as mutually agreed upon. Buyer acknowledges that the materials distributed by the Supplier during the technical training are protected by copyright, and that Buyer shall have no rights to reproduce such materials without the prior written consent of Supplier, such consent shall not be unreasonably withheld.

5.0 QUALITY

5.1 QUALITY REQUIREMENTS.

Supplier shall provide to Buyer applicable standard data and calculations that support the Products' ability to meet the quality standards set forth as Attachment 2.

5.2 ACCEPTANCE CRITERIA.

Buyer may inspect and test all Product at Buyer's facility prior to acceptance or rejection, and may refuse to accept Product which does not conform to the specifications, certifications, and other requirements referenced in the Agreement. If Buyer rejects Product and requests a replacement Product, Supplier shall replace the rejected Product within [*] of Buyer's request, and shall pay for the airfreight, if required by Buyer, and all other expenses associated with the return of the rejected Product.

5.3 PRODUCT MODIFICATIONS.

Supplier will not make any changes to the Products affecting form, fit or function of the Products that have been certified by Buyer, without Buyer's prior written consent, such consent not to be withheld unreasonably. In the event of such form, fit or function changes without Buyer's prior written consent, Supplier will, at Buyer's discretion, either: (i) [*]; or (ii) [*] the products. If Supplier improves the safety, function, cost, or reliability of products that it builds for itself or for its other customers by changing a design, component, part, supplier, or production process that may also be used in or in connection with a Product that Supplier builds for Buyer, then Supplier will inform Buyer of such improvement and implement changes to Product as approved by Buyer to incorporate such improvement in Products.

5.4 ISO REQUIREMENTS.

For ISO compliance, the Supplier represents and warrants that the Supplier's contract manufacturers are ISO 9001 compliant. Compliance hereunder may be either by means of external accreditation or self-declaration. For external accreditation, Supplier will provide to Buyer, upon Buyer's request, a copy of Supplier's current registration, including the scope, Standard Industrial Classification code or equivalent, all locations involved, and any restrictions or exclusions. For self-declaration, Supplier will provide to Buyer, upon Buyer's request, a letter from Supplier's chief executive officer, chief operating officer, or other executive assuring that self-declaration was performed with due diligence based upon a previously executed internal audit report, and that such self-declaration has had executive management review and approval.

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5.5 PERIODIC QUALITY REVIEWS.

Supplier shall develop and implement a process for continuous Product improvement. Buyer may conduct reviews and/or hold meetings related to Supplier's performance under the SOW, including but not limited to the following respects, and may compare Supplier's performance with that of similarly situated suppliers:

- - Supplier's compliance with delivery dates in support of WAs issued by Buyer;
- - Supplier's compliance with Emergency Orders issued by Buyer hereunder;
- - Supplier's compliance with the targeted Shipped Product Quality Level (SPQL) as set by the parties on a monthly basis;
- - Supplier's compliance with the targeted Field Replace Action Level (FRAL) as set by parties on a monthly basis;
- - Supplier's compliance with the targeted Incoming Product Quality Level (IPQL) as set by the parties on a monthly basis;
- - Supplier's compliance with the targeted Cumulative Failure Rate (CFR) as set by the parties on a monthly basis;
- - Percentage of Products failing to function properly upon delivery (also known as the Product DOA rate);
- - Supplier's speed in taking corrective actions for any problems with Product identified by Buyer;
- - Supplier's implementation of lessons learned in previous periodic quality reviews.

In any calendar month in which Supplier shows poor performance with respect to the criteria set forth above, Buyer may notify Supplier of such poor performance. In such case, Supplier will respond to Buyer with an agreed upon action plan within [*] of notification by Buyer demonstrating its ability to achieve the required measurements. Supplier's failure to successfully execute an action plan within an agreed upon time frame shall be a material breach of the Agreement. Satisfying any or all criteria of this section shall not relieve Supplier of its warranties or other obligations of the Agreement.

6.0 RESERVED.

7.0 EMERGENCY ORDERS

7.1 CODE A-ALERT EMERGENCY ORDER PLACEMENT

This provision 7.0 (Emergency Orders) and its subsections shall apply solely to FRU purchases pursuant to a discrete WA. Supplier will accept and respond to EO from Buyer 8:00 A.M. to 5:00 P.M. Pacific Standard Time, Monday through Friday, except Supplier holidays. Order confirmation time period begins at the time Order is received by Supplier. Supplier will provide a telephone service number for EO coverage. Supplier will use commercially reasonable efforts to respond to all EO within the time periods designated below. Buyer will place and Supplier will respond to all EO with Supplier via fax, EDI (or other electronic commerce approach) and/or telephone, such EO to be confirmed by Buyer with a written WA mailed or electronically transmitted to Supplier within [*] of EO placement. Supplier will acknowledge EO back to Buyer via fax or telephone within the specified order confirmation time periods stated below.

7.2 CODE A-ALERT EMERGENCY ORDER WORK AUTHORIZATIONS

WAs will include Buyer's Purchase Order number, Buyer's part number, part number description, quantity, unit Price, order type (short lead time, in the event a short lead time order is placed, are orders with requested Delivery Dates in less than the agreed to Lead Time), Delivery Date and ship to address.

7.3 CODE A-ALERT EMERGENCY ORDER SHIPMENTS

Supplier will use commercially reasonable efforts to ship Code A-Alert Emergency Orders within [*] of receipt of WA, unless specifically designated otherwise by Buyer, to arrive at the Buyer specified receiving location. If requested by Buyer in writing, Supplier will use commercially reasonable efforts to ship EOs via [*] to arrive at Buyer's specified receiving location [*] WA. Buyer to pay for all expedited freight/duty /insurance costs.

7.4 CODE A-ALERT EMERGENCY ORDER DELIVERY AND CANCELLATION

Supplier will deliver EOs directly to the address specified in the WA and in accordance with this SOW. Code A-Alert Emergency Order(s) are non-cancelable, however Buyer may contact Supplier prior to time of shipment to make changes to the specified receiving location.

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8.0 WARRANTY SUPPORT

8.1 [*]

[*] shall mean Products and their associated Engineering Changes that experience one or more of the following: (a) a similar defect at a rate of [*] or more in any given [*] rolling period over the life of the Products, (b) a similar defect at a rate of [*] or more (or other rate that may be specified in the Product Unique Attachment) of total purchases over the life of the Products, [*].

8.2 WARRANTY PERIOD.

The warranty redemption set forth in the section of the GA entitled, "Warranty Redemption" as it applies to the relevant subsection of the section of the GA entitled, "Ongoing Warranties" will be available to Buyer for all Products hereunder for the warranty period of [*] and as set forth in the applicable Product Unique Attachment (as calculated from the date Buyer takes title of Product). Supplier will be responsible for its warranty redemption responsibilities under the Agreement for all Products returned to Supplier, regardless of the reason why such Products fail to meet the requirements in the Agreement. When initiating a technical support request with Supplier, Buyer shall use commercially reasonable efforts to provide the serial number or worldwide name of the Product unit. Such warranty redemption for Repaired Product shall be the longer of the above period for the original Product or [*] after the Buyer's receipt of the Repaired Product. Nothing in this section shall be deemed to affect or amend the ongoing duration of the remaining ongoing warranties.

8.3 NO TROUBLE FOUND

Buyer shall use commercially reasonable efforts to provide a description on the RMA field return form of the failure. If the quantity of No Trouble Found (NTF) Product returned to Supplier exceeds [*], then any additional NTF units returned above and beyond the [*] of Product may be subject to Supplier's cost recovery if [*] of the Product returned for failure or defects are found to be NTF during any two out of three consecutive rolling quarters. The cost recovery to Supplier will be limited to the quantities exceeding the [*] and shall be through an increase in Product price as mutually agreed to by the parties.

8.4 LIMITATIONS

The foregoing warranty provided in the Goods Agreement and Section 8.0 shall not apply to Product(s) that has been (i) damaged by accident, Act of God, shipment, improper installation, inadequate maintenance, abnormal physical or electrical stress, misuse or misapplication, or (ii) modified without Seller's express written acceptance of such modification for warranty purposes, so long as such occurrence has taken place after Product(s) has been received by Buyer or in accordance with the shipping terms mutually agreed upon.

8.5 WARRANTY REDEMPTION LOGISTICS.

Supplier will label Products as specified by Buyer to enable Buyer to determine Product warranty entitlement. Where Supplier is required to ship Product pursuant to its warranty redemption responsibilities under the Agreement, Supplier will ship such Product to Buyer's designated "ship to" location via Buyer's designated carrier.

8.6 ADDITIONAL WARRANTIES.

Supplier represents and warrants that, on an ongoing basis:

(a) Products, Parts, EDI transmissions, and other deliverables shall not contain any Harmful Code upon shipment;

(b) Supplier and Buyer shall comply with all applicable laws, regulations, orders and policies relating to [*], including Chinese regulations regarding the identification of country of origin (i.e., Taiwan cannot be referred to as "R.O.C." or "Republic of China"; Hong Kong must be referred to as "China (Hong Kong S.A.R.)"; and Macau must be referred to as "China (Macau S.A.R.)");

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(c) Supplier shall secure and maintain all certifications (governmental, agency, or otherwise) required for performance of Services or that are required for the performance of such Services for Buyer, Buyer subsidiaries, and others authorized by Buyer and agreed to by Supplier to sell the Products worldwide;

d) Supplier shall maintain comprehensive general liability insurance sufficient to cover all claims that might arise from Supplier's activities under this Agreement;

(e) If Supplier refers to performance and/or upgradeability features in the Product or in marketing deliverables (e.g., advertisements, Internet pages, brochures, bids, user guides) for similar products which Supplier offers to its other customers, then Supplier represents that all such performance and/or upgradeability claims are true, and Buyer may rely on such claims in creating its own marketing deliverables for Products. Supplier will provide upgrades within a reasonable period of time, [*]. Supplier will include in the Products and upgrades all of the performance functions and features suggested by the reference;

(f) Should Products and Services provided herein ever interact in any capacity with monetary data, Supplier will make Product euro-ready such that they will correctly process, send, receive, present, store, and convert monetary data in the euro denomination, respecting the euro currency formatting conventions (including the euro symbol).

9.0 REPAIR

9.1 REQUIRED REPLACEMENT.

All components of Products sent to Supplier for Repair that exhibit unsafe conditions (including but not limited to cracking, chafing, and/or other unsafe conditions) will be replaced with an identical (same manufacturer, part or model number, electrical/thermal rating, physical dimensions and agency approval) or an approved alternate component (identical mechanical, electrical/thermal, physical, compositional and performance characteristics but different manufacturer). Compliance with this section will not relieve Supplier of its other obligations under the Agreement and this SOW.

9.2 SCOPE OF REPAIR SERVICES.

Supplier will make Repair Services available to Buyer up through and including the relevant EOS date, as specified by Buyer in writing. Products sent to Supplier for warranted Repair during the applicable warranty period will be repaired at no cost to Buyer and returned to Buyer at Supplier's cost. Products sent to Supplier for Repair outside of the applicable warranty period shall be subject to the out of warranty fees as applicable in Attachment 1. Inbound freight to be paid by Buyer and outbound to be paid by Supplier in accordance with the delivery date specified by Buyer in the WA for such Repair as mutually agreed upon between the parties. All Repaired Products must meet the requirements regarding CSPs set forth in this SOW. Repair Services [*] with the exception of Product [*]. In such event, Supplier will, at Buyer's discretion, [*]. Supplier must maintain a history of Repair activities and provide a monthly report to Buyer in the format of the attachment to this SOW that is entitled "Monthly Warranty Analysis Report."

9.3 CSP REQUIREMENTS.

Products will only be classified as CSP with Buyer's written approval. Products classified as CSP may be used for field service only and may not be used in the manufacturing of a new Product. CSPs will meet the following criteria: (i) the functional performance of such Products will comply with all current and applicable engineering drawings, written specifications, and other Product requirements; (ii) the appearance of such Products will be equivalent to that of a new counterpart; (iii) manufacturer warning labels will remain intact and legible or will be replaced, and protective covers (e.g., guards or shields) will be securely mounted as originally designed or will be replaced; and (iv) the Repair of such Products (including EC related Repairs) will be in compliance with all agreed upon listings and certifications issued by National Certification Body (NCB). If Supplier is not able to meet specified criteria, then Product will be deemed non-repairable and Buyer will be notified accordingly. Suppliers will place on all CSPs, a "SERVICEABLE USED PART(S)" label meeting the following criteria: (i) printed using high quality paper with a shelf life of ten (10) years; (ii) using permanent pressure sensitive and tamper evident adhesive (black printing on orange background); (iii) which do not contain any voids, ink specks, ink fill-ins or edge-roughness; (iv) which are applied in a manner that provides durable and wrinkle free labels that permanently and securely bonds to the Product and container under variable environmental conditions; (v) which are clearly visible; and (vi) which will not adversely affect the functionality or aesthetics of the Product. The original manufacture date will be preserved or restored as needed at the time of Repair. Product labels (labels applied directly to the Product) will comply with the following dimensions: (i) large labels will measure 3.0448 cm x 0.9615 cm (1.1875 in x 0.3750 in); (ii)

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small labels will measure 2.2435 cm x 0.6410 cm (0.8750 in x 0.2500 in).
Container labels (labels applied to the container) will comply with the
following dimensions: (i) 9.2948 cm x 4.4871 cm (3.6250 in x 1.7500 in).

10.0 CONSIGNED MATERIALS

10.1 HANDLING OF CONSIGNED MATERIALS.

In instances where Buyer sends Product to Supplier for Repair, and/or provides to Supplier tooling and/or other items, Buyer may, but is not obligated to, entrust such Products, tooling, and/or other items to Supplier as Consigned Materials. Buyer will retain title to Consigned Material at all times. Supplier will: (i) use Consigned Materials only in the performance of this SOW and will not reuse or resell nor allow to be reused or resold any Consigned Material without Buyer's prior written authorization; (ii) acknowledge receipt of Consigned Materials within [*] of receipt to the Buyer's Business Coordinator via email or fax, and such acknowledgment will include a detailed report of any quantity shortages or overages (any shortages not reported to Buyer's Coordinator in such acknowledgment will be deemed received by Supplier), all relevant part numbers, and the relevant WA (if applicable) and quantity; (iii) immediately notify carrier and Buyer's Business Coordinator of any Consigned Materials that exhibit external damage at the time of delivery from Buyer to Supplier, document on carrier's freight bill such damage, and receive either an inspection report or a letter from carrier stating that such inspection has been waived; (iv) ensure that Consigned Materials are not pledged, mortgaged, assigned, borrowed or encumbered by security interests or otherwise and are not be removed from Supplier's location without Buyer's prior written authorization, unless provided to Buyer in accordance with the terms and conditions of this SOW; (v) provide monthly reports of all transactions made by Supplier involving Consigned Materials, together with the quantities remaining in Supplier's custody as of the date of such report, and will make due settlement and payment on a monthly basis, if not already made, for any and all Consigned Materials in accordance with this SOW; (vi) maintain account books and records providing complete information as to all such transactions involving Consigned Materials, and such books and records will be available to Buyer during normal business hours, upon [*] prior notice to Supplier; (vii) permit Buyer to inspect Consigned Materials at any time during normal business hours, at Supplier's location and to remove any or all of the same if Buyer so desires; (viii) maintain replacement cost insurance on Consigned Materials; (ix) upon Buyer's written request, or upon termination or expiration of this SOW, return Consigned Materials to Buyer pursuant to Buyer's instructions and in the same condition as received by Supplier; (x) upon Buyer request, mark Consigned Material in a manner acceptable to Buyer to indicate Buyer's ownership; (xi) control Consigned Materials in a secure and separate area so as to not commingle Consigned Materials with other materials, parts, or other assets of Supplier or of any third party; and (xii) notify Buyer immediately in writing of any personal property taxes or assessments that may be levied on Consigned Materials. Supplier shall not charge inventory fees or any other costs to Buyer regarding Consigned Materials.

10.2 RETURN OF CONSIGNED MATERIALS.

Supplier will provide a packing slip with all return shipments of Consigned Materials to Buyer, which specifies Supplier's name, Buyer part number(s) of Consigned Materials being returned, quantity of Consigned Materials, by Buyer part number being returned, and the relevant WA number. Consigned Materials which Supplier is unable to Repair will be returned to Buyer with a packing slip which additionally references a return authorization number, obtained from Buyer, and provide a reason why Supplier is unable to Repair such Consigned Materials. Supplier will reimburse Buyer for Consigned Materials that are not returned to Buyer in accordance with the terms of this SOW, including, without limitation, any Consigned Materials that have been stripped, stolen, lost, damaged, or unaccounted for. The calculations for reimbursement of Consigned Materials is as follows: (i) for new Consigned Materials, Supplier will reimburse Buyer an amount equal to Buyer's then current price for the Consigned Materials; or (ii) for used Consigned Materials, Supplier will reimburse Buyer an amount equal to [*] of Buyer's [*] cost per piece.

11.0 RESERVED.

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12.0 PURCHASES THROUGH BUYER OR BUYER'S AUTHORIZED THIRD PARTIES

In the event Buyer wishes to authorize a third party ("Authorized Third Parties") to purchase Products, Buyer shall issue and negotiate in good faith with Supplier a Letter of Authorization ("LOA") which shall serve as "Written Authorization" pursuant to the [*] Agreement (dated August 5, 2003) as executed between the parties.

13.0 GRANTS OF RIGHTS AND LICENSES

13.1 AUTHORIZATION TO PURCHASE, INTEGRATE, AND RESELL

As provided herein, Seller authorizes Buyer to purchase Products, integrate them with Buyer's products to create Integrated Products, and redistribute Products (either independently, as components of Integrated Products, as upgrades and/or spare parts) to End Users (both directly, and indirectly through Buyer's Resellers).

13.2 PICTORIAL, GRAPHIC AND AUDIO/VISUAL WORKS

The grant of rights and licenses with respect to Documentation includes a grant of all such rights and licenses in and to pictorial, graphic or audio/visual works, including icons, screens, characters, with other programming or through other means.

13.3 SUPPLIER PRODUCT NAMES AND TRADEMARKS

Supplier grants Buyer, and its Affiliates, subsidiaries, distributors and agents that market or sell the Products, a worldwide, non-exclusive, royalty free [*] (except for Buyer's non-compliance with Supplier's Trademark Usage Guidelines as set forth in more detail below) right and license in Supplier's trademarks, service marks and trade names that Supplier uses in association with products similar to Products ("Supplier Marks") for the sole purpose of advertising, marketing, distributing, selling, or leasing the Product identified in Attachment 1, Section 1.0. All goodwill resulting from Buyer's use of Supplier Marks shall inure to the benefit of Supplier. Buyer's use of Supplier Marks shall comply with Supplier's Trademark Usage Guidelines, which are attached hereto as Exhibit X. Supplier's Trademark Usage Guidelines shall be limited to reasonable and objective guidelines for proper usage of the Supplier Marks, and may neither expand nor limit any other right of either party. This Agreement shall take precedence over any inconsistent term or condition of Supplier's Trademark Usage Guidelines. Supplier may amend its Trademark Usage Guidelines on [*] advance written notice to Buyer. However, Buyer may continue to use any advertising, marketing, sales, manuals and other documents that were prepared prior to the end of any such [*] period. In the event that Supplier notifies Buyer that its use of the Supplier Marks under this agreement is not in compliance with Supplier's Trademark Usage Guidelines, Buyer shall have [*] to correct such non-compliance. If Buyer fails to correct any material non-compliance with Supplier's trademark Usage Guidelines within such [*] period, then Supplier may revoke these rights and licenses to use Supplier Marks; however, notwithstanding such revocation, Buyer may continue to use Supplier Marks until its inventory of Products have been depleted.

14.0 [*]

14.1 TRIGGER EVENTS:

If during the term of this Agreement:

- A) Supplier (or its contracted manufacturer) [*] (except as expressly provided in Section 3.4.2 of this Agreement) contracted for hereunder; or
- B) An [*]; or
- C) A [*]; or
- D) A [*]; or
- E) [*]; or
- F) [*]

(each such event shall hereafter referred to as a "Trigger Event").

Buyer shall notify Supplier in writing if Buyer is aware or becomes aware of the occurrence of such a Trigger Event or Supplier shall notify Buyer in writing if Supplier is aware or becomes aware of the occurrence of such a Trigger Event, and Supplier shall have [*] after the date of such written notification or from the date of the occurrence of such a Trigger

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Event in which to remedy such condition or conditions, or such longer period as is mutually agreed to by the parties in writing (hereafter referred to as the "Cure Period").

14.2 ELECTION OF REMEDIES BY BUYER.

If Supplier is unable to remedy the Trigger Event during the Cure Period, within [*] after the end of the Cure Period, Buyer shall select one of the following options to ensure an adequate supply of comparable Product: (i) [*] the [*] Products pursuant to Section 14.3 through 14.6 inclusive, or (ii) purchase comparable Product from third parties. If Buyer fails to provide Supplier with written notice of such election within such [*] period, the parties agree that Buyer will be deemed to have selection option (ii) of this section 14.2.

14.3 [*]

If [*] pursuant to option (i) in Section 14.2 above, Supplier will promptly deliver to Buyer the following [*] (over which Supplier has control) that were [*] if available for transfer; [*] documentation; [*] their addresses and [*] supplies to Buyer. [*] to be provided by Supplier [*]. In addition, Supplier shall, upon Buyer's request and payment by Buyer of Supplier's then-current standard rates therefore, provide such technical assistance as may be reasonably requested [*], subject to the reasonable availability of Supplier personnel. Nothing contained herein shall obligate Supplier to disclose to Buyer any confidential information of a third party, [*] shall be deemed to be confidential to Supplier and shall not be disclosed to any employee or agent without a need to know such information [*] both during the term of this SOW and thereafter. Buyer shall ensure that it has obtained or will obtain from its employees and agents, and the employees and agents of its Subsidiaries and authorized third parties, who will receive Supplier Confidential Information a written agreement to hold such Supplier Confidential Information in confidence and to use the same care and discretion to avoid disclosure of such information as Buyer uses with its own similar information which it does not wish to disclose, but in no event less than commercially reasonable measure to protect such information. All such Supplier Confidential Information shall be maintained in a locked facility accessible only by authorized personnel.

14.4 [*].

[*] Notwithstanding the foregoing, [*], Supplier agrees that provided Buyer has used commercially reasonable efforts [*] shall be eighteen months (18) from the date that Buyer provides Supplier with written notice [*]

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[*]

[*] as-is with no warranty of any kind. [*]

14.5 [*]

[*], Buyer shall use commercially reasonable efforts to return to Supplier or destroy all Supplier Confidential Information to Supplier, retaining no copies in any tangible form or medium, and provide to Supplier a certificate from a Buyer executive attesting to their reasonable knowledge that all Supplier Confidential Information has been returned or destroyed.

14.6 CANCELLATION OF PURCHASE ORDER(S) (WAS).

[*], any WAS of Buyer for Products issued by Buyer on or after the date of any of the Trigger Events, may be canceled by Buyer, by a written notice to Supplier, and Buyer will have no further obligations there under except Buyer's obligations in connection with acceptable Products already delivered prior to such cancellation, including but not limited to, payment obligations for such delivered Products, unless otherwise agreed to by the parties.

15.0 SURVIVAL.

Any provisions of this Agreement which by their nature extend beyond its termination (including, without limitation, Sections 1, 8, 12, 13 and 15 of this SOW and Product Unique Attachment #1 hereto) and remain in effect until fulfilled, and apply to respective successors and assignees. In addition, the parties' obligations under Attachment 6 (reference CDA) hereto shall survive for a period of five years following Buyer's last purchase of Product prior to the termination or expiration of this SOW.

ACCEPTED AND AGREED TO:

ACCEPTED AND AGREED TO:

International Business Machines Corporation ("Buyer")

Brocade Communications Systems, Inc. "Supplier"

By: /s/ Robert J. Tice 12/22/03

Buyer Signature Date

By: /s/ Jack Cuthbert 12/19/03

Authorized Signature Date

Robert J. Tice (for Mark Scheftel)

Jack Cuthbert

Printed Name

Type or Print Name

Buyer's Title - Buyer's Org

V.P. OEM Sales

Title & Organization
OEM Team Lead

Title & Organization

Buyer Address:
3039 Cornwallis Road
RTP, NC 27709

Supplier Address:
1740 Technology Drive
San Jose, CA 95110

Form Title: Agreement Title
Form Owner: Global Procurement

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Form Release: 8/98
Revision: 05/02

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PRODUCT UNIQUE ATTACHMENT #1 EFFECTIVE BEGINNING _DECEMBER 15, 2003

1.0 PRODUCT DESCRIPTION

The Product is a Fibre Channel Switch Module, to be used in the BladeCenter server. The Fibre Channel (FC) Switch Module will provide 14 separate internal F ports to service each Blade Center processor slot plus 2 external ports that support FL_Port, F_Port, and E_Port; self-discovery based on switch type (U_Port) peripherals running at 1Gbps or 2Gbps rates. Incorporated with the Fibre Channel Switch Module is Fabric OS, Web Tools, Zoning and Fabric Watch and documentation will be available in the following languages: English.

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 BladeCenter Fibre Channel Switch Module", Product Requirements Document ("PRD") Version 1.60, December, 2003, Owner, Patrick Caporale, IBM.
- - IBM/Intel BladeServer Base Specification for Switch Module Subsystems, Version 1.02, August 25, 2003, Owner: Intel /IBM Collaboration Architecture Review Board, provided to Supplier under the terms of the Technical Information License Agreement. ("TILA") dated August 5, 2003 between the parties.

2.0 DEVELOPMENT REQUIREMENTS

2.1 PRODUCT TESTING

Product Qualification and Test Plans shall be performed as documented in the PRD and agreed to by both parties.

2.2 DELIVERABLES

Seller shall, at its cost, use commercially reasonable efforts during the Development Phase to provide deliverables requested by Buyer in conformance with the development schedule that has been documented and mutually agreed to by both parties.

2.3 DEVELOPMENT MODULES

Buyer will provide WA's to Supplier for [*] each P0.1 development modules (SDV) and for [*] each P.1 development modules (SIT) at a price not to exceed those identified in the table below. P0.1 and P1 development modules will comply with the PRD specification agreed to in writing by the parties. and will incorporate all of the design change requests mutually agreed to by the parties in writing. No later than [*] days following Supplier's delivery of P1 development modules to Buyer, Supplier shall at its sole expense modify, replace or otherwise upgrade all P0.1 level switches previously provided to be functionally equivalent to a P1 Product. For the upgrade, Buyer shall pay all freight, duties, and bare the risk of loss for the shipment of the Products to Supplier for upgrade and Supplier shall pay all freight, duties, and bare risk of loss for the shipment of the Products back to Buyer. The parties agree that those software features included in this Product Attachment will be available for the P0.1 and P1 switches at the currently available level of code and will be included as part of the prices listed below.

PRODUCT	QUANTITY	NOT TO EXCEED	EXPENSE PER UNIT(USD)
P0.1 Level Switches (SDV Switches)	[*]	[*]	
P1 Level Switches (SIT Switches)	[*]	[*]	

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3.0 PROPRIETARY OWNERSHIP

3.1 BUYER PROPRIETARY OWNERSHIP.

Buyer will own rights to the following technology contained in the Blade Center Fibre Channel Switch Module:

- - Molex Connector is Buyer proprietary as long as Buyer controls the design of this connector, and the connector is not publicly available as an off the shelf item [*]

- - Buyer Mechanicals:

[*] Assembly Module, top mechanical assembly to include the following:

[*] Filler, Switch, Management Module

[*] Guide, Latch

[*] Cover Module

[*] Assemble Lever Bottom

[*] Insulator Base

[*] Safety Label

xxxxxx EMC Blank Template Design (Brocade to modify and own customized design for product)

Buyer's Midplane Connector mechanical Part and Pin Assignments

- - Buyer's Cosmetic Customization, which includes Buyer logo, Buyer name and Buyer product names.

- - Buyer's two unique signals (I2C Bus Reset signal and I2C Interrupt signal) added to the I2C industry standard protocol, and the contents specified by Buyer for the I2C Register interfaces and Vital Product Data (VPD) table.

- - Buyer's Standard BladeCenter and eServer Documentation and CD Contents

- - Common BladeCenter Labeling and Artwork

- - IBM Director SDK Interface Requirements

The I2C signal protocol is an industry standard and not proprietary to Buyer or Supplier. Nothing in this Agreement should be construed as: (1) prohibiting or restricting either party from independently developing, having independently developed, acquiring, licensing, marketing, or distributing products, services, or other materials which compete with products or services offered by the other party. Each party is free to enter into similar agreements with third parties.

3.2 SELLER'S PROPRIETARY OWNERSHIP

Seller Proprietary Ownership.

Except for the proprietary information provided by Buyer under the TILA, the items listed in Section 3.1 above and Buyer patents that read on the implementation, Buyer makes no further claims of ownership.

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4.0 PART NUMBER UNIQUE TERMS

4.1 PRODUCT PRICE LIST AND DESCRIPTION

BUYER PART NUMBER	INTEL PART NUMBER	SUPPLIER PART NUMBER	PRODUCT DESCRIPTION	UNIT PRICE OF PRODUCT	SHIP GROUP ADDER	**SOFTWARE MAINTENANCE	TOTAL PRICE	FULFILLMENT HUB LOCATIONS (IF REQUIRED)
[*]	[*]	[*]	Option, FC Switch Module, includes Fabric OS, Fabric Watch, Advance Zoning, Web Tools and ship group	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Option, FC Switch Module, includes Fabric OS, Fabric Watch, Advance Zoning, Web Tools, and ship Group	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Option, FC Switch Module, includes Fabric OS, Fabric Watch, Advance Zoning, Web Tools, and Ship Group	[*]	[*]	[*]	[*]	[*]
[*]		[*]	CRU, Value line FC Switch Module	[*]	[*]	[*]	[*]	[*]
[*]		[*]	Asm, FC Switch Module, includes Fabric OS, Fabric Watch, Advance Zoning, and Web Tools	[*]	[*]	[*]	[*]	TBD
[*]	[*]	[*]	Option, Value Line Module	[*]	[*]	[*]	[*]	[*]
[*]		[*]	Asm, Value Line Module	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Performance Bundle (Performance Monitor and Trunking)	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	ISL Trunking	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Advance Performance Monitor	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Extended Fabrics	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Fabric Manager v4.x	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Remote Switch Activation	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Advanced Security Activation	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	Full SAN Scaling	[*]	[*]	[*]	[*]	[*]

**FOR PURPOSE OF CALCULATING THE FEES FOR THE ANNUAL SOFTWARE MAINTENANCE SUPPORT PROGRAM AS DESCRIBED IN SECTION 2.5, THE ANNUAL SOFTWARE MAINTENANCE FEE PER UNIT FOR EACH PART NUMBER WHERE IT IS APPLICABLE IS AS FOLLOWS:

BUYER PART NUMBER	INTEL PART NUMBER	SUPPLIER PART NUMBER	PRODUCT DESCRIPTION	ANNUAL SOFTWARE MAINTENANCE FEE PER UNIT
[*]	[*]	[*]	Option, FC Switch Module, includes	[*]

Fabric OS, Fabric
Watch, Advance
Zoning, Web Tools
and ship group

[*]		[*]	Asm, FC Switch Module, includes Fabric OS, Fabric Watch, Advance Zoning, and Web Tools	[*]
[*]	[*]	[*]	Fabric Manager v4.x	[*]
[*]	[*]	[*]	Advanced Security Activation	[*]

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

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[*]	[*]	[*]	Option, Value Line Module	[*]
[*]	[*]		Asm, Value Line Module	[*]

4.2 PRODUCT UNIT TERMS & REPAIR PRICING

Buyer P/N	Intel Part number	Supplier P/N	Description	Hub Warehouse Location	Lead Time	Warranty Period	Repair Price (USD)*	TAT	Yield
[*]	[*]	[*]	Option, FC Switch Module	[*]		[*]	[*]	[*]	[*]
[*]	[*]	[*]	Option, FC Switch Module	[*]		[*]	[*]	[*]	[*]
[*]	[*]	[*]	Option, FC Switch Module	[*]		[*]	[*]	[*]	[*]
[*]	[*]		CRU, Value Line Switch Module	[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]		Asm, FC Switch Module	TBD		[*]	[*]	[*]	[*]
[*]	[*]	[*]	Option, Value Line Module			[*]	[*]		
[*]	[*]		Asm, Value Line Module			[*]	[*]		
[*]	[*]	[*]	Performance Bundle (Performance Monitor and Trunking)			[*]	[*]		
[*]	[*]	[*]	ISL Trunking			[*]	[*]		
[*]	[*]	[*]	Advance Performance Monitor			[*]	[*]		
[*]	[*]	[*]	Extended Fabrics			[*]	[*]		
[*]	[*]	[*]	Fabric Manager v4.x			[*]	[*]		
[*]	[*]	[*]	Remote Switch Activation			[*]	[*]		
[*]	[*]	[*]	Advanced Security Activation			[*]	[*]		
[*]	[*]	[*]	Full SAN Scaling			[*]	[*]		

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

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)
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]

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 RESERVED

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7.0 SUPPLY OF PRODUCTS

In the event that materials or capacity is in such short supply, Supplier will notify Buyer immediately upon knowledge of such supply deficiencies. If Supplier is unable to fill Buyer's WAs in full ("Scarce Resources"), at a minimum Brocade agrees to allocate Scarce Resources to Buyer and to utilize any materials in short supply to manufacture Supplier Products under Supplier's then-current standard allocation formula, which as of the Effective Date, is as follows:

- (a) [*];
- (b) [*];
- (c) [*].

In addition, Supplier will provide in writing to Buyer a supply strategy along with timeline to correct such Scarce Resources within [*] after such notification to Buyer.

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.

8.1 BUSINESS COORDINATORS.

SUPPLIER		BUYER	
- - - - -		- - - - -	
Name	Daniel Cohen	Name	Robert Tice
Title	Technical Development Representative	Title	OEM Global Commodity Manager
Address	19393 Fairhaven Court Round Hill, VA 20141	Address	3039 Cornwallis Road Raleigh, NC 27709-2195
Phone	408-333-5043	Phone	919-543-0165
Fax		Fax	919-254-9751
E-mail		E-mail	tice@us.ibm.com

8.2 TECHNICAL COORDINATORS.

SUPPLIER		BUYER	
- - - - -		- - - - -	
Name	Biswa Ghosh	Name	Andy Huryn
Title	Director Volume Platform Development	Title	BladeCenter Fibre Channel Technical Manager
Address	1745 Technology Drive San Jose, CA	Address	3039 Cornwallis Rd RTP, NC 27709
Phone	408-333-1753	Phone	919-254-9686
Fax		Fax	919-543-2820
E-mail		E-mail	ahuryn@us.ibm.com

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INTEGRATED STATEMENT OF WORK FOR PRODUCTION PROCUREMENT GOODS AGREEMENT

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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		BUYER	
- - - - -		- - - - -	
Name	General Counsel, Legal Department	Name	Robert Tice
Title		Title	OEM Commodity Manager
Address	1745 Technology Drive San Jose, CA 95110	Address	3039 Cornwallis Road Raleigh, NC 27709-2195
Phone		Phone	919-543-0165
Fax		Fax (Fax notice shall be valid only when verbal confirmation of receipt is obtained.)	919-254-9751
E-mail		E-mail	tice@us.ibm.com

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INTEGRATED STATEMENT OF WORK FOR PRODUCTION PROCUREMENT GOODS AGREEMENT

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MONTHLY WARRANTY ANALYSIS REPORT

SUPPLIER NAME: _____
MONTH: _____

Buyer P/N	Description	Barcode	Symptoms	Actual Finding	Explanation Code	Root Cause Analysis	Action Taken to Fix
-----------	-------------	---------	----------	----------------	------------------	---------------------	---------------------

SUMMARY REPORT

Total Units Repaired in Current Month []

Total Warranty Claims Received

Actual Warranty Accepted

Warranty %

High Flyers (more than __%) High Flyers Require a Corrective Action Plan and Date of Implementation.

EXPLANATION CODE	DESCRIPTION
Code 03	Warranty Expired
Code 04	Missort
Code 07	Cannibalized or Missing Parts
Code 08	Warranty Product Received
Code 09	Physical Damage
Code 10	No Defect Found
Code 11	Other

ATTACHMENT 2
SUPPLIER QUALITY ATTACHMENT

This Supplier Quality Attachment ("SQA") adopts and incorporates by reference the terms and conditions of SOW # ("SOW") and Goods Agreement # ROC-P-68 ("Agreement") between Buyer and Supplier.

1.0 INCORPORATION OF SQA DOCUMENTS

The SQA consists of this document, and applicable product specification documents and specifications as referenced in Section 2.0 of SOW# 4903RL1112 and Section 1.0 of Attachment 1, SOW# 4903RL1112, which were in effect upon execution of this SQA.

2.0 QUALITY REQUIREMENTS

The requirements of this SQA shall constitute Supplier's quality program which must be implemented and maintained during the term of the SOW.

Supplier will set forth the yearly quality and reliability performance commitments for the current year and through the remainder of the initial term of the SOW in a product quality report ("PQR"). The PQR shall include the mutually agreed product monitoring plan to be used to validate the effectiveness of process control limits and the Product meets the quality and reliability defined in such PQR. It is Buyer's expectation that Supplier will use e-business platforms (Web based applications) for ongoing real time quality management, including but not limited to information associated with Supplier Quality Management Systems ("SQMS") and Product Change Notification ("PCN"), etc. or as specified in the PQR.

3.0 ISO REQUIREMENTS

For ISO compliance, Supplier's contracted manufacturer is ISO 9001* compliant ("Compliant").

* Note: ISO 9001 & 9004 have been developed as a consistent pair of quality management system standards. ISO 9001 is considered the standard by which the Supplier is expected to be compliant with; it is understood ISO 9004 provides a wider range of guidelines of objectives than ISO 9001, particularly for the continuous improvement of an organization's overall performance and efficiency. ISO 9004 is recommended as a guide to assist those suppliers who wish to move beyond the basic requirements of ISO 9001.

4.0 AUDITS

On a periodic basis, upon reasonable prior written notice, the Buyer or Buyer's quality representative shall conduct audits/visits at the Supplier's and Supplier's contract manufacturer's manufacturing locations. The Supplier shall, at Buyer's request, permit access to the auditors to manufacturing operations and/or inspection of Products for Buyer, including access to the contract manufacturer's facilities. Any such audit is subject to the contract manufacturer's security requirements and shall not allow access to contract manufacturer's proprietary or confidential information. Periodic audits shall include process control, quality inspection test data, internal audit reports, and other information solely related to Products to verify compliance to the terms of this SQA. Under normal circumstances, Supplier shall be given at least a two weeks advance written notice by Buyer's representatives of their intent to visit. Buyer's inspection of Product at the Supplier or contract manufacturer shall not relieve the Supplier's responsibility to furnish Product compliant with the applicable written specifications as set forth in the SOW. Any Confidential Information exchanged in connection with the audit shall be handled in accordance with Section 14.6 of the Goods Agreement (ROC-P-68, dated April 15, 1999).

5.0 DOCUMENT CONTROL

Supplier shall use commercially reasonable efforts to ensure that all documents such as software/firmware, engineering drawings, specifications, contracts, policies, procedures, manufacturing process flow chart, and work instructions (including test procedures) to be under revision control and available to all necessary Supplier personnel in Supplier's manufacturing

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environment. Supplier shall have a system for the effective updating/removal of any obsolete documentation from all manufacturing areas.

6.0 RECORDS

Supplier shall establish and maintain procedures for identification, collection, indexing, filing, storage, maintenance, and disposition of all quality records including, but not limited to: Statistical Process Control ("SPC") data. This includes raw data or control charts, Cp and Cpk for critical/identified process parameters, and all records which provide evidence of sub-tier supplier activity, such as source inspections and First Article inspections, and records of all inspection and test activity to provide objective evidence that Products have passed acceptance criteria. Records shall be maintained for the life of the SOW plus the entire warranty period, as set forth in the SOW. All records shall be maintained in a central location and shall upon request be made available to Buyer's quality representative for review only. All such documents shall be deemed to be the Confidential Information of Supplier.

7.0 CONTINUOUS IMPROVEMENT PROCESS

Supplier shall develop and implement a continuous improvement process that will provide for a cost-effective reduction in process-related excursions. The program, at a minimum, shall include: the supplier management strategy; manufacturing process controls (i.e., Maverick Product Elimination); a documented, systematic approach for identifying focus areas for continuous improvement for the current year, through the end of the term of the SOW, or for three years from the start of the SOW, whichever is shorter; and Early Failure Rate, Intrinsic Failure Rate, Shipped Product Quality Level and Failure Rate commitment and reduction plans to achieve Buyer goals. Supplier shall provide, at Buyer's request, status of the continuous improvement process and results.

8.0 QUALITY PROBLEM NOTIFICATION TO BUYER

Supplier must notify Buyer of any quality or reliability problem which may affect Products, that have been identified by Supplier's internal testing (i.e., process control data, internal test data, burn-in data, etc.), by contract manufacturers which produce Products on behalf of Supplier, or by another customer (see ISO 9001). In case of problems, Supplier shall provide Buyer with the requested traceability data (p/n, lot number, date code, volumes, ship to locations, etc.) [*]. The notification should include an immediate containment plan and a schedule for definition and implementation of permanent corrective actions. [*]

9.0 PRODUCT RE-QUALIFICATION COSTS

Following Buyer qualification of the Product, Buyer reserves the right to re-qualify any product if the Supplier changes the manufacturing process or product (form, fit or function), or; raw materials or specifications which may affect performance, function, quality or reliability. Supplier shall bear the reasonable costs of any re-qualifications required for changes made without Buyer's approval in accordance with Section 6.0 of the SOW.

10. PART HISTORY

Supplier shall maintain a history file for each Product part number manufactured that tracks: materials and/or design changes controlled by the supplier; design changes controlled by Buyer (engineering changes, etc.), and; and purchased part manufacturer source changes.

11. PART QUALITY

Unless otherwise specifically agreed upon within the SOW, Supplier shall be responsible for the quality levels of each of Supplier's components that comprise the Product or final assembly, except with respect to GBICs or SFPs, if any. If applicable, Supplier agrees to make available to Buyer third party warranties for GBICs or SFPs, to the extent Supplier is permitted to pass through such warranties to Buyer.

12. CORRECTIVE ACTION PROCESS

Following a lot rejection by Buyer under Section 6.0 of the Goods Agreement, or a quality problem notification under Section 8 of this SQA, Supplier shall implement a corrective action process which shall provide documentation to identify the following: a) Specific defect description and failure mechanism; b) Containment of affected Product; c) Technical investigation/root cause analysis; d) Corrective action plan and preventive actions to preclude a recurrence, and; e) Verification of effectiveness of actions. With the exception of safety defects which Supplier shall provide a complete failure analysis not to exceed [*] from notification, failure analysis response times from Supplier will be within [*] of Buyer's lot rejection or the quality problem notification for preliminary analysis and [*] for detailed analysis. The corrective action process shall include a checkpoint to determine if additional Products are exposed and the corrective action process and documentation specified within this Section.

13. EXCEPTION APPROVAL PROCESS

Supplier shall not knowingly ship nonconforming Product to Buyer without written approval from Buyer's quality representative. In certain cases, Buyer's quality representative may approve shipment of suspected nonconforming Product if an evaluation plan pre-approved by the quality representative is executed with results acceptable to the representative.

14. REVIEW AND DISPOSITION OF NONCONFORMING PRODUCTS

If Supplier intends to ship nonconforming Product to Buyer, then Supplier shall implement a Material Review Board ("MRB") to review and determine the disposition of nonconforming materials. At a minimum, the MRB shall consist of representatives from manufacturing, engineering and quality engineering. The Supplier's process shall include the following dispositions: a) Rework - product reworked to meet specified requirements; b) Use as Is - No actions taken on Product, Product does not meet specified requirements but is functional; c) Repaired - product has been reworked to be functional but does not meet specified requirements; d) Scrap - Product not useable and does not meet specified requirements, or; e) Screen - additional product test/inspection to meet specification. Any plans to rework or repair nonconforming materials shall be subject to final approval by Buyer's quality representative, such approval not to be unreasonably withheld. Any plans to use as-is must be pre-approved by Buyer's quality representative. All MRB records shall be maintained by Supplier and upon request, made available to Buyer for review. All MRB records shall be deemed the Confidential Information of Supplier.

15. PRODUCT IDENTIFICATION AND LOT TRACEABILITY

Supplier shall establish and maintain procedures and processes for the identification and lot traceability of critical components during all stages of production, delivery, and installation per applicable ISO standards. Identification must be traceable through to the finished Product by serial numbers or equivalent methods. Both forward and backward traceability shall be available. Response time for traceability requests shall not exceed [*].

16. QUALITY REPORTING

Monthly executive summary reports in a format mutually agreed upon format shall be forwarded to Buyer at a mutually agreeable time or as specified in specific PQRs. Continuous quality reporting real time will be via SQMS or as specified in specific PQRs.

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17. SUPPLIER QUALITY & RELIABILITY ("SQR") REVIEW MEETINGS

Buyer requires regular Supplier quality/reliability meetings determined by a mutually agreeable schedule, to increase visibility into product and field performance. The intent is to conduct timely meetings in preparation for future business reviews/contractual negotiations. The agenda for the meeting shall be as set forth in exhibit 1 unless otherwise mutually agreed by the parties.

18. APPLICABLE PRODUCT SPECIFICATIONS & TESTS

- a. ISO 2859-1 (SAMPLING PROCEDURES FOR INSPECTION BY ATTRIBUTES)
- b. ISO 3951 (SAMPLING PROCEDURES FOR INSPECTION BY VARIABLES)

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SUPPLIER QUALITY ATTACHMENT (CONT.)

EXHIBIT 1. QUALITY REVIEW MEETING AGENDA

The following typical meeting agenda has been formulated to address all the pertinent quality/reliability topics.

- a) Supplier facility and subcontractor locations where BUYER product is fabricated, assembled and tested Physical addresses and line id's
Review Group A, B, C test results
- b) Average Outgoing Quality (AOQ) fallout for SUPPLIER and total customer database
Defect and root cause analysis
Pareto distribution of fails
Corrective action and data verification
Point of origin and incidence contributions associated with internal, assembly and final test operations.
- c) Field Return data for BUYER and total customer database
EFR/IFR estimates
Defect and root cause analysis
Pareto distribution of fails and associated POH distribution for Buyer and total customer database
Failure mechanism driven corrective actions
- d) In-Process monitoring data
Defect monitoring, elimination and analysis results
Modeling techniques - Experimental, Analytical Analysis
SPC parameter and control limits - data review
Maverick Product Elimination occurrences (if applicable) and related data
Yield cut limit compliance
- e) Internal Audit Results
Last internal audit findings and corrective action of one manufacturing location & future audit plans
- f) PCN activity since last BUYER meeting
Product, process, materials or specifications affecting form, fit or function
Traceability history for date code inception
- g) Continuous Improvement Program for entire fab, assembly, test and field performance
AOQ and Failure Rate Improvement targets for next 3 years
- h) Specification Compliance/Commitment to " BUYER Specifications"
Any deviations/exceptions? If so, provide details and traceability information.
- i) Joint discussion followed by a summary wrap-up and activities

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ATTACHMENT 3
[*]

The [*] questionnaire may be used to cover one complete [*], even if that Developed Works includes multiple modules. Write "not applicable" or "N/A" if a question is not relevant to the furnished software material.

- The following [*] applies to all [*] described in this Statement of Work.

- [*]

1) [*]

a) [*]

b) [*]

c) [*]

2) [*]

- [*]

- [*]

- [*]

- [*]

Although the answers above are correct to the best of our knowledge, they are provided for informational purposes only. Any warranties on the software and associated hardware products shall be as provided in the Goods Agreement between Supplier and Buyer. Accordingly, provision by Supplier of the information in this document shall create no additional warranties of any kind beyond those in the Goods Agreement, and Supplier shall have no liability, unless otherwise expressly provided in the Goods Agreement, related to the provision of this information.

Authorized Signature: _____

Name: _____

Title: _____

Date: _____

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[BROCADE LOGO]

Brocade Communications Systems, Inc.
1745 Technology Drive
San Jose CA 95110
408-487-8000

[*]
AFFIDAVIT OF MANUFACTURER

I declare that the following products are manufactured by Brocade Communications Systems, Inc. or a sub-contractor of Brocade, at one the following locations:

Solectron Corp. 1000 Technology Drive West Columbia SC 29170 USA	Solectron Corp. 260 South Milpitas Blvd. Milpitas CA 95035 USA	Solectron Corp. 3803 Cherry St. Newark CA 94560 USA
---	---	--

Hon Hai Precision/Foxconn-NSG Tech. 1705 Junction Ct. #205 San Jose CA 95112 USA	Hon Hai Industries-Foxconn 8801 Fallbrook Drive Houston, TX 77064 Long
---	---

Hon Hai Industries- Foxconn
No. 2, 2nd Donghuan Road
10th You Song Industrial District
Long Hua Town, Baoan, Shenzhen, Gua, China

Products:

(signature)

(printed name)

(title)

(date)

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ATTACHMENT 5
FULFILLMENT

PARTIES AGREE TO NEGOTIATE IN GOOD FAITH TERMS AND CONDITIONS RELATING TO THE
FULFILLMENT OF PRODUCT BY SUPPLIER TO BUYER'S DISTRIBUTION HUBS TO BE ADDED BY
AMENDMENT TO THIS SOW NO LATER THAN FEBRUARY 15, 2004.

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Amendment No.4
Purchase Agreement

This Amendment No. 4 ("the Amendment") to the Purchase Agreement (the "Agreement") dated January 25, 2000 by and among Brocade Communications Systems, Inc., a corporation organized under the laws of the State of Delaware, U.S.A., and having its principal place of business at 1745 Technology Drive, San Jose, California 95110 ("Brocade-US"), and Brocade Communications Switzerland SarL., a corporation organized under the laws of Geneva, and having its principal place of business at 29-31 Route de l'Aéroport, Case Postale 105 CH-1215 Geneva 15, Switzerland ("Brocade-Switzerland"), (collectively "SUPPLIER") and EMC Corporation, ("EMC"), a Massachusetts corporation, is made this 29 day of October 2003 by and between SUPPLIER and EMC and commences on the date accepted and executed by SUPPLIER ("Effective Date"). [*].

WHEREAS, the parties wish to amend the Agreement to [*], replace Exhibit A (Product and Repair Pricing EMC Approved Logistics Partners) to [*].

NOW THEREFORE, IN CONSIDERATION OF THE ABOVE AND THE OTHER RESPECTIVE PROMISES OF THE PARTIES SET FORTH HEREIN, THE PARTIES HERETO AGREE AS FOLLOWS:

1) In addition, Exhibit A is replaced in its entirety with the attached Exhibit A to incorporate [*].

2) Term. Pursuant to Section [*] of the Agreement, the parties agree to [*]. To date, the contract has been in full force without interruption from the original date of signing (January 25, 2000), and furthermore, it is the intent of the parties to [*]

3) Supplier Address. Section 24.10 is hereby modified to replace the Supplier Address with the following: 1745 Technology Drive, San Jose, CA 95110.

4) No Other Changes. All Other terms and conditions of the Agreement shall remain unchanged.

5) Counterparts. This Amendment may be executed in two or more counterparts, all of which, taken together, shall be regarded as one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 4 to OEM Purchase and License Agreement by their duly authorized representatives. Such

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execution of the Amendment may be in three counterparts, each of which shall be an original and together which shall constitute one and the same instrument.

Executed and agreed to:

Brocade Communications Systems, Inc.
("Supplier")

Signature: /s/ Jack Cuthbert

Name: Jack Cuthbert

Title: V.P. OEM Sales

Date: 12-01-03

Brocade Communications Switzerland, SarL
("Supplier")

Signature: /s/ Ian Whiting

Name: Ian Whiting

Title: Managing Officer
Place: Geneva, Switzerland

Date: 5-December-2003

Executed and agreed to:

EMC Corporation

Signature: /s/ William Monagle 11/25/03

Name: William Monagle Vice President

Title: Corporate Procurement EMC
Corporation

Date:

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Revisions: Correction to SW12000 door kit pricing and changes/additions to Security pn#s.

and the addition of Dell Sport Switch, reduced SW12000 door kit pricing, and added legal verbiage from Amendment 2.

BRCD PN#	EMC PN#	REV	EMC MODEL#	DESCRIPTION	PRICE
-----	-----	---	-----	-----	-----
[*]	[*]	A02	[*]	2GB, 8 PORT ENTRY-FABRIC SWITCH (WEBTOOLS, ZONING)	
[*]	[*]	A01	[*]	2GB. 8 PORT FULL-FABRIC SWITCH (WEBTOOLS, ZONING)	
[*]	[*]	A00	[*]	FRU. SFP, SWL, 1PK (FINISAR ONLY)	
[*]	[*]	A01	[*]	FRU, SFP, LWL, 1 PK (FINISAR ONLY)	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, TRUNKING	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, FABRIC WATCH	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, EXTENDED FABRIC	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, PERFORMANCE MONITOR	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, QUICKLOOP	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, EMC BUNDLE (TRK, FWH, EXF, PRF)	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE UPGRADE ENTRY-FULL: BUNDLED	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE UPGRADE ENTRY-FULL: POST SALE	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, SECURE OS	
[*]	[*]	A08	[*]	2GB, 16 PORT SWITCH (WEBTOOLS, ZONING)	
[*]	[*]	00	[*]	FRU, POWER SUPPLY	
[*]	[*]	00	[*]	FRU, FAN	
[*]	[*]	A00	[*]	FRU, SFP, SWL, 1PK (FINISAR ONLY)	
[*]	[*]	A01	[*]	FRU, SFP, LWL, 1 PK (FINISAR ONLY)	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, TRUNKING	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, FABRIC WATCH	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, EXTENDED FABRIC	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, PERFORMANCE MONITOR	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, QUICKLOOP	
[*]	[*]	NA	[*]	OPTIONAL SOFTWARE, EMC BUNDLE (TRK, FWH, EXF, PRF)	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, SECURE OS	
[*]	[*]	A03	[*]	2GB, 32 PORT SWITCH (WEBTOOLS, ZONING)	
[*]	[*]	A01	[*]	FRU, POWER SUPPLY	
[*]	[*]	A01	[*]	FRU, FAN	
[*]	[*]	A00	[*]	FRU, SFP, SWL, 1PK (FINISAR ONLY)	
[*]	[*]	A01	[*]	FRU, SFP, LWL, 1PK (FINISAR ONLY)	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, TRUNKING	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, FABRIC WATCH	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, EXTENDED FABRIC	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, PERFORMANCE MONITOR	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, EMC BUNDLE (TRK, FWH, EXF, PRF)	
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, SECURE OS	

NOTE (1): THE ANNUAL FEE TOR SOFTWARE MAINTENANCE IS \$200. THE ABOVE PRICE INCLUDES THE PURCHASE OF SOFTWARE MAINTENANCE FOR AN INITIAL TERM OF ONE YEAR, COMMENCING ON THE DATE OF PURCHASE, AND AN AUTOMATIC RENEWAL FOR A SUBSEQUENT ONE YEAR TERM. FEES FOR SOFTWARE MAINTENANCE DURING THESE PERIODS ARE NON-REFUNDABLE. THEREAFTER, SOFTWARE MAINTENANCE MAY BE RENEWED FOR ADDITIONAL ONE YEAR PERIODS, AT EMC'S DISCRETION, FOR AN ANNUAL FEE OF \$200.

[*]	[*]	A04	[*]	2GB, 64 PORT ENTERPRISE (WEBTOOLS, ZONING)	
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[*]	[*]	A01	[*]	FRU, CHASSIS
[*]	[*]	A00	[*]	FRU, PORT CARD WITH OPTICS
[*]	[*]	A00	[*]	FRU, CP
[*]	[*]	A00	[*]	FRU, POWER SUPPLY
[*]	[*]	NA	[*]	FRU, POWER CORD, NO AMERICAN
[*]	[*]	NA	[*]	FRU, POWER CORD, UK/IRE
[*]	[*]	NA	[*]	FRU, POWER CORD, CONT EU
[*]	[*]	NA	[*]	FRU, POWER CORD, AUST/NZ
[*]	[*]	NA	[*]	FRU, POWER CORD. OTHER 230V
[*]	[*]	NA	[*]	FRU, BROCADE RACKMOUNT KIT
[*]	[*]	A00	[*]	FRU, BLOWER
[*]	[*]	NA	[*]	FRU, WWN BEZEL
[*]	[*]	A00	[*]	FRU, WWN CARD
[*]	[*]	NA	[*]	FRU, CHASSIS DOOR
[*]	[*]	NA	[*]	FRU, PORT CARD SLOT FILLER
[*]	[*]	NA	[*]	FRU, CABLE MANAGEMENT TRAY
[*]	[*]	NA	[*]	FRU, BLADE BOX PACKAGING ONLY
[*]	[*]	NA	[*]	FRU, BLOWER BOX PACKAGING ONLY
[*]	[*]	A02	[*]	FRU, EMC CUSTOM DOOR KIT
[*]	[*]	A00	[*]	FRU, SFP, SWL, 1 PK [FINISAR ONLY]
[*]	[*]	A01	[*]	FRU, SFP, LWL, 1 PK (FINISAR ONLY)
[*]	[*]	NA	[*]	OPTIONAL SOFTWARE, TRUNKING
[*]	[*]	NA	[*]	OPTIONAL SOFTWARE, FABRIC WATCH
[*]	[*]	NA	[*]	OPTIONAL SOFTWARE, EXTENDED FABRIC
[*]	[*]	NA	[*]	OPTIONAL SOFTWARE, PERFORMANCE MONITOR
[*]	[*]	NA	[*]	OPTIONAL SOFTWARE, EMC BUNDLE (TRK, FWH, EXF, PRF)
[*]	[*]	A01	[*]	OPTIONAL SOFTWARE, SECURE OS

NOTE(1): THE ANNUAL FEE FOR SOFTWARE MAINTENANCE IS \$400. THE ABOVE PRICE INCLUDES THE PURCHASE OF SOFTWARE MAINTENANCE FOR AN INITIAL TERM OF ONE YEAR, COMMENCING ON THE DATE OF PURCHASE, AND AN AUTOMATIC RENEWAL FOR A SUBSEQUENT ONE YEAR TERM. FEES FOR SOFTWARE MAINTENANCE DURING THESE PERIODS ARE NON-REFUNDABLE. THEREAFTER, SOFTWARE MAINTANANCE MAY BE RENEWED FOR ADDITIONAL ONE YEAR PERIODS, AT EMC'A DISCRETION, FOR AN ANNUAL FEE OF \$400.

[*]	[*]	NA	[*]	FM 4.0 BASE
[*]	[*]	NA	[*]	FM 4.0 STANDARD
[*]	[*]	NA	[*]	FM 4.0 ENTERPRISE
[*]	[*]	NA	[*]	FM 3.0 UPGRADE
[*]	[*]	NA	[*]	FM 4.0 BASE TO STANDARD UPGRADE
[*]	[*]	NA	[*]	FM 4.0 BASE TO ENTERPRISE UPGRADE
[*]	[*]	NA	[*]	FM 4.0 STANDARD TO ENTERPRISE UPGRADE

NOTE: THE ABOVE PRICES INCLUDE THE PURCHASE OF SOFTWARE MAINTENANCE FOR AN INITIAL TERM OF ONE YEAR, COMMENCING ON THE DATE OF PURCHASE, AND AN AUTOMATIC RENEWAL FOR A SUBSEQUENT ONE YEAR TERM. FEES FOR SOFTWARE MAINTENANCE DURING THESE PERIODS ARE NON-REFUNDABLE. THEREAFTER, SOFTWARE MAINTENANCE MAY BE RENEWED FOR ADDITIONAL ONE YEAR PERIODS, AT EMC'S DISCRETION, FOR AN ANNUAL FEE AS FOLLOWS. EM-FMG4-0000-9 \$1,200; EM-FMG4-0010-S \$900; EM-FMG4-7000-S \$675; EM-FMG4-9000-S \$900; EM-FMG4-9004-S \$750; EM-FMG4-9010-S \$450.

THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE (this "Third Amendment") is made this 30th day of November, 2000, by and between Spieker Properties, L.P., a California limited partnership ("Landlord"), and Brocade Communications Systems, Inc., a Delaware corporation ("Tenant").

WHEREAS, Landlord and Tenant entered into a Lease dated December 17, 1999 (the "Original Lease"), as modified by that certain First Amendment to Lease dated as of February 16, 2000 (the "First Amendment"), as modified by that certain Second Amendment to Lease dated as of August 11, 2000 (the "Second Amendment"), for those certain premises located at 1745 Technology Drive (approximately 210,577 rentable square feet) and 1741 Technology Drive (approximately 60,710 rentable square feet), San Jose, California (the "Original Premises"), each as more fully described in the Lease. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Lease; and

WHEREAS, Landlord and Tenant desire to modify the Lease as provided herein.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, the parties hereby mutually agree as follows:

1. The following shall be added to and made a part of the Lease as a new Paragraph 39. H: Roof Rights.
 1. During the Term, Tenant shall have the nonexclusive right to install on the roof of the Building, one (1) satellite dish(s) which is no more than eighteen (18) inches in diameter and does exceed thirty (30) pounds installed, which shall be enclosed by a screen and the nonexclusive right to run connecting lines or cables therein from the Premises (such satellite dish/antennae and such connecting lines and related equipment herein referred to collectively as the "Equipment"). Tenant shall not penetrate the roof in connection with any installation or reinstallation of the Equipment without Landlord's prior written consent, which may be withheld in Landlord's sole discretion. The plans and specifications for all the Equipment shall be delivered by Tenant to Landlord for Landlord's review and approval. Such plans and specifications, including, without limitation, the location of the Equipment, shall be approved by Landlord in writing prior to any installation. In no event shall the Equipment or any portion thereof be visible from street level. Prior to the commencement of any installation or other work performed on or about the Building, Landlord shall approve all contractors and subcontractors which shall perform such work. Tenant shall be responsible for any damage to the roof, conduit systems or other portions of the Building or Building systems as a result of Tenant's installation, maintenance and/or removal of the Equipment.
 2. Tenant shall pay to Landlord, as "additional rent", Seven Hundred Fifty Dollars (\$750.00) per month for the use of the roof and roof space to accommodate Tenant's Equipment, which shall be due and payable on the first day of each month with each Installment of Base Rent hereunder.
 3. Tenant, at Tenant's sole cost and expense, shall comply with all Regulations regarding the installation, construction, operation, maintenance and removal of the Equipment and shall be solely responsible for obtaining and maintaining in force all permits, licenses and approvals necessary for such operations.
 4. Tenant shall be responsible for and promptly shall pay all taxes, assessments; charges, fees and other governmental impositions levied or assessed on the Equipment or based on the operation thereof.
 5. Landlord may require Tenant, at Tenant's sole cost and expense, to relocate the Equipment during the Term to a location approved by Tenant, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant shall not change the location of, or alter or install additional Equipment or paint any of the other Equipment without Landlord's prior written consent.
 6. Operation of the Equipment shall not interfere in any manner with equipment systems or utility systems of other tenants of the Project, including without limitation, telephones, dictation equipment, lighting, heat and air conditioning, computers, electrical systems and elevators. If operation of the Equipment causes such interference, as determined by Landlord in Landlord's reasonable discretion, Tenant immediately shall suspend operation of the Equipment until Tenant eliminates such interference.
 7. Tenant shall maintain the Equipment in good condition and repair, at Tenant's sole cost and expense. Landlord may from time to time require that Tenant repaint the satellite dishes at Tenant's expense to keep the same in an attractive condition. In the event that Tenant fails to repair and maintain the Equipment in accordance with this Lease, Landlord may, but shall not be obligated to make any such repairs or perform any maintenance to the Equipment and Tenant shall reimburse Landlord upon demand for all costs and expenses incurred by Landlord in connection therewith, plus a reasonable administrative fee.
 8. Tenant may access the roof for repair and maintenance of the Equipment, only during normal business hours, on not less than 24 hours prior written notice to Landlord. Tenant shall designate in writing to Landlord all persons whom Tenant authorizes to have access to the roof for such purposes. Upon such designation and prior identification to

Landlords' building security personnel, such authorized persons shall be granted access to the roof by Landlord's building engineer. Tenant shall be responsible for all costs and expenses incurred by Landlord in connection with Tenant's access to the roof pursuant to this Paragraph. Landlord or Landlord's agent may accompany Tenant during such access.

9. Tenant shall indemnify, defend, protect and hold harmless Landlord from and against any and all claims related to the Equipment or operation of the same as if the Equipment were located wholly within the Premises. Tenant shall provide evidence satisfactory to Landlord that Tenant's property and liability insurance policies required under this Lease include coverage for the Equipment and any claim, loss, damage, or liability relating to the Equipment.
10. Landlord shall have no responsibility or liability whatsoever relating to (i) maintenance or repair of the Equipment, (ii) damage to the Equipment; (iii) damage to persons or property relating to the Equipment or the operation thereof; or (iv) interference with use of the Equipment arising out of utility interruption or any other cause, except for injury to persons or damage to property caused solely by the active negligence or intentional misconduct of Landlord, its agents or any other parties related to Landlord. In no event shall Landlord be responsible for consequential damages. Upon installation of the Equipment, Tenant shall accept the area where the Equipment is located in its "as is" condition. Tenant acknowledges that the roof location of the Equipment is suitable for Tenant's needs, and acknowledges that Landlord shall have no obligation whatsoever to improve, maintain or repair the area in which the Equipment will be installed.
11. Tenant shall use the Equipment solely for Tenant's operations associated with the Permitted Use and within Tenant's Premises and shall not use or allow use of the Equipment, for consideration or otherwise, for the benefit of other tenants in the Building or any other person or entity.
12. Tenant shall, at Tenant's sole cost and expense, remove such portions of the Equipment as Landlord may designate upon the expiration or earlier termination of this Lease, and restore the affected areas to their condition prior to installation of the Equipment. If Tenant fails to so remove the Equipment, Landlord reserves the right to do so, and the expense of the same shall be immediately due and payable from Tenant to Landlord as additional rent, together with interest and late charges as provided in this Lease, plus a reasonable administrative fee.

Except as expressly modified above, all terms and conditions of the Lease remain in full force and effect and are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have entered into this Second Amendment as of the date first written above.

<p>LANDLORD:</p> <p>Spieker Properties, L.P., A California limited partnership</p> <p>By: Spieker Properties, Inc., a Maryland corporation its General Partner</p> <p>By: /s/ John W. Peterson ----- John W. Peterson</p> <p>Its: Senior Vice President</p>	<p>TENANT:</p> <p>Brocade Communications Systems, Inc. a Delaware corporation</p> <p>By : /s/ Michael J. Byrd ----- Michael J. Byrd</p> <p>Its : Vice President, Finance Chief Financial Officer</p> <p>By : /s/ Victor Rinkle ----- Victor Rinkle</p> <p>Its: Vice President, Operations</p>
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FOURTH AMENDMENT

THIS FOURTH AMENDMENT (the "AMENDMENT") is made and entered into as of the 18th day of November, 2003, by and between CA-THE CONCOURSE LIMITED PARTNERSHIP, A DELAWARE LIMITED PARTNERSHIP ("LANDLORD"), and BROCADE COMMUNICATIONS SYSTEMS, INC., A DELAWARE CORPORATION ("TENANT").

RECITALS

- A. Landlord (as successor by conversion to EOP-The Concourse, L.L.C., a Delaware limited liability company, the successor in interest to Spieker Properties, L.P., a California limited partnership) and Tenant are parties to that certain lease dated December 17, 1999 (the "ORIGINAL LEASE"), which Original Lease has been previously amended by instruments dated February 16, 2000 (the "FIRST AMENDMENT"), August 11, 2000 (the "SECOND AMENDMENT") and November 30, 2000 (the "THIRD AMENDMENT") (collectively, the "LEASE"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately 271,387 rentable square feet (the "PREMISES") comprised of all of the rentable area, approximately 210,667 rentable square feet, in the building commonly known as The Concourse VI located at 1745 Technology Drive, San Jose, California ("BUILDING VI"), and 60,710 rentable square feet described as Suite Nos. 250, 260, 300 and 500 on the 2nd, 3rd and 5th floors of the building commonly known as The Concourse V located at 1741 Technology Drive, San Jose, California ("BUILDING V") in the project commonly known as "THE CONCOURSE".
- B. Tenant and Landlord mutually desire that the Lease be amended on and subject to the following terms and conditions. Terms capitalized and not defined herein shall have the definition given them in the Lease or Exhibit A attached hereto.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

- I. APPROVAL OF ALTERATIONS. Landlord and Tenant agree that, effective as of the date hereof, Tenant has made and Landlord approved all Alterations made by Tenant in Building VI prior to the date this Amendment, including, without limitation, certain Alterations related to the Building VI HVAC systems (the "HVAC Related Alterations") and certain other Alterations, all as listed in Section I of Exhibit A attached hereto (collectively the "EXISTING ALTERATIONS"). Landlord and Tenant acknowledge and agree that certain other Alterations listed on Section II of Exhibit A attached hereto are Existing Alterations that have been made and shall be deemed approved by Landlord, on the same terms and conditions contained herein (subject to no additional fee or removal requirements except as expressly provided in the initial approval and in this Amendment), if Tenant provides Landlord with written evidence of such approval no later than December 31, 2003. If no such evidence of approval (or deemed approval pursuant to Section 12(C) of the Lease) is provided to Landlord by December 31, 2003, then such Alterations shall thereafter be subject to Landlord's approval and may be required to be removed upon expiration or termination of this Lease to the extent provided in the Lease.
- A. Conditions of Approval of Alterations.

- (1) Administrative Fee. Tenant shall, upon the execution of this Amendment, pay Landlord an administration fee of fifty thousand dollars (\$50,000), which shall be deemed to be equal to 5% of the cost of the Existing Alterations, as required by Section 12 of the Lease.
- (2) Representations and Warranties. As of the date of this Amendment, Tenant represents and warrants that the following are true:
 - (a) Exhibit A hereto contains an accurate and complete description of all Alterations constructed by or on behalf of Tenant in the Premises after the date of the Original Lease and through the date of this Amendment (provided that the parties acknowledge that some of the items listed on Exhibit A are Tenant Improvements).
 - (b) All of the HVAC Related Alterations were installed in accordance with all applicable laws and regulations and as otherwise described in Exhibit A hereto.
 - (c) Tenant has provided Landlord a copy of all invoices, receipts, written documentation and warranties applicable to the Existing Alterations and the work performed in connection with the Existing Alterations to the extent required under the Lease.
 - (d) The terms of Section 8 (regarding Insurance and Indemnification) of the Lease shall specifically apply to the HVAC Related Alterations, including, without limitation, to the roof space or portions of the roof accessed or utilized by Tenant, its representatives, agents, employees or contractors.

B. Covenants. As of January 1, 2004, and for the remainder of the term of this Amendment, including any extension thereof (the "TERM"), Tenant shall be responsible for those matters set forth in this Section B:

- (a) Tenant shall be responsible for any increased costs to Building VI or The Concourse generated by the HVAC Related Alterations, including, without limitation, all taxes, assessments, charges, fees and other governmental impositions levied or assessed on or because of the HVAC Related Alterations, and any increased electrical costs and the cost of installing a submeter if Building VI becomes a multi-tenant building and Landlord requires such a submeter to measure electrical consumption.
- (b) Tenant shall be solely responsible for the maintenance of the building systems serving Building VI for HVAC and all controls appurtenant thereto, including, without limitation, the HVAC Related Alterations (collectively, the "HVAC SYSTEMS"), provided that the HVAC Systems shall not include any component of those systems listed on Exhibit B hereto. In addition, Tenant shall be solely responsible for the maintenance of the secondary distribution electrical systems (as more

clearly defined in Section III of Exhibit A attached hereto) serving the laboratories in Building VI and all controls appurtenant thereto (the "SECONDARY DISTRIBUTION SYSTEMS"). Tenant shall at all times maintain the HVAC Systems and Secondary Distribution Systems in a condition consistent with the operation of a first-class office building. Tenant's obligations hereunder include, without limitation, the replacement, at Tenant's sole cost and expense, of any portions of the HVAC Related Alterations and portions of the Existing Alterations related to the Secondary Distribution Systems (but not the remaining portions of the HVAC Systems or base building electrical systems, which shall be subject to Section 1(B)(g) below) if it would be commercially prudent to replace, rather than repair, such portions of the HVAC Related Alterations and such other Existing Alterations, regardless of whether such replacement would be considered a capital expenditure, provided that Tenant may, in its reasonable discretion and provided that such removal shall not negatively affect the overall condition of Building VI, elect to remove instead of replace any component of the HVAC Related Alterations, other Existing Alterations or Secondary Distribution Systems at the end of such component's useful life. In addition, Tenant shall comply with all applicable laws (including permitting requirements) and shall provide Landlord with a copy of any drawings and correspondence related to securing permits, at the time transmitted, as well as current as-built drawings of the electrical plans for Building VI on June 30 and December 31 of each calendar year, which as-built plans shall depict the Secondary Distribution Systems.

- (c) In connection with Tenant's maintenance and repair obligations contained in subsection (b) above, Tenant shall, at its own cost and expense, enter into a preventive maintenance service contract with a maintenance contractor approved by Landlord, in its reasonable discretion, for servicing the HVAC Systems, and shall provide copies of such contract and periodic maintenance reports to Landlord. At Landlord's option, at any time in which an uncured event of default exists under the Lease, the maintenance service contract shall be prepaid on an annual basis. The maintenance contract shall specifically name Landlord as a third party beneficiary, with the right to receive copies of all notices delivered under such contract and the ability to exercise Tenant's rights thereunder, at Landlord's election, in connection with any cure of Tenant's default by Landlord, or any assumption by Landlord of Tenant's maintenance obligations with respect to the HVAC Systems.
- (d) Upon expiration or earlier termination of the Lease or Tenant's right to possession of the Premises, Landlord, at its option, shall have the right to require Tenant, at Tenant's sole cost and expense, to restore or remove any Alterations installed after the date of this Amendment (to the extent provided in the Lease). In addition, Tenant acknowledges and agrees that it shall, upon the expiration or earlier termination of the Lease or Tenant's right to possession of the

Premises, remove the 2'x4' ceiling grids and referenced in the letter to Sigmatech from Landlord (or its predecessor in interest) regarding same and dated February 17, 2000 (the "REMOVABLES"), and Tenant shall restore the area(s) affected by the Removables to the condition such areas were in prior to installation of such Removables, ordinary wear and tear excepted. Landlord acknowledges and agrees that Tenant shall not be required to remove or to restore the Transformer Alterations, Main Electrical Switchboard Alterations or any HVAC Equipment (each as defined in Exhibit A hereto) to the condition the transformers and related conductors were in prior to commencement of the Lease.

- (e) Any damage related to the installation, maintenance, operation and removal of the Existing Alterations (to the extent not caused by Landlord's gross negligence or intentional misconduct), shall be repaired by Tenant, in a manner previously approved by Landlord, or, in Landlord's sole and absolute discretion and with prior notice to Tenant, by Landlord or a third party contractor hired by Landlord, at the sole cost and expense of Tenant. This provision shall survive any expiration or termination of the Lease.
- (f) The Existing Alterations shall remain the property of Tenant (unless expressly the property of PG&E as provided in Exhibit A hereto) until the expiration or earlier termination of the Lease or Tenant's right to possession of the Premises, at which time they shall become the property of Landlord unless they are required to be removed by the express terms of this Amendment.
- (g) Landlord and Tenant acknowledge and agree that THE "LANDLORD MAINTAINED SYSTEMS" set forth in Exhibit B attached hereto shall be deemed included in Landlord's repair, maintenance and replacement obligations as provided in Section 10 of the Lease, and the cost of such repair, maintenance and replacement shall be included in Operating Expenses to be billed to Tenant as provided in Section 7 of the Lease to the extent they are properly included in the definition of "Operating Expenses". In addition, Landlord (and not Tenant) shall be responsible for the replacement of portions of the HVAC Systems and Electrical Systems, other than the HVAC Related Alterations and other Existing Alterations, and the cost of such replacement shall be included in Operating Expenses to be billed to Tenant as provided in Section 7 of the Lease to the extent they are properly included in the definition of "Operating Expenses". Landlord shall reasonably cooperate to maintain the BMS (as defined in Exhibit B) in the manner required for Tenant to operate the HVAC Systems, including by making temperature adjustments and programming adjustments reasonably required and noticed by Tenant during regular building hours. In connection with such maintenance of the BMS, Landlord shall promptly notify Tenant if as soon as reasonably possible after Landlord learns that the BMS is at any time not working, impaired or

damaged, and at the Tenant's request shall provide current documentation with respect to such maintenance and access to the BMS for purposes of inspection of same by the Tenant or as required by applicable Regulations. Landlord further agrees that Tenant shall have the right to add a stand-alone BMS unit within Building VI that would be sufficient to support the HVAC Systems, subject to Landlord's reasonable approval as provided in the Lease for Alterations. Landlord also agrees that Tenant shall have the right to read meters in the electrical rooms, inspect the base electrical systems in Building VI and make electrical repairs, provided that such repairs shall be performed by MCM, Cupertino Electric or another electrical contractor previously approved in writing by Landlord, and further provided that Tenant shall notify Landlord, in writing, of the nature of repairs.

II. OTHER PERTINENT PROVISIONS. Landlord and Tenant agree that, effective as of the date of this Amendment (unless different effective date(s) is/are specifically referenced in this Section), the Lease shall be amended in the following additional respects:

A. Landlord's Notice Addresses. The Basic Lease Information section of the Lease is hereby amended to reflect that notices to Landlord shall be addressed as follows:

Landlord:	With a copy to:
CA-The Concourse Limited Partnership c/o Equity Office 1740 Technology Drive Suite 150 San Jose, California 95110 Attention: Property Manager	Equity Office One Market Street Spear Tower, Suite 600 San Francisco, CA 94105 Attention: Regional Counsel- San Jose Region

Rent shall be made payable to the entity, and sent to the address, Landlord designates and shall be made by good and sufficient check or by other means acceptable to Landlord.

B. Waivers.

1. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932, Sections 1941 and 1942 of the California Civil Code (Repairs and Alterations), or any similar or successor laws now or hereinafter in effect.
2. REMEDIES. TENANT HEREBY WAIVES ANY AND ALL RIGHTS CONFERRED BY SECTION 3275 OF THE CIVIL CODE OF CALIFORNIA AND BY SECTIONS 1174 (c) AND 1179 OF THE CODE OF CIVIL PROCEDURE OF CALIFORNIA AND ANY AND ALL OTHER LAWS AND RULES OF LAW FROM TIME TO TIME IN EFFECT DURING THE LEASE TERM, AS AMENDED HEREBY, PROVIDING THAT TENANT SHALL HAVE ANY RIGHT TO REDEEM, REINSTATE OR RESTORE THIS LEASE FOLLOWING ITS TERMINATION BY

REASON OF TENANT'S BREACH. TENANT ALSO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS LEASE, AS HEREBY AMENDED.

III. MISCELLANEOUS.

- A. This Amendment and the following exhibits and attachments attached hereto, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. In no event shall this Amendment be construed as giving Tenant any new entitlement to any Rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in this Amendment.
- B. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.
- C. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.
- D. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.
- E. The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.
- F. Tenant hereby represents to Landlord that Tenant has dealt with no broker in connection with this Amendment. Tenant agrees to indemnify and hold Landlord, its members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents (collectively, the "LANDLORD RELATED PARTIES") harmless from all claims of any brokers claiming to have represented Tenant in connection with this Amendment. Landlord hereby represents to Tenant that Landlord has dealt with no broker in connection with this Amendment. Landlord agrees to indemnify and hold Tenant, its members, principals, beneficiaries, partners, officers, directors, employees, and agents, and the respective principals and members of any such agents (collectively, the "TENANT RELATED PARTIES") harmless from all claims of any brokers claiming to have represented Landlord in connection with this Amendment.
- G. Each signatory of this Amendment represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting.
- H. This Amendment may be executed in any number of identical counterparts, any

or all of which may contain the signatures of less than all of the parties, and all of which shall be construed together as but a single instrument.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.

LANDLORD:

CA-THE CONCOURSE LIMITED PARTNERSHIP, A
DELAWARE LIMITED PARTNERSHIP

By: EOM GP, L.L.C., a Delaware limited liability company, its
general partner

By: Equity Office Management, L.L.C., a
Delaware limited liability company, its non-member
manager

By: /s/ John W. Petersen

Name: John W. Petersen
Title: Regional Senior Vice President

TENANT:

BROCADE COMMUNICATIONS SYSTEMS, INC., A
DELAWARE CORPORATION

By: /s/ Antonio Canova

Name: Antonio Canova
Title: CFO

EXHIBIT A
EXISTING ALTERATIONS

I. The following Alterations have been made by Tenant to Building VI and have been previously approved by Landlord, some of which are part of the Tenant Improvements:

A. "MAIN ELECTRICAL SWITCHBOARD ALTERATIONS".

Prior to the completion of the Existing Alterations, 2 main electrical lines, or busses, served the electrical demand for Tenant's Premises in Building VI (i.e. 1745 Technology Drive). These busses were fed from one main electrical switchboard located in the main electrical room on the ground floor of Building VI. In order to balance the electrical load between these busses, Tenant relocated one of the busses from the main electrical switchboard to the second main electrical switchboard, also located in the main electrical room on the ground floor of Building VI.

Tenant completed the work, in accordance with the plans titled "Existing & New Single Line Design", consisting of Sheet E-39, prepared by Sasco, as engineered by Charles C. Nguyen, dated 2/1/2000, as last revised 6/9/2000, and referring to "Cadfile #0122-S dated 3/11/2002" (the "MAIN ELECTRICAL SWITCHBOARD ALTERATIONS"). Such work was performed by Sasco Valley Electric.

B. "TRANSFORMER ALTERATIONS".

Tenant replaced two existing 1000 KVA transformers servicing Building VI (i.e. 1745 Technology Drive) and belonging to Pacific Gas & Electric (PG&E), with two 2500 KVA transformers, and increased the conductors, or feeders, from the transformers to the main switchboard in order to facilitate the full capacity of the two larger replacement transformers (the "TRANSFORMER ALTERATIONS"). Such work was performed by, and the replacement transformers belong to, PG&E.

C. "TEMPORARY CHILLERS AND GENERATORS".

Tenant acknowledges and agrees that it has installed, used and removed temporary chillers and generators in the parking lot of the Building in order to provide electrical power and HVAC service to Building VI during the Service Interruption Period.

D. "SUPPLEMENTAL HVAC".

Tenant acknowledges and agrees that it has installed in Building VI, including on the roof, the following equipment (the "HVAC EQUIPMENT") for use in connection with Tenant's computer/data center room and lab rack systems in the Premises located in Building VI:

Two (2) RTAA 200 ton Chillers
Chilled Water Pumps

Emergency
Generator Uninterrupted Power Supply Systems
Expansion Tank
Heat Pumps
Sput System Fan Coil Units ACI-1
Sput System Condensing Unit ACI-1
Two (2) Liebert Systems (LU5-1 and LU5-2)
Twenty Three (23) Fan Coil Units

The HVAC Equipment installed on the roof of Building VI does not exceed, in the aggregate, 400 tons of chilling capacity. The area in which Landlord has approved and Tenant has installed the HVAC Equipment on the roof space is the "CHILLER ROOF SPACE".

Tenant acknowledges and agrees that it has also installed in Building V, the following equipment, which will also be part of the HVAC Equipment, for use in connection with Tenant's systems in the Premises located in Building V:

Five (5) Heat Pumps

E. FIRST FLOOR EAST SIDE OFFICE RECONFIGURATION

II. The following Alterations have been made by Tenant to Building VI and remain subject to Landlord's approval and the requirement, to the extent provided in the Lease, that they be removed upon expiration or earlier termination of the Lease, unless and until Tenant either submits proof of prior approval (or deemed approval pursuant to the Lease) as provided in the Amendment to which this Exhibit A is attached or obtains Landlord's approval hereafter:

A. Supplemental HVAC

Three (3) thirty ton floor-mounted air handler units

B. Electrical

Two (2) Panels
One (1) Transformer
Electrical Distribution within the Laboratories

III. "SECONDARY DISTRIBUTION SYSTEMS" shall mean all electrical feeds from electrical panels. The following functions with respect to Secondary Distribution Systems may be performed by Tenant without Landlord's prior consent:

Additions, deletions and rerouting of circuitry supporting laboratories

Wire mold

Starline BUS

Dedicated outlets

EXHIBIT B
LANDLORD MAINTAINED SYSTEMS

The following shall be "LANDLORD MAINTAINED SYSTEMS":

Life safety systems and core generator
Base electrical systems other than Secondary Distribution Systems
Base plumbing systems and all controls appurtenant thereto
Siemens DDC Building Management System in Garage that services the HVAC Systems
and the life safety systems (the "BMS")
Roof Membrane
Windows and window frames
Elevators

FIFTH AMENDMENT

THIS FIFTH AMENDMENT (the "Amendment") is made and entered into as of the 18th day of November, 2003, by and between CA-THE CONCOURSE LIMITED PARTNERSHIP, A DELAWARE LIMITED PARTNERSHIP ("Landlord"), and BROCADE COMMUNICATIONS SYSTEMS, INC., A DELAWARE CORPORATION ("Tenant").

RECITALS

- A. Landlord (as successor by conversion to EOP-The Concourse, L.L.C., a Delaware limited liability company, the successor in interest to Spieker Properties, L.P., a California limited partnership) and Tenant are parties to that certain lease dated December 17, 1999, which lease has been previously amended by instruments dated February 16, 2000 (the "First Amendment"), August 11, 2000 (the "Second Amendment"), November 30, 2000 (the "Third Amendment") and November ____, 2003 (the "Fourth Amendment") (collectively, the "Lease"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately 271,387 rentable square feet (the "Premises") comprised of (i) all of the rentable area, approximately 210,667 rentable square feet ("Original Premises"), in the building commonly known as The Concourse VI located at 1745 Technology Drive, San Jose, California ("Building VI"), (ii) 39,043 rentable square feet (the "Expansion Premises") described as Suite Nos. 250, 260, 500 on the 2nd, and 5th floors of the building commonly known as The Concourse V located at 1741 Technology Drive, San Jose, California ("Building V"), and (iii) 21,667 rentable square feet (the "Second Expansion Premises") described as Suite No. 300 on the 3rd floor of Building V, in the project commonly known as The Concourse.
- B. Tenant and Landlord mutually desire that the Lease be amended on and subject to the following terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

- I. AMENDMENT. Retroactively effective as of the date of the Second Amendment, Landlord and Tenant agree that the Lease shall be amended in accordance with the following terms and conditions:
- A. Scheduled Term Expiration Date. The parties agree that the "Scheduled Term Expiration Date", unless sooner terminated in accordance with the Lease, shall mean August 31, 2010.
- B. Section 1, "Rent", of the Second Amendment, shall be deleted in its entirety and replaced with the following:
- "A. RENT. Subject to the provisions of Paragraphs 2.B, Base Rent, net of Operating Expenses per Paragraph 7 of this Lease and net of any "additional rent" otherwise due under this Lease, for the Premises shall be as follows:
1. ORIGINAL PREMISES FROM TERM COMMENCEMENT DATE THROUGH

SCHEDULED TERM EXPIRATION DATE. As of the Term Commencement Date, the schedule of Base Rent payable with respect to the Original Premises during the Term is the following:

PERIOD	MONTHLY BASE RENT
(09/01/00) - (08/31/01)	\$516,159.00
(09/01/01) - (08/31/02)	\$531,643.00
(09/01/02) - (08/31/03)	\$547,593.00
(09/01/03) - (08/31/04)	\$564,020.00
(09/01/04) - (08/31/05)	\$580,941.00
(09/01/05) - (08/31/06)	\$598,369.00
(09/01/06) - (08/31/07)	\$616,320.00
(09/01/07) - (08/31/08)	\$634,810.00
(09/01/08) - (08/31/09)	\$653,854.00
(09/01/09) - (08/31/10)	\$673,470.00

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease.

- 2 EXPANSION PREMISES FROM EXPANSION PREMISES TERM COMMENCEMENT DATE THROUGH SCHEDULED TERM EXPIRATION DATE. As of the Expansion Premises Term Commencement Date, the schedule of Base Rent payable with respect to the Expansion Premises during the balance of the Term is the following:

PERIOD	MONTHLY BASE RENT
(09/01/00) - (08/31/01)	\$111,273.00
(09/01/01) - (08/31/02)	\$114,611.00
(09/01/02) - (08/31/03)	\$118,049.00
(09/01/03) - (08/31/04)	\$121,591.00
(09/01/04) - (08/31/05)	\$125,238.00
(09/01/05) - (08/31/06)	\$128,995.00
(09/01/06) - (08/31/07)	\$132,865.00
(09/01/07) - (08/31/08)	\$136,851.00
(09/01/08) - (08/31/09)	\$140,957.00
(09/01/09) - (08/31/10)	\$145,185.00

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease.

- 3 SECOND EXPANSION PREMISES FROM SECOND EXPANSION PREMISES TERM COMMENCEMENT DATE THROUGH SCHEDULED TERM EXPIRATION DATE. As of the Second Expansion Premises Term Commencement Date, the schedule of Base Rent payable with respect to the Second Expansion Premises during the balance of the Term is the following:

PERIOD	MONTHLY BASE RENT
(01/01/01) - (12/31/01)	\$104,002.00
(01/01/02) - (12/31/02)	\$107,122.00
(01/01/03) - (12/31/03)	\$110,335.00
(01/01/04) - (12/31/04)	\$113,645.00
(01/01/05) - (12/31/05)	\$117,055.00
(01/01/06) - (12/31/06)	\$120,566.00
(01/01/07) - (12/31/07)	\$124,183.00
(01/01/08) - (12/31/08)	\$127,909.00
(01/01/09) - (12/31/09)	\$131,746.00
(01/01/10) - (08/31/10)	\$135,698.00

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease.

4 TENANT'S PROPORTIONATE SHARE OF OPERATING EXPENSES. For the period commencing on the Second Expansion Premises Term Commencement Date and ending on the Scheduled Term Expiration Date, Tenant shall pay for Tenant's Proportionate Share of Operating Expenses in accordance with the terms of the Lease."

C. Deleted Provisions. Section 3, "Rent", of First Amendment of the Lease and Section 1, "Rent", of Second Amendment to Lease are hereby deleted in their entirety and are of no further force and effect.

II. MISCELLANEOUS.

- A. This Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. Landlord and Tenant acknowledge and agree that this Amendment is intended as a clarification of the Base Rent payable under the Lease only and does not in any way modify Tenant's rent obligations under the Lease. There have been no additional oral or written representations or agreements. Under no circumstances shall Tenant be entitled to any Rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in this Amendment or the Lease.
- B. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.
- C. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.
- D. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.

- E. The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.
- F. Tenant hereby represents to Landlord that Tenant has dealt with no broker in connection with this Amendment. Tenant agrees to indemnify and hold Landlord, its members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents (collectively, the "Landlord Related Parties") harmless from all claims of any brokers claiming to have represented Tenant in connection with this Amendment. Landlord hereby represents to Tenant that Landlord has dealt with no broker in connection with this Amendment. Landlord agrees to indemnify and hold Tenant, its members, principals, beneficiaries, partners, officers, directors, employees, and agents, and the respective principals and members of any such agents (collectively, the "Tenant Related Parties") harmless from all claims of any brokers claiming to have represented Landlord in connection with this Amendment.
- G. Each signatory of this Amendment represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting.

[SIGNATURES ARE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.

LANDLORD:

CA-THE CONCOURSE LIMITED PARTNERSHIP, A
DELAWARE LIMITED PARTNERSHIP

By: EOM GP, L.L.C., a Delaware limited liability
company, its general partner

By: Equity Office Management, L.L.C., a
Delaware limited liability company,
its non-member manager

By: /s/ John W. Petersen

Name: John W. Petersen

Title: Regional Senior Vice President

TENANT:

BROCADE COMMUNICATIONS SYSTEMS, INC., A
DELAWARE CORPORATION

By: /s/ Antonio Canova

Name: Antonio Canova

Title: CFO

SIXTH AMENDMENT

THIS SIXTH AMENDMENT (the "AMENDMENT") is made and entered into as of the 18th day of November, 2003 ("EFFECTIVE DATE"), by and between CA-THE CONCOURSE LIMITED PARTNERSHIP, A DELAWARE LIMITED PARTNERSHIP ("Landlord"), and BROCADE COMMUNICATIONS SYSTEMS, INC., A DELAWARE CORPORATION ("TENANT").

RECITALS

- A. Landlord (as successor by conversion to EOP-The Concourse, L.L.C., a Delaware limited liability company, the successor in interest to Spieker Properties, L.P., a California limited partnership) and Tenant are parties to that certain lease dated December 17, 1999 (the "ORIGINAL LEASE"), which lease has been previously amended by instruments dated February 16, 2000 (the "FIRST AMENDMENT"), August 11, 2000 (the "SECOND AMENDMENT"), November 30, 2000 (the "THIRD AMENDMENT"), November 2003 (the "FOURTH Amendment") and November 2003 (the "FIFTH AMENDMENT") (which shall be collectively referred to herein as the "LEASE"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately 271,387 rentable square feet (the "PREMISES") comprised of all of the rentable area (approximately 210,667 rentable square feet) in the building commonly known as The Concourse VI located at 1745 Technology Drive, San Jose, California ("BUILDING VI"), and approximately 60,710 rentable square feet described as Suite Nos. 250, 260, 300 and 500 on the 2nd, 3rd and 5th floors of the building commonly known as The Concourse V located at 1741 Technology Drive, San Jose, California ("BUILDING V") in the project commonly known as The Concourse.
- B. EOP - Skyport I, L.L.C., a Delaware limited liability company (as successor in interest to MV Golden State San Jose, LLC, a Delaware limited liability company), an affiliate of Landlord ("SKYPORT LANDLORD"), and Tenant are also parties to that certain lease dated December 1, 2000 (as subsequently amended, the "SKYPORT LEASE"). Pursuant to the Skyport Lease, Tenant currently leases approximately 193,977 rentable square feet in the building commonly known as Skyport Tower III, and located at 1600 Technology Drive (the "SKYPORT PROPERTY").
- C. Skyport Landlord and Tenant have entered into that certain Real Estate Sale and Lease Termination Agreement [1600 Technology Drive, San Jose, California] dated as of November 18, 2003 ("SKYPORT SALE AGREEMENT"), pursuant to which the Skyport Landlord has, concurrent with the date of this Amendment, sold the Skyport Property to Brocade Communications Systems Skyport LLC, a Delaware limited liability company ("Purchaser"), as assignee of certain of Tenant's rights under the Skyport Sale Agreement, on the terms and conditions of the Skyport Sale Agreement, which terms and conditions include the execution of this Amendment concurrent with the close of escrow on the sale of the Skyport Property.
- D. Tenant and Landlord mutually desire that the Lease be amended on and subject to the following terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree that, from the Effective Date and until the

earlier of (a) that date that is (5) five years after the Effective Date or (b) that date, if any, upon which Tenant records a grant deed in favor of Skyport Landlord (or Skyport Landlord's successor in interest) for the Skyport Property, pursuant to Skyport Landlord's exercise of that certain Right of First Offer Agreement entered into by and between Purchaser and Skyport Landlord concurrent with the date of this Amendment, or (c) the date upon which Tenant pays a Transfer Fee (as defined below) to Landlord under this Amendment (the "AMENDMENT TERM"), the Lease shall be amended to provide as follows:

1. LIMITATION ON DISCRETIONARY TRANSFERS AFFECTING THE PREMISES LOCATED IN BUILDING VI. Notwithstanding anything to the contrary contained in Section 21 of the Original Lease, the following shall apply:
 - a) Tenant acknowledges and agrees that Tenant may not, under any circumstance, sublease, license, assign or pledge to a third party (each a "DISCRETIONARY TRANSFER" and, collectively, the "DISCRETIONARY TRANSFERS"), space in Building VI that exceeds a maximum of twenty six thousand two hundred sixty eight (26,268) usable square feet in the aggregate across all of the Building VI over any period of time (the "MAXIMUM TRANSFER SPACE"). Tenant shall provide Landlord with Tenant's determination of the amount of usable square footage in any space subject to a Discretionary Transfer, which determination shall be subject to Landlord's approval, including approval of the architect and methods of measurement, in its reasonable discretion. Any improvements required to be made to the Premises in connection with a Discretionary Transfer shall be Alterations subject to Landlord's prior written approval to the extent required by, and on the terms and conditions of, the Lease and any reasonable requirement imposed by Landlord related to the conversion of a single tenant space to multi tenant use. All the approval and consent provisions of Section 21 of the Lease shall continue to apply with regard to any Discretionary Transfer, subject to the additional limitation of the Maximum Transfer Space and provided that Landlord may withhold its consent to any Discretionary Transfer in its sole and absolute discretion, if such Discretionary Transfer will cause Tenant to exceed, in the aggregate, the Maximum Transfer Space and Tenant has not paid, or agreed to pay upon the effective date of such Discretionary Transfer, the Transfer Fee. Regardless of whether or not Landlord has given its consent to or implicitly or expressly approves a Discretionary Transfer, the square footage of space affected by such a Discretionary Transfer shall count against the Maximum Transfer Space and could result in payment of the Transfer Fee if the total space affected by Discretionary Transfers at any particular point in time during the Amendment Term exceeds the Maximum Transfer Space.
 - b) Tenant further acknowledges and agrees that, as part of the consent process for any Discretionary Transfer, Landlord may continue to exercise the termination right set forth in Section 21.A.(1)(i) of the Original Lease, and, if Landlord exercises such termination right (a "DISCRETIONARY TERMINATION"), any space so terminated by Landlord shall not constitute a Discretionary Transfer and shall not be counted as

part of the Maximum Transfer Space.

- c) Landlord shall calculate and maintain a running tally of the square footage of the Premises in Building VI affected by Discretionary Transfers and shall, within five (5) business days after Landlord's receipt of Tenant's written request for same, provide a written statement to Tenant of the total square footage applied, as of the date of the statement, to the Maximum Transfer Space. Landlord and Tenant acknowledge and agree that space shall only be included in the Maximum Transfer Space calculation for the period of time that such space is subject to a Discretionary Transfer.
- d) Landlord and Tenant agree that it is their mutual intent that all space subject to Discretionary Transfers, regardless of when such Discretionary Transfer has occurred or occurs prior to the end of the Amendment Term (including, without limitation, Discretionary Transfers occurring prior to the Effective Date or affecting space in Building VI that is or was a part of the Original Premises), shall be included in the calculation of space allocated to the Maximum Transfer Space. Permitted Transfers shall continue to be permitted without Landlord's consent to the extent provided in the Lease, and shall not be included in the calculation of space allocated to the Maximum Transfer Space. Tenant hereby represents and warrants to Landlord that, as of the Effective Date, none of the Premises are or have been a part of a Discretionary Transfer, such that Tenant has the benefit of the full Maximum Transfer Space to use in Discretionary Transfers going forward.
- e) Landlord and Tenant acknowledge that Landlord is in the business of leasing office space in the same market area of the Skyport Property and the Skyport Landlord would not enter into the Skyport Sale Agreement if such sale would result in increased vacancy at Building VI or a diminution of the benefit of its bargain under the Lease without receipt by Landlord of the Transfer Fee. As such, Landlord and Tenant agree that if Tenant exceeds the Maximum Transfer Space at any time during the term of the Lease, then Tenant shall pay Landlord, within ten (10) days of Landlord's delivery to Tenant of written notice of the occurrence of such event, a one-time fee equal to One Million Nine Hundred Thousand Dollars (\$1,900,000), which shall be payable by wire transfer of cash or a cashier's check as requested by Landlord (the "TRANSFER FEE"). Upon payment (if any) of the Transfer Fee, this Amendment shall terminate and be of no further force and effect. Any failure of Brocade to pay the Transfer Fee as provided herein, without further notice or demand by Landlord, shall constitute a breach of this Agreement and shall be deemed an event of default under the Lease on the part of Tenant.
- f) At the earlier of the expiration of the Amendment Term and the payment of the Transfer Fee, this Amendment shall be of no further force or effect and the provisions of Section 21 as set forth in the Lease shall be deemed reinstated without modification or effect by this Amendment for the remaining Term of the Lease.

2. MISCELLANEOUS.

- a) This Amendment and the following exhibits and attachments attached hereto, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. In no event shall this Amendment be construed as giving Tenant any new entitlement to any Rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in this Amendment.
- b) Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.
- c) In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.
- d) Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.
- e) The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.
- f) Tenant hereby represents to Landlord that Tenant has dealt with no broker in connection with this Amendment. Tenant agrees to indemnify and hold Landlord, its members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents (collectively, the "Landlord Related Parties") harmless from all claims of any brokers claiming to have represented Tenant in connection with this Amendment. Landlord hereby represents to Tenant that Landlord has dealt with no broker in connection with this Amendment. Landlord agrees to indemnify and hold Tenant, its members, principals, beneficiaries, partners, officers, directors, employees, and agents, and the respective principals and members of any such agents (collectively, the "Tenant Related Parties") harmless from all claims of any brokers claiming to have represented Landlord in connection with this Amendment.
- g) Each signatory of this Amendment represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting.
- h) This Amendment may be executed in any number of identical

counterparts, any or all of which may contain the signatures of less than all of the parties, and all of which shall be construed together as but a single instrument.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.

LANDLORD:

CA-THE CONCOURSE LIMITED PARTNERSHIP, A
DELAWARE LIMITED PARTNERSHIP

By: EOM GP, L.L.C., a Delaware limited
liability company, its general partner

By: Equity Office Management, L.L.C., a
Delaware limited liability company,
its non-member manager

By: /s/ John W. Petersen

Name: John W. Petersen
Title: Regional Senior Vice
President

TENANT:

BROCADE COMMUNICATIONS SYSTEMS, INC., A
DELAWARE CORPORATION

By: /s/ Antonio Canova

Name: Antonio Canova
Title: CFO

REAL ESTATE SALE AND LEASE TERMINATION AGREEMENT
[1600 Technology Drive, San Jose, California]

THIS REAL ESTATE SALE AND LEASE TERMINATION AGREEMENT (this "AGREEMENT") is made effective as of November 18, 2003 (the "EFFECTIVE DATE"), by and between EOP-Skyport I, L.L.C., a Delaware limited liability company ("SELLER"), and Brocade Communications Systems, Inc., a Delaware corporation ("PURCHASER"). In consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

1. PURCHASE AND SALE OF PROPERTY. Subject to and in accordance with the terms and conditions set forth in this Agreement, Purchaser shall purchase from Seller and Seller shall sell to Purchaser a certain parcel of real estate (the "REAL PROPERTY") in the City of San Jose, County of Santa Clara, State of California, which parcel is more particularly described in attached EXHIBIT A, and upon which is located an office building commonly known as "1600 Technology Drive," together with (a) all buildings and improvements owned by Seller, and any and all of Seller's rights, easements, licenses and privileges presently thereon or appertaining thereto (the "IMPROVEMENTS"), (b) Seller's right, title and interest, to the extent transferable, in and to (i) the right to use the names "1600 Technology Drive", (ii) all licenses and permits relating solely to the Property, (iii) any blueprints, plans, specifications, maps or drawings relating solely to the Property (it being agreed that Seller shall be obligated to deliver possession of the foregoing only to the extent in Seller's possession or control), and (iv) any guaranties or warranties relating to the Improvements; and (c) all rights to be conveyed pursuant to the agreements set forth in Section 4.1 below (all of the foregoing, collectively referred to in this Agreement as the "PROPERTY"); provided, however, the term "Property" expressly excludes all property listed on EXHIBIT B attached hereto.

2. CONSIDERATION. The total consideration to be paid by Purchaser to Seller for the purchase of the Property and termination of the Lease (as defined in Section 4.3.2 below) is ONE HUNDRED SIX MILLION EIGHT HUNDRED THOUSAND and No/100 Dollars (\$106,800,000) (the "CONSIDERATION").

2.1 At Closing, Purchaser shall pay to Seller the Consideration, plus or minus the prorations described in this Agreement (such amount, as adjusted, being referred to as the "CASH BALANCE"). Purchaser shall pay the Cash Balance by federal funds wire transferred to Chicago Title Insurance Company located in Chicago, Illinois ("ESCROW AGENT").

3. EVIDENCE OF TITLE. Seller has heretofore caused to be delivered to Purchaser (a) a current commitment for an ALTA Owner's Title Insurance Policy (the "TITLE COMMITMENT") covering the property to be described in the Subdivision Map (as defined below), in the amount of the Consideration (or such portion thereof as Purchaser may elect), issued by Chicago Title Insurance Company (the "TITLE INSURER"), (b) available copies of all title exception documents referred to in the Title Commitment, and (c) any existing surveys of the

Real Property and the Improvements in Seller's possession, if any (the "SURVEY"). At Closing, as a condition precedent to Purchaser's obligations hereunder, Title Insurer shall issue an ALTA Owner's Title Insurance Policy in the form of, and subject only to those exceptions (the "PERMITTED EXCEPTIONS") which are included in, the pro forma title policy attached hereto as EXHIBIT E.

4. CLOSING. The payment of the Consideration, the transfer of title to the Property, the recordation of the Subdivision Map (defined below) and the satisfaction of all other terms and conditions of the transaction contemplated by this Agreement (the "CLOSING") shall occur at 11 a.m., San Jose, California time on the date hereof (such day being sometimes referred to as the "CLOSING DATE"), through escrow at the San Jose office of the Title Insurer.

4.1 Seller's Closing Deliveries. At Closing, Seller shall execute (as necessary), or cause to be executed, and deliver to Purchaser (either through escrow or as otherwise provided below) each of the documents described below: (a) one original Grant Deed, in form of EXHIBIT F, subject to the exceptions listed in such form and the Permitted Exceptions; (b) Seller's non-foreign affidavit, in the form attached hereto as EXHIBIT I; (c) two original counterparts of the Closing Statement (as defined in Section 4.3 below); (d) such transfer tax forms as are required by law ("TRANSFER DOCUMENTS"); (e) two original counterparts of a property management agreement between Purchaser and Property Manager, in the form attached hereto as EXHIBIT K (the "PROPERTY MANAGEMENT AGREEMENT") if any; (f) two original counterparts of a sixth amendment to that certain lease agreement dated as of December 17, 1999 by and between CA - The Concourse Limited Partnership (an affiliate of Seller) and Purchaser for the property located at 1745 Technology Drive, San Jose, California, in the form attached hereto as EXHIBIT L (the "CONCOURSE VI LEASE AMENDMENT"); (g) two original counterparts of the Declaration by and between Purchaser and Seller, in the form attached hereto as EXHIBIT M (the "DECLARATION"); (h) one original Certification of Fourth Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions, in the form attached hereto as EXHIBIT N ("CERTIFICATION OF CCR AMENDMENT"); (i) two original counterparts of the Fourth Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions, in the form attached hereto as EXHIBIT O (the "CCR AMENDMENT"); (j) one original Termination of Lease, in the form attached hereto as EXHIBIT P (the "LEASE TERMINATION"); (k) the original letter of credit under the Lease (defined below), (l) Right of First Offer ("ROFO") in favor of Purchaser, in the form attached hereto as EXHIBIT Q, (m) an Assignment of Intangibles (the "ASSIGNMENT OF INTANGIBLES") from Seller to Purchaser in the form attached hereto as EXHIBIT G, and (n) a License Agreement (the "LICENSE AGREEMENT") from Seller to Purchaser in the form attached hereto as EXHIBIT H. The Closing Statement may be signed in facsimile counterparts on the Closing Date. To the extent available, Seller shall leave all of the original plans and specifications, licenses and permits pertaining to the Property at the premises.

4.2 Purchaser's Closing Deliveries. At Closing, Purchaser shall deliver or cause to be delivered to Seller executed counterparts of the Closing Statement, the Property Management Agreement, the Concourse VI Lease Amendment, the Declaration,

the Assignment of Intangibles, the Lease Termination, the ROFO, the Transfer Documents, and the License Agreement together with the Cash Balance described in Section 2.1 above, and such evidence of Purchaser's power and authority as Seller or Title Insurer may reasonably request.

4.3 Closing Prorations and Adjustments. The provisions of this Section 4.3 shall survive the Closing. Seller shall prepare a statement of the prorations and adjustments required by this Agreement (the "CLOSING STATEMENT"), and submit it to Purchaser for approval at least one (1) business day prior to the Closing Date. The items listed below are to be equitably prorated or adjusted as of the close of business on the Closing Date, except as provided otherwise below, it being understood that for purposes of prorations and adjustments, Seller shall be deemed the owner of the Property on such day and Purchaser shall be deemed the owner of the Property as of the day after the Closing Date.

4.3.1 Taxes. Taxes and assessments for tax year 2003-2004 (the fiscal tax year in which Closing occurs) are currently assessed against the Property and other property owned by Seller (such other property hereinafter referred to as the "REMAINDER PROPERTY" and such taxes and assessments for both the Property and the Remainder Property, the "COMBINED TAXES"). The Property and the Remainder Property are collectively referred to in this Section 4.3.1 as "ADJUSTED PARCEL II". Combined Taxes for the tax year 2003-2004 for Adjusted Parcel II have been paid by Seller in order to cause the recordation of the Subdivision Map. Seller shall receive a credit at Closing equal to (i) 32% of the Combined Taxes, plus interest at seven percent (7%) per annum for the period beginning on the date of Closing through and including the date such taxes are actually due, on 68% of the Combined Taxes.

4.3.2 Rent. The "minimum" or "base" rent payable by Purchaser, as tenant (Purchaser in such capacity is hereinafter referred to as "TENANT") under that certain lease for the Property dated as of December 1, 2000, with Seller, successor-in-interest to MV Golden State San Jose, LLC, as landlord, as amended by First Amendment to Lease dated as of January 16, 2001 (as amended, the "LEASE"), for the calendar month in which the Closing occurs shall be prorated on the basis of the number of days of such month the Property will have been owned by Purchaser and Seller, respectively. Purchaser shall give Seller a credit for any delinquent "minimum" or "base" rent as of the date of Closing, and Seller shall give Purchaser a credit for any overpayment of "minimum" or "base" rent as of the date of Closing.

4.3.3 Utility Deposits. Seller shall be entitled to recover any and all deposits with respect to the Property held by any utility company as of the Closing Date.

4.3.4 Utilities. Water, electric, telephone and all other utility and fuel charges, fuel on hand (at cost plus sales tax), and any other payments to utility

companies shall be prorated to the extent not paid by Purchaser as additional rent under the Lease. If possible, utility prorations will be handled by final meter readings on the Closing Date. If final readings are not possible, or if any such charges are not separately metered, such charges will be prorated based on the most recent period for which costs are available.

4.4 Tenant Reimbursements. Purchaser, as the tenant under the Lease is currently paying Seller, as landlord under the Lease, certain amounts (referred to herein as "TENANT REIMBURSEMENTS") based on Seller's estimates for real estate taxes and assessments, common area maintenance, operating expenses and similar expenses (collectively, "TENANT REIMBURSABLE EXPENSES"). Tenant Reimbursements shall not be prorated at Closing but, rather, shall be reconciled pursuant to Section 11 of the Lease Termination.

4.5 Reservation of Rights to Contest. Notwithstanding anything to the contrary contained in this Agreement, Seller reserves the exclusive right to meet with governmental officials and to contest any reassessment or assessment of the Property and Remaining Property or any portion thereof and to attempt to obtain a refund for any taxes previously paid. Subject to the last sentence of this Section 4.5, Seller shall retain all rights with respect to any refund of taxes applicable to any period prior to the Closing Date. Purchaser shall cooperate with Seller, at Seller's reasonable request and at Seller's expense, if necessary in connection with any such contest or reassessment, which cooperation may include executing applications or other documents. Notwithstanding the foregoing, Seller shall pay to Purchaser 32% of any such refund actually received (less 32% of costs incurred in connection therewith) to the extent relating to either the term of the Lease or Purchaser's period of ownership.

4.6 Transaction Costs. Except as otherwise specifically set forth in this Agreement, the closing costs and other costs incurred in connection with the transactions contemplated by this Agreement shall be paid as follows: (a) Seller shall pay (i) the base premium payable to the Title Company in connection with the issuance of an CLTA standard owner's title policy, (ii) all recording fees for title clearance documents, (iii) county transfer taxes, (iv) one-half of city transfer taxes, (v) all legal fees payable to attorneys retained by Seller and Seller's internal costs incurred in connection with satisfaction of the Subdivision Condition and the cost to make any alterations to the physical conditions of, or to correct non-compliance with legal requirements applicable to, any real property owned by Seller (but specifically excluding the cost of any alterations or corrections of non-compliance which are Tenant's obligation to pay and/or perform under the terms of the Lease) to the extent such alterations or corrective actions are required to satisfy the Subdivision Condition, and (vi) one-half of all escrow fees payable to the Escrow Agent; and (b) Purchaser shall pay for (i) title insurance costs and fees for the ALTA extended owner's coverage (except those expressly the responsibility of Seller as provided above), including fees for extended coverage, endorsements, coinsurance or reinsurance, and any loan policy charges, (ii) one-half of the city transfer taxes, (iii) recording charges (except those expressly the responsibility of Seller as provided above), (iv) costs incurred in connection with obtaining any survey of the

Property that Purchaser elects to obtain, (v) to the extent not paid as of Closing pursuant Section 8.3(a) and whether or not Closing occurs, all costs in connection with the satisfaction of the Subdivision Condition (except those expressly the responsibility of Seller as provided above) incurred through Closing or any earlier termination of this Agreement, including without limitation all invoices from Kier & Wright Civil Engineers & Surveyors, Inc. and Kenneth Rodrigues and Partners (provided such amounts described in this Clause (v) may be paid after Closing), and (vi) one-half of all escrow fees payable to Escrow Agent. All other closing and other transaction costs shall be allocated according to customary practice in San Jose, California. Seller and Purchaser shall, however, be responsible for the fees of their respective attorneys. The provisions of this Section 4.6 shall survive any termination of this Agreement.

4.7 Reprorations. Notwithstanding anything contained herein to the contrary, all reprorations contemplated by this Agreement shall be completed within one (1) year of Closing (subject to extension solely as necessary due to the unavailability of final information, but in no event to exceed two (2) years after Closing). The provisions of this Section 4.7 shall survive the Closing.

5. [Intentionally Deleted]

6. BROKERAGE. Purchaser agrees to pay upon Closing (but not otherwise) a brokerage commission due to Cornish and Carey Commercial for services rendered in connection with the sale and purchase of the Property. Seller and Purchaser shall each indemnify and hold the other harmless from and against any and all claims of all other brokers and finders claiming by, through or under the indemnifying party and in any way related to the sale and purchase of the Property, this Agreement or otherwise, including, without limitation, attorneys' fees and expenses incurred by the indemnified party in connection with such claim.

7. DEFAULT AND REMEDIES.

7.1 Purchaser's Remedies. Notwithstanding anything to the contrary contained in this Agreement, if Closing does not occur due to a Seller default, then, as Purchaser's sole and exclusive remedy hereunder and at Purchaser's option, either (a) Purchaser may terminate this Agreement; or (b) upon notice to Seller not more than ten (10) days after Purchaser becomes aware of such failure, and provided an action is filed within thirty (30) days thereafter, Purchaser may seek specific performance of this Agreement but not damages. Purchaser's failure to seek specific performance as aforesaid shall constitute its election to proceed under clause (a) above.

7.2 Seller's Remedies. Purchaser and Seller acknowledge that it would be extremely impractical and difficult to ascertain the actual damages which would be suffered by Seller if Purchaser fails to consummate the purchase and sale contemplated herein for any reason other than Seller's default hereunder in any material respect or the failure of condition precedent to Purchaser's obligation to close hereunder. Purchaser and Seller have considered carefully, the expenses of Seller incurred in connection with the preparation of this Agreement and Seller's performance hereunder, and the other

damages, general and special, which Purchaser and Seller realize and recognize Seller will sustain but which Seller cannot at this time calculate with absolute certainty. Based on all those considerations, Purchaser and Seller have agreed that the damage to Seller in such event would reasonably be expected to be equal to the sum of Four Million Dollars (\$4,000,000). Accordingly, if Purchaser fails to consummate the purchase of the Property in accordance with the terms of this Agreement solely as a result of a default by Purchaser, then Seller shall have the right to recover Four Million Dollars (\$4,000,000) as full and complete liquidated damages.

THE PARTIES FURTHER ACKNOWLEDGE AND AGREE THAT (A) PURCHASER SEEKS TO LIMIT ITS LIABILITY UNDER THIS AGREEMENT TO THE AMOUNT OF FOUR MILLION DOLLARS IN THE EVENT THIS AGREEMENT IS TERMINATED AND THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT DOES NOT CLOSE DUE TO A DEFAULT OF PURCHASER UNDER THIS AGREEMENT, AND (B) THE PAYMENT OF SUCH LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677.

SELLER: _____ PURCHASER: _____

7.3 Post-Closing Remedies. After Closing, Seller and Purchaser shall, subject to the terms and conditions of this Agreement, have such rights and remedies as are available at law or in equity, except that neither Seller nor Purchaser shall be entitled to recover from the other consequential or special damages.

8. CONDITIONS PRECEDENT.

8.1 Due Diligence. Prior to the Effective Date, Purchaser has inspected the Property, obtained any necessary internal approvals to the transaction, and satisfied itself as to all matters relating to the Property, including, but not limited to, environmental, engineering, structural, financial, title and survey matters. Prior to the Effective Date, Seller has delivered to Purchaser, or otherwise made available to Purchaser for Purchaser's review and approval, the following documents and materials to the extent in Seller's actual possession or control (excluding internal reports, appraisals, valuations and communications prepared by or for Seller): all final architectural drawings, final building plans and specifications, structural reviews and engineering, soils, seismic, geologic and architectural reports, studies and certificates relating to the Property; all warranties, permits and certificates of occupancy relating to the Property; and such other non-privileged or otherwise non-proprietary books, records and files of Seller relating to the Property as may be reasonably requested by Purchaser (all of the foregoing collectively, "DUE DILIGENCE ITEMS").

8.2 Subdivision Condition.

(a) As a condition to Purchaser's obligation to close hereunder, the final parcel map attached hereto as EXHIBIT R (the "SUBDIVISION MAP") evidencing that the Property has become a separately subdivided parcel shall have been approved (collectively, the "SUBDIVISION CONDITION"). Seller agrees to use reasonable and diligent efforts to pursue satisfaction of the Subdivision Condition on or prior to the Closing Date. Purchaser agrees to reasonably and diligently cooperate with Seller as may be reasonably necessary for Seller to satisfy the Subdivision Condition by the Closing Date. Purchaser and Seller acknowledge that Purchaser has engaged Kier & Wright Civil Engineers & Surveyors, Inc. and Kenneth Rodrigues and Partners to create such plats and surveys as may be required for the Subdivision Condition to be satisfied, and Purchaser shall pay all invoices from such third parties in connection with such work as the invoices are received, provided all payments outstanding as of Closing shall be paid by Purchaser at Closing.

(b) If the Subdivision Condition has not been satisfied as of the Closing Date, then (i) this Agreement shall be deemed automatically terminated and of no further force and effect, and neither party shall have any further rights or obligations under this Agreement except those which expressly survive termination hereof and (ii) Purchaser and Seller shall cease any efforts to satisfy the Subdivision Condition, provided, however, Seller may, at its sole option and (at its sole cost and expense as to costs and expenses incurred thereafter in connection with the Subdivision Map), continue such efforts.

8.3 Accuracy of Seller's Representations and Warranties. As a condition to the obligations of Purchaser to close hereunder, each of Seller's representations and warranties set forth in Section 9.1 below shall be materially true and correct as of the Closing.

9. REPRESENTATIONS, WARRANTIES AND COVENANTS.

9.1 Seller's Representations and Warranties. Subject to Section 9.3 below, Seller hereby represents and warrants to Purchaser as to the following matters, as of the date of this Agreement:

9.1.1 Organization and Authority. Seller is duly organized and in good standing under the laws of the state of its organization. Seller has the power and authority under its organizational documents to sell, transfer, convey and deliver the Property to be sold and purchased hereunder, and all action and approvals required thereunder have been duly taken and obtained.

9.1.2 No Conflict. The execution and delivery of this Agreement, the consummation of the transactions provided for herein and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, any provision of Seller's organizational documents.

9.1.3 Condemnation. Seller has not received from any governmental authority any written notice of any pending or threatened condemnation of the Property or any part thereof.

9.1.4 Litigation. Seller has not been served with any litigation which is still pending against Seller with respect to its ownership or operation of the Property.

9.1.5 Compliance. Seller has not received from any governmental authority any written notice of any current violation by the Property of any municipal, state and federal and other governmental statutes, rules, requirements, regulations, laws and ordinances, including zoning ordinances and regulations, and covenants, easements and restrictions of record governing and relating to use (as general office and administrative, and communications laboratory purposes), occupancy or possession of the Property, or to the use, storage generation or disposal of hazardous or toxic materials or substances (all of the foregoing collectively, "REGULATIONS") applicable to the Property, except with respect to violations resulting from acts or omissions of Purchaser, its employees or agents, copies of which have been provided to Purchaser. Except with respect to violations resulting from acts or omissions of Purchaser (copies of which have been provided to Purchaser), its employees or agents, Seller is in compliance with any past notices of past violations of Regulations.

9.1.6 No Leases. There are no leases, licenses or occupancy agreement in effect with respect to the Property (excluding any by, through or under Purchaser) other than the Lease.

9.1.7 Due Diligence Items. To Seller's Knowledge: all Due Diligence Items in Seller's possession or control which disclose information that materially affects the Property have been provided to Purchaser, all of the Due Diligence Items provided as copies are correct and complete copies of the original of such items, and none of the Due Diligence Items provided to Buyer has been amended, modified or terminated by Seller except as disclosed in writing to Purchaser.

When used in this Agreement, the term "Seller's Knowledge" shall mean and be limited to the actual (and not constructive) knowledge of Jonel Porta and John Petersen, without inquiry other than a review of Seller's files with respect to the Property.

9.1.8 Contracts. There are no contracts or agreements relating to the ownership, operation and maintenance of the Property that will be binding upon Purchaser after the Closing.

9.2 Purchaser's Representations and Warranties. Subject to Section 9.5 below, Purchaser represents and warrants that:

9.2.1 ERISA. Purchaser's rights under this Agreement, the assets it shall use to acquire the Property and, upon its acquisition by Purchaser, the Property itself, do not and shall not constitute plan assets within the meaning of 29 C.F.R. Section 2510.3-101, and Purchaser is not a "governmental plan" within the meaning of section 3(32) of the Employee Retirement Income Security Act of 1974, as amended, and the execution of this Agreement and the purchase of the Property by Purchaser is not subject to state statutes regulating investments of and fiduciary obligations with respect to governmental plans.

9.2.2 Organization and Authority. Purchaser is duly organized and in good standing under the laws of the state of its organization. Purchaser has the power and authority under its organizational documents to perform its obligations hereunder, and all action and approvals required thereunder have been duly taken and obtained.

9.2.3 No Conflict. The execution and delivery of this Agreement, the consummation of the transactions provided for herein and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, any provision of Purchaser's organizational documents.

9.2.4 No Bankruptcy Purchaser has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by Purchaser's creditors, (iii) suffered the appointment of a receiver to take possession of all, or substantially all, of Purchaser's assets, (iv) suffered the attachment or other judicial seizure of all, or substantially all, of Purchaser's assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally.

9.3 Survival. Purchaser's right to enforce the representations and warranties set forth in Section 9.1, shall survive the Closing, but only as to claims of which Purchaser notifies Seller in writing within six (6) months after Closing and brings legal action to enforce within one (1) year of Closing, and not otherwise. Seller's right to enforce the representations and warranties set forth in Section 9.2 shall survive the Closing, provided Subsections 9.2.2 and 9.2.3 shall only survive the Closing as to claims of which Seller notifies Purchaser in writing within six (6) months after Closing, and brings legal action to enforce within one (1) year and not otherwise.

10. LIMITATION OF LIABILITY. Notwithstanding anything to the contrary contained herein, if the Closing shall have occurred (and Purchaser shall not have waived, relinquished or released any applicable rights in further limitation), the aggregate liability of Seller arising pursuant to or in connection with the representations, warranties, indemnifications, covenants or other obligations (whether express or implied) of Seller under this Agreement (or any document executed or delivered in connection herewith) shall not exceed Four Million Dollars (\$4,000,000.00) (the "LIABILITY LIMITATION"). No constituent partner or member in or agent of Seller, nor any advisor, trustee, director, officer, member, partner, employee,

beneficiary, shareholder, participant, representative or agent of any entity that is or becomes a constituent partner or member in Seller or an agent of Seller (including, but not limited to, EOP Operating Limited Partnership, Equity Office Properties Trust and Equity Office Management L.L.C.) ("SELLER'S AFFILIATES") shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any agreement made or entered into under or pursuant to the provisions of this Agreement, or any amendment or amendments to any of the foregoing made at any time or times, heretofore or hereafter, and Purchaser and its successors and assigns and, without limitation, all other persons and entities, shall look solely to Seller's assets for the payment of any claim or for any performance, and Purchaser, on behalf of itself and its successors and assigns, hereby waives any and all such personal liability. Notwithstanding anything to the contrary contained in this Agreement, neither the negative capital account of any constituent partner or member in Seller, nor any obligation of any constituent partner or member in any entity owning an interest (directly or indirectly) in Seller to restore a negative capital account or to contribute capital to Seller (or any entity owning an interest, directly or indirectly, in any other constituent partner or member of Seller), shall at any time be deemed to be the property or an asset of Seller or any such other partner or member (and neither Purchaser nor any of its successors or assigns shall have any right to collect, enforce or proceed against or with respect to any such negative capital account of such party's obligations to restore or contribute). No advisor, trustee, director, officer, member, partner, employee, beneficiary, shareholder, participant, representative or agent of Purchaser or of any entity that is or becomes a member or an agent of Purchaser ("PURCHASER'S AFFILIATES") shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any agreement made or entered into under or pursuant to the provisions of this Agreement, or any amendment or amendments to any of the foregoing made at any time or times, heretofore or hereafter, and Seller and its successors and assigns and, without limitation, all other persons and entities, shall look solely to Purchaser's assets for the payment of any claim or for any performance, and Seller, on behalf of itself and its successors and assigns, hereby waives any and all such personal liability. The provisions of this Section 10 shall survive the Closing and any termination of this Agreement.

11. MISCELLANEOUS.

11.1 Entire Agreement. All understandings and agreements heretofore had between Seller and Purchaser with respect to the Property are merged in this Agreement, which, together with the exhibits hereto and that certain Confidentiality Agreement dated as of August 8, 2003, by and between Seller and Brocade Communications Systems, Inc. (the "CONFIDENTIALITY AGREEMENT"), fully and completely expresses the agreement of the parties. Purchaser acknowledges that it has inspected the Property and that it accepts the same in its "as is" condition subject to use, ordinary wear and tear and natural deterioration. Purchaser further acknowledges that, except as expressly provided in this Agreement, neither Seller nor any agent or representative of Seller has made, and Seller is not liable for or bound in any manner by, any express or implied warranties, guaranties, promises, statements, inducements, representations or information pertaining to the Property.

11.2 Assignment. Except as provided in Section 11.12 below, neither this Agreement nor any interest hereunder shall be assigned or transferred by Purchaser

without Seller's consent; provided, however, that no such consent shall be required with respect to Purchaser's assignment of its right to purchase the Property under this Agreement to an entity wholly owned, directly or indirectly, by Purchaser; provided that upon any such assignment permitted hereunder, the Purchaser named herein shall not be released from liability to Seller for the performance of "Purchaser's" obligations hereunder. Seller may assign or otherwise transfer its interest under this Agreement. As used in this Agreement, the term "SELLER" shall be deemed to include any assignee or other transferee of any Seller. Upon any such transfer by a Seller, such Seller shall be relieved of any subsequently accruing liability under this Agreement. Subject to the foregoing, this Agreement shall inure to the benefit of and shall be binding upon Seller and Purchaser and their respective successors and assigns.

11.3 Modifications. This Agreement shall not be modified or amended except in a written document signed by Seller and Purchaser.

11.4 Time of Essence. Time is of the essence of this Agreement. In the computation of any period of time provided for in this Agreement or by law, the day of the act or event from which the period of time runs shall be excluded, and the last day of such period shall be included, unless it is a Saturday, Sunday, or legal holiday, in which case the period shall be deemed to run until the end of the next day which is not a Saturday, Sunday, or legal holiday.

11.5 Governing Law. This Agreement shall be governed and interpreted in accordance with the laws of the state in which the Property is located.

11.6 Notices. All notices, requests, demands or other communications required or permitted under this Agreement shall be in writing and delivered personally, by facsimile transmission with confirmed receipt, or by overnight courier (such as Federal Express), addressed as follows below. All notices given in accordance with the terms hereof shall be deemed given when received or upon refusal of delivery. Either party hereto may change the address for receiving notices, requests, demands or other communication by notice sent in accordance with the terms of this Section 11.6.

If to Seller:

c/o Equity Office Properties Trust
Two North Riverside Plaza, Suite 2100
Chicago, Illinois 60606
Attention: Ross Satterwhite
Telephone: 312/466-3522
Facsimile: 312/559-5095

With a copy to:

c/o Equity Office Properties Trust
Two North Riverside Plaza, Suite 2100
Chicago, Illinois 60606
Attention: Jeff Arnold

Telephone: 312/466-3225
Facsimile: 312/559-5209
and

Neal, Gerber & Eisenberg, LLP
2 North LaSalle Street, Suite 2100
Chicago, Illinois 60602
Attention: Douglas J. Lubelchek, Esq.
Telephone: 312/269-5255
Facsimile: 312/269-1747

If to Purchaser:

Real Estate & Facilities
Brocade Communications, Inc.
1745 Technology Service
San Jose, California 95110
Attention: Wendi Pauli
Telephone: 408/333-8759
Facsimile: 408/333-5955

With a copy to:

Ellman, Burke, Hoffman & Johnson
One Ecker Building, Suite 200
San Francisco, California 94105
Attention: Jodi B. Fedor
Telephone: 415/777-2727
Facsimile: 415/495-7587

11.7 "AS IS" SALE. ACKNOWLEDGING PURCHASER'S PRIOR OCCUPANCY OF THE PROPERTY AS A TENANT AND PURCHASER'S OPPORTUNITY TO INSPECT THE PROPERTY, BUT SUBJECT TO THE EXPRESS REPRESENTATIONS AND WARRANTIES PROVIDED BY SELLER IN THIS AGREEMENT, PURCHASER AGREES TO TAKE THE PROPERTY "AS-IS," "WHERE-IS," AND WITH ALL FAULTS AND CONDITIONS THEREON. ANY INFORMATION, REPORTS, STATEMENTS, DOCUMENTS OR RECORDS (COLLECTIVELY, THE "DISCLOSURES") PROVIDED OR MADE TO PURCHASER OR ITS CONSTITUENTS BY SELLER OR ANY OF SELLER'S AFFILIATES CONCERNING THE CONDITION OF THE PROPERTY SHALL NOT BE REPRESENTATIONS OR WARRANTIES. PURCHASER SHALL NOT RELY ON SUCH DISCLOSURES, BUT RATHER, PURCHASER SHALL RELY ONLY ON ITS OWN INSPECTION OF THE PROPERTY. PURCHASER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR

WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO (A) THE NATURE, QUALITY OR CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL AND GEOLOGY; (B) THE INCOME TO BE DERIVED FROM THE PROPERTY, (C) THE SUITABILITY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH PURCHASER MAY CONDUCT THEREON, (D) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY; (E) THE HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY; OR (F) ANY OTHER MATTER WITH RESPECT TO THE PROPERTY, AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS REGARDING TERMITES OR WASTES, AS DEFINED BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY REGULATIONS AT 40 C.F.R., OR ANY HAZARDOUS SUBSTANCE, AS DEFINED BY THE COMPREHENSIVE ENVIRONMENTAL RESPONSE COMPENSATION AND LIABILITY ACT OF 1980 ("CERCLA"), AS AMENDED, AND REGULATIONS PROMULGATED THEREUNDER. PURCHASER, ITS SUCCESSORS AND ASSIGNS, HEREBY WAIVE, RELEASE AND AGREE NOT TO MAKE ANY CLAIM OR BRING ANY COST RECOVERY ACTION OR CLAIM FOR CONTRIBUTION OR OTHER ACTION OR CLAIM AGAINST SELLER OR SELLER'S AFFILIATES, AND BASED ON (A) ANY FEDERAL, STATE, OR LOCAL ENVIRONMENTAL OR HEALTH AND SAFETY LAW OR REGULATION, INCLUDING CERCLA OR ANY STATE EQUIVALENT, OR ANY SIMILAR LAW NOW EXISTING OR HEREAFTER ENACTED, (B) ANY DISCHARGE, DISPOSAL, RELEASE, OR ESCAPE OF ANY CHEMICAL, OR ANY MATERIAL WHATSOEVER, ON, AT, TO OR FROM THE PROPERTY, OR (C) ANY ENVIRONMENTAL CONDITIONS WHATSOEVER ON OR UNDER THE PROPERTY, OTHER THAN ENVIRONMENTAL CONDITIONS RESULTING FROM MIGRATION OR MATERIALS FROM OTHER PROPERTY OWNED OR OPERATED BY SELLER OR SELLER'S AFFILIATES AND FIRST BEING PRESENT ON OR UNDER THE PROPERTY AFTER CLOSING. PURCHASER REPRESENTS TO SELLER THAT, SUBJECT TO THE EXPRESS REPRESENTATIONS AND WARRANTIES PROVIDED BY SELLER IN THIS AGREEMENT, PURCHASER HAS CONDUCTED, OR WILL CONDUCT PRIOR TO CLOSING, SUCH INVESTIGATIONS OF THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AS PURCHASER DEEMS NECESSARY OR DESIRABLE TO SATISFY ITSELF AS TO THE CONDITION OF THE PROPERTY AND THE EXISTENCE OR NONEXISTENCE OR CURATIVE ACTION TO BE TAKEN WITH RESPECT TO ANY HAZARDOUS OR TOXIC SUBSTANCES ON OR DISCHARGED FROM THE PROPERTY, AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF SELLER OR ITS AGENTS OR EMPLOYEES WITH RESPECT THERETO. UPON CLOSING, PURCHASER SHALL ASSUME THE RISK THAT ADVERSE MATTERS, INCLUDING BUT NOT LIMITED TO, CONSTRUCTION DEFECTS AND ADVERSE PHYSICAL AND

ENVIRONMENTAL CONDITIONS, MAY NOT HAVE BEEN REVEALED BY PURCHASER'S INVESTIGATIONS, AND PURCHASER, UPON CLOSING, SHALL BE DEEMED TO HAVE WAIVED, RELINQUISHED AND RELEASED SELLER AND SELLER'S AFFILIATES FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, WHICH PURCHASER MIGHT HAVE ASSERTED OR ALLEGED AGAINST SELLER AND SELLER'S AFFILIATES AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT CONSTRUCTION DEFECTS OR PHYSICAL CONDITIONS AT THE PROPERTY, VIOLATIONS OF ANY APPLICABLE LAWS AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS, CIRCUMSTANCES OR MATTERS REGARDING THE PROPERTY, PROVIDED SUCH RELEASE SHALL NOT APPLY TO CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) AGAINST SELLER OR SELLER'S AFFILIATES EITHER (i) PURSUANT TO OR ARISING OUT OF ANY SEPARATE AGREEMENT WITH PURCHASER OR (ii) IN THEIR CAPACITY AS OWNER OR OPERATOR OF PROPERTY OTHER THAN THE PROPERTY, TO THE EXTENT SUCH CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) RELATE TO ENVIRONMENTAL CONDITIONS FIRST BEING PRESENT ON OR UNDER THE PROPERTY AFTER CLOSING.

TO THE EXTENT OF PURCHASER'S RELEASE OF SELLER PURSUANT TO THIS AGREEMENT, PURCHASER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, AS AMENDED OR MODIFIED, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

PURCHASER HEREBY SPECIFICALLY ACKNOWLEDGES THAT PURCHASER HAS CAREFULLY REVIEWED THIS SUBSECTION, AND DISCUSSED ITS IMPORT WITH LEGAL COUNSEL, IS FULLY AWARE OF ITS CONSEQUENCES, AND THAT THE PROVISIONS OF THIS SUBSECTION ARE A MATERIAL PART OF THIS AGREEMENT; PROVIDED, HOWEVER, SUCH RELEASE, WAIVER OR DISCHARGE SHALL NOT APPLY AND SHALL BE OF NO

FORCE OR EFFECT FOR ANY CLAIMS ARISING OUT OF SELLER'S FRAUD.

SELLER'S INITIALS

PURCHASER'S INITIALS

THE PROVISIONS OF THIS SECTION 11.7 SHALL SURVIVE THE CLOSING AND ANY TERMINATION OF THIS AGREEMENT.

11.8 Trial by Jury. In any lawsuit or other proceeding initiated by Purchaser under or with respect to this Agreement, Purchaser waives any right it may have to trial by jury. In addition, Purchaser waives any right to seek rescission of the transaction provided for in this Agreement.

11.9 Confidentiality. Except as may be required in connection with the satisfaction of the Subdivision Condition and the other matters contemplated by this Agreement, without the prior written consent of the other party, both Purchaser and Seller shall comply with the Confidentiality Agreement, except that the provisions of Paragraph 19 of the Confidentiality Agreement shall apply equally to both Seller and Purchaser. The Confidentiality Agreement and the terms and conditions thereof shall survive a termination of this Agreement without Closing but shall terminate upon a Closing.

11.10 Reports. If for any reason Purchaser does not consummate the Closing (other than due to a Seller default), then Purchaser shall, upon Seller's written request, assign and transfer to Seller all of its right, title and interest in and to any and all studies, reports, surveys and other information, data and/or documents relating to the physical condition of the Property or any part thereof prepared by third parties at the request of Purchaser, its employees and agents, and shall deliver to Seller copies of all of the foregoing upon Seller's reimbursement to Purchaser of all costs paid by Purchaser to third parties who prepared any such items; provided, however, that the foregoing shall not apply to any internal studies, reports, budgets or projections, nor to any other information or documentation determined by Purchaser to be confidential or privileged.

11.11 Reporting Person. Seller and Purchaser hereby designate Escrow Agent to act as and perform the duties and obligations of the "reporting person" with respect to the transaction contemplated by this Agreement for purposes of 26 C.F.R. Section 1.6045-4(e)(5) relating to the requirements for information reporting on real estate transaction closed on or after January 1, 1991. In this regard, Seller and Purchaser each agree to execute at Closing, and to cause Escrow Agent to execute at Closing, a Designation Agreement, designating Escrow Agent as the reporting person with respect to the transaction contemplated by this Agreement.

11.12 Section 1031 Exchange. Either party may structure the disposition or acquisition of the Property, as the case may be, as a like-kind exchange under Internal Revenue Code Section 1031 at the exchanging party's sole cost and expense, provided that the time periods provided in this Agreement (including, without limitation, the

Closing Date) shall not be delayed or otherwise affected. The other party shall reasonably cooperate therein, provided that such other party shall incur no material costs, expenses or liabilities in connection with the exchanging party's exchange. If either party uses a qualified intermediary to effectuate an exchange, any assignment of the rights or obligations of such party hereunder shall not relieve, release or absolve such party of its obligations to the other party. The exchanging party shall indemnify, defend and hold harmless the other party from all liability in connection with the indemnifying party's exchange, and the indemnified party shall not be required to take title to or contract for the purchase of any other property. The provisions of this Section 11.12 shall survive the Closing.

11.13 Press Releases. The parties hereto shall not issue any press releases with respect to the transactions contemplated hereby or consummated in accordance with the terms hereof except as required by law (including, without limitation, in connection with SEC requirements and filings) or upon the mutual agreement of the parties as to the form and content of such press release (with consent not to be unreasonably withheld or delayed by either party).

11.14 Counterparts. This Agreement may be executed in any number of identical counterparts, any or all of which may contain the signatures of less than all of the parties, and all of which shall be construed together as but a single instrument.

11.15 Construction. This Agreement shall not be construed more strictly against Seller merely by virtue of the fact that the same has been prepared by Seller or its counsel, it being recognized both of the parties hereto have contributed substantially and materially to the preparation of this Agreement.

11.16 Attorneys' Fees. In the event of legal proceedings between the parties with respect to this Agreement or the transaction contemplated hereby, the prevailing party therein shall be entitled to recover from the losing party all of its costs of enforcement and such legal proceedings, including, but not limited to, its reasonable attorneys' and paralegal fees, witness fees, court reporters' fees and other costs of suit.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives as of the date first above written.

SELLER: EOP-Skyport I, L.L.C., a Delaware limited liability company

By: EOP Operating Limited Partnership, a Delaware limited partnership, its sole member

By: Equity Office Properties Trust, a Maryland real estate investment trust, its general partner

By: /s/ Jeffrey S. Arnold

Name: Jeffrey S. Arnold
Title: Vice President - Legal

PURCHASER: Brocade Communications Systems, Inc., a Delaware corporation

By: /s/ Antonio Canova

Name: Antonio Canova
Title: CFO

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Ellman Burke Hoffman & Johnson
One Ecker, Suite 200
San Francisco, CA 94105
Attention: Jodi Fedor

(Space above for Recorder's Use)

Documentary Transfer Tax is not of public record and is shown on a separate sheet attached to this deed.

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, EOP-SKYPORT I, L.L.C. ("Grantor"), a Delaware limited liability company, hereby grants to BROCADE COMMUNICATIONS SYSTEMS SKYPORT LLC ("Grantee"), a Delaware limited liability company, the real property located in the City of San Jose, County of Santa Clara, State of California, described on EXHIBIT A attached hereto and made a part hereof (the "Property"), subject to:

1. Acts of Grantee, and those claiming by, through and under Grantee.
2. General and special taxes and assessments not yet delinquent.
3. Zoning, building and other governmental and quasi-governmental laws, codes and regulations.
4. Any adverse claim to any portion of the Property which has been created by artificial means or has accreted to any such portion so created and riparian rights, if any.
5. Covenants, conditions, restrictions, and private or public utility easements of record together with easements or claims of easements not shown by the public records.
6. Encroachments, overlaps, boundary line disputes, or other matters which would be disclosed by an accurate survey or inspection of the Property.

Mail Tax Statements To:

Real Estate and Facilities, Brocade Communications, Inc., 1745 Technology Drive,
San Jose, California 95110 Attn: Wendi Pauli

Executed as of this 18 day of November, 2003.

EOP- SKYPORT I, L.L.C., a Delaware limited liability company

By: EOP OPERATING LIMITED PARTNERSHIP, a Delaware limited
partnership, its sole member

By: EQUITY OFFICE PROPERTIES TRUST, a

Maryland real estate investment trust, its
general partner

By: /s/ Jeffrey S. Arnold

Name: Jeffrey S. Arnold
Title: Vice President - Legal

EXHIBIT A TO DEED

Parcel 1: All of Parcel A, as said parcel is shown upon that certain Parcel Map filed for record in the office of the Recorder of the County of Santa Clara on Nov. 18, 2003 in Book 766 of Maps at Pages 14-18.

Parcel 2: Any and all easements benefiting the Parcel described above pursuant to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions, executed by Spieker Properties, L.P., a California limited partnership, and recorded February 14, 2001 as instrument No. 15560409, as amended by First Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions executed by Skyport Plaza Owners Association recorded October 26, 2001 as Instrument No. 15929606, Second Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions executed by Skyport Plaza Owner's Association, recorded October 22, 2002 as Instrument No. 16552265, Third Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions executed by Skyport Plaza Owner's Association, recorded September 12, 2003 as Instrument No. 17343456, and Fourth Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions of even date herewith.

FOURTH AMENDMENT TO THE
SKYPORT PLAZA DECLARATION OF COMMON EASEMENTS,
COVENANTS, CONDITIONS AND RESTRICTIONS

THIS FOURTH AMENDMENT TO THE SKYPORT PLAZA DECLARATION OF COMMON EASEMENTS, COVENANTS, CONDITIONS AND RESTRICTIONS (this "Fourth Amendment") is made effective as of this 18th day of October, 2003, by the undersigned Owners, the President and the Secretary of the Center Association for the purpose of amending the following described instrument (the "Declaration"):

Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions dated as of February 14, 2001, and recorded on February 14, 2001 as Instrument No. 15560409 of the Official Records of Santa Clara County, California (the "Official Records"), as amended by First Amendment to the Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions dated as of October 26, 2001, and recorded on October 26, 2001 as Instrument No. 15929606 of the Official Records, as further amended by Second Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions dated as of October 14, 2002, and recorded on October 22, 2002, as Instrument No. 16552265 of the Official Records, and as further amended by Third Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions dated as of June 17, 2003, and recorded on September 12, 2003, as Instrument No. 17343456 of the Official Records.

RECITALS

WHEREAS, concurrently with this Fourth Amendment, EOP-Skyport I, L.L.C. ("EOP-I"), as the Owner of Adjusted Parcel II, will convey fee simple title in and to a portion of Adjusted Parcel II (the "Brocade Parcel") to Brocade Communications Systems Skyport LLC, a Delaware limited liability company ("Brocade");

WHEREAS, concurrently with this Fourth Amendment, EOP-I will subdivide Adjusted Parcel II and record a final parcel map in compliance with the City requirements;

WHEREAS, after the recordation of the final parcel map, the Brocade Parcel and the remainder of Adjusted Parcel II (the "EOP-I Parcel") shall each be deemed to be a separate Building Parcel within Adjusted Parcel II under the Declaration and shall continue to be governed by and subject to the Declaration;

WHEREAS, after the conveyance, Brocade shall be deemed to be an Owner and a Member under the Declaration;

WHEREAS, after the conveyance, EOP-I will continue to own the EOP-I Parcel;

WHEREAS, EOP-I desires to amend the Declaration to reflect (1) the subdivision of Adjusted Parcel II, (2) the continued governance of the Brocade Parcel and the EOP-I Parcel by the Declaration, (3) the allocation of all obligations and rights under the Declaration with respect

to the Brocade Parcel to Brocade, (4) that Brocade will have all of the rights and obligations of an Owner and a Member with respect to the Brocade Parcel under the Declaration as a result of its acquisition of the Brocade Parcel, subject to the terms of this Fourth Amendment, and (5) the allocation of voting rights and Assessment Percentage for Adjusted Parcel II between the Brocade Parcel and the EOP-I Parcel;

WHEREAS, pursuant to Section 11.4 of the Declaration, amendments to the Declaration occurring after the first conveyance of a Parcel to an Owner other than Declarant requires the affirmative vote (in person, by ballot or by proxy) of sixty percent of the total Voting Power of the Owners, subject to the consent of any First Mortgagees as may be required pursuant to Section 11.6 of the Declaration;

WHEREAS, the undersigned Owners constitute sixty percent of the total Voting Power of the Owners, and, since the amendments to the Declaration set forth in this Fourth Amendment do not constitute any amendments described in said Section 11.6, no consent of any First Mortgagee is required; and

WHEREAS, pursuant to Exhibit "C" to the Declaration, the allocations for Assessment Percentage may be changed by the filing of an amendment by the President and the Secretary of the Center Association due to the subdivision of a portion of a Building Parcel.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Fourth Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned Owners and the President and the Secretary of the Center Association do hereby agree as follows:

1. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Declaration.

2. Exhibit "A" to the Declaration is hereby modified as follows: The legal description for "Adjusted Parcel II" shall be modified to read as set forth on Exhibit A attached hereto.

3. Brocade is deemed to be an Owner and a Member under the Declaration, and shall have all rights and obligations of an Owner and a Member under the Declaration.

4. Upon the recordation of the final parcel map, the Brocade Parcel and the EOP-I Parcel shall each be deemed a separate Building Parcel under the Declaration.

5. Pursuant to Section 7.17.4 of the Declaration, the votes previously allocated to Adjusted Parcel II are hereby re-allocated between Brocade, with respect to the Brocade Parcel, and EOP-I, with respect to the EOP-I Parcel, as set forth on Exhibit "C" attached hereto. Notwithstanding anything to the contrary contained in Section 3.3 and the definition of "Voting Power" under the Declaration, EOP-I and Brocade have agreed that each of Brocade's and EOP-I's Voting Power and Assessment Percentage shall be as set forth on Exhibit "C" attached hereto.

6. Exhibit "C" to the Declaration is hereby deleted in its entirety and replaced with the revised Exhibit C attached hereto and made a part hereof.

7. In accordance with Section 11.4 of the Declaration, upon the execution hereof the undersigned Owners shall instruct the Center Association to cause this Fourth Amendment to be certified by an authorized officer of the Center Association and recorded in the Official Records of the County of Santa Clara, California.

8. In the event of any conflict between the terms of, or exhibits attached to, the Declaration and the provisions of this Fourth Amendment, the terms of, and exhibit attached to, this Fourth Amendment shall control.

9. Except as specifically modified herein, there are no other modifications to the Declaration, and all of the terms and provisions contained in the Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, the Owners hereto and the President and the Secretary of the Center Association have executed this Fourth Amendment as of the date first set forth above.

OWNER OF ADJUSTED
PARCELS I AND IV:

EOP-SKYPORT LAND, L.L.C.,
a Delaware limited liability company

By: EOP Operating Limited Partnership, a
Delaware limited partnership, its sole
member

By: Equity Office Properties Trust, a
Maryland real estate investment
trust, its general partner

By: /s/ Jeffrey S. Arnold

Name: Jeffrey S. Arnold
Title: Vice President - Legal

OWNER OF ADJUSTED PARCEL II:

EOP-SKYPORT I, L.L.C., a Delaware limited
liability company

By: EOP Operating Limited Partnership,
a Delaware limited partnership, its sole
member

By: Equity Office Properties Trust,
a Maryland real estate
investment trust, its general
partner

By: /s/ Jeffrey S. Arnold

Name: Jeffrey S. Arnold
Title: Vice President - Legal

[SIGNATURES CONTINUED ON NEXT PAGE]

OWNER OF ADJUSTED PARCEL III: EOP-SKYPORT II, L.L.C., a Delaware limited liability company

By: EOP Operating Limited Partnership, a Delaware limited partnership, its sole member

By: Equity Office Properties Trust, a Maryland real estate, investment trust, its general partner

By: /s/ Jeffrey S. Arnold

Name: Jeffrey S. Arnold
Title: Vice President - Legal

CENTER ASSOCIATION:

By: /s/ John W. Petersen

Name: John W. Petersen
President of the SKYPORT PLAZA
OWNERS ASSOCIATION, a
California non-profit corporation

By: /s/ Stanley M. Stevens

Name: Stanley M. Stevens
Secretary of the SKYPORT PLAZA
OWNERS ASSOCIATION, a
California non-profit corporation

[END OF SIGNATURES PAGES]

CONSENT OF DECLARANT

The undersigned, as successor-by-merger to Spieker Properties, L.P. (the Declarant named under the Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions dated and recorded February 14, 2001, as amended by First Amendment dated as of October 26, 2001 and recorded on October 26, 2001 as Instrument No. 15929606, as further amended by Second Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions dated as of October 14, 2002, and recorded on October 22, 2002, as Instrument No. 16552265, and as further amended by Third Amendment to Skyport Plaza Declaration of Common Easements, Covenants, Conditions and Restrictions dated as of June 17, 2003, and recorded on September 12, 2003, as Instrument No. 17343456 of the Official Records of Santa Clara County, California), does hereby consent to the action of the Owners signatory to the Fourth Amendment attached hereto.

DECLARANT: EOP OPERATING LIMITED
PARTNERSHIP, a Delaware limited
partnership, successor-by-merger to Spieker
Properties, L.P., California limited partnership

By: Equity Office Properties Trust, a
Maryland real estate investment trust, its
general partner

By: /s/ Jeffrey S. Arnold

Name: Jeffrey S. Arnold
Title: Vice President - Legal

EXHIBIT A
(ADJUSTED PARCEL II)

BROCADE PARCEL

All that certain real property situate in the City of San Jose, County of Santa Clara, State of California, described as follows:

Parcel A, as shown on the Parcel Map filed for record in the office of the Recorder of the County of Santa Clara, State of California on Nov 18, in Book 766 of Maps, page(s) 14-18.

EOP-I PARCEL

All that certain real property situate in the City of San Jose, County of Santa Clara, State of California, described as follows:

Parcel B, as shown on the Parcel Map filed for record in the office of the Recorder of the County of Santa Clara, State of California on Nov 18, 2003, in Book 766 of Maps, page(s) 14-18.

GUARANTY OF BROCADE COMMUNICATIONS SYSTEMS, INC.

The undersigned, Brocade Communications Systems, Inc., a Delaware corporation ("Guarantor"), hereby absolutely and unconditionally guarantees (x) to EOP Skyport I, L.L.C., a Delaware limited liability company and its successors and assigns (collectively, the "EOP Owner"), payment by Brocade Communications Systems Skyport LLC, a Delaware limited liability corporation (together with its successors and assigns which are its Affiliates (as defined in the Declaration), the "Brocade Owner") of the Brocade Owner's obligations (the "Declaration Obligations") under that certain Skyport Plaza (Adjusted Parcel II) Declaration of Common Easements, Covenants, Conditions and Restrictions dated as of November 18, 2003 (as amended from time to time, the "Declaration"), and (y) to EOP Skyport II, L.L.C., a Delaware limited liability company and its successors and assigns ("EOP II"), payment by the Brocade Owner of the Brocade Owner's obligations (the "License Obligations", and together with the Declaration Obligations, the "Obligations") under that certain License Agreement for Space dated as of November 18, 2003 (as amended from time to time, the "License"), all subject to the limitations below .

In the event of any default on the part of the Brocade Owner with respect to the Obligations, the EOP Owner or EOP II, as applicable, may give a written notice of such default to Guarantor and a demand (a "Demand for Performance by Guarantor") that Guarantor perform, prior to the expiration of any applicable cure period in the Declaration or the License, as applicable, and to the extent such obligation is not performed by the Brocade Owner, that portion of the Obligations with respect to which the Brocade Owner is in default. Such Demand for Performance by Guarantor shall state in reasonable detail the nature of the default, together with the applicable cure period for the cure of such default and the payment amount that the EOP Owner or EOP II (as applicable) demands from the Brocade Owner or from Guarantor pursuant to this Guaranty in order to cure such default. The other provisions of this Guaranty to the contrary notwithstanding, Guarantor shall not be required to perform the Obligations with respect to any default until the EOP Owner or EOP II (as applicable) has given to Guarantor a Demand for Performance by Guarantor, and the Guarantor shall have the benefit of all cure periods provided to the Brocade Owner in the Declaration or the License (as applicable). Any performance by Guarantor of the Obligations prior to expiration of any applicable cure period under the Declaration or the License (as applicable) shall be deemed a cure of the applicable default by Brocade Owner under the Declaration or the License (as applicable), to the extent of such performance by Guarantor.

To the extent that the performance by the Brocade Owner of any of the Obligations is expressly waived in a writing executed and delivered by the EOP Owner or EOP II (as applicable) to the Brocade Owner pursuant to the Declaration or the License, Guarantor shall have the benefit of such waiver. Without limiting the foregoing, no Obligation shall be deemed to have been waived, or the performance of such Obligation excused, by any failure or delay in the enforcement of such Obligation by the EOP Owner or EOP II (as applicable).

Except as otherwise provided hereunder and to the extent provided herein, the obligations of Guarantor hereunder are unconditional and absolute and not subject to termination for any reason other than the satisfaction of the Obligations or expiration of this Guaranty. In addition,

the Obligations of Guarantor hereunder are not subject to counterclaim, set-off, abatement, deferment or defense based upon any claim that Guarantor may have against the EOP Owner or EOP II:

(a) unrelated to the transaction giving rise to the Obligations herein; or

(b) regarding (i) the release or discharge of the Brocade Owner in any creditor's receivership, bankruptcy or other proceedings or (ii) the impairment, limitation, modification or termination of the liabilities of the Brocade Owner or the estate of the Brocade Owner in bankruptcy, or any remedy for the enforcement of the Brocade Owner's liability under the Declaration or the License, resulting from the operation of any present or future provision of Title 11 of the United States Code or other statute or from the decision in any court.

Except as expressly provided herein and to the extent provided herein, Guarantor irrevocably waives acceptance hereof, presentment, demand, protest, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any person against the Brocade Owner or Guarantor. Until payment of the Obligations by the Brocade Owner under the Declaration and the License, any right of subrogation on the part of Guarantor shall be in all respects subordinate to all rights and claims of the EOP Owner and EOP II for all other payments or damages which shall be or become due and payable by the Brocade Owner under the provisions of the Declaration or the License. The EOP Owner may compromise or adjust any part of the Declaration Obligations, EOP II may compromise or adjust any part of the License Obligations, and the EOP Owner or EOP II make any other accommodation with the Brocade Owner or exercise any other right or remedy available to it against the Brocade Owner without affecting or impairing in any way the liability of the Guarantor under this Guaranty except to the extent the Obligations have been performed; provided that neither the EOP Owner or EOP II shall have no right to increase the liability of the Guarantor hereunder without the express written consent of Guarantor.

In the event of any litigation between the EOP Owner and/or EOP II, on the one hand and the Guarantor, on the other hand, seeking a declaration of rights hereunder, damages for breach or any other remedy pertaining to this Guaranty, the prevailing party shall recover its reasonable attorneys' fees and court costs. For purposes hereof, the EOP Owner and/or EOP II shall be deemed the prevailing party in the event that the result of any proceeding requires Guarantor to pay any amount to the EOP Owner or EOP II or perform any obligation for the benefit of the EOP Owner and/or EOP II.

Notwithstanding anything to the contrary herein, the total obligations of Guarantor hereunder shall be limited to the sum of One Million Fifteen Thousand Dollars (\$1,015,000) (the "Limit"); provided, however, that any Obligations that arise out of the Brocade Owner's obligations under Section 17.13 of the Declaration, the penultimate sentence of Section 24 of the License or the obligations of the Guarantor under the immediately preceding paragraph for reasonable attorneys' fees and court costs (the "Non-Capped Obligations") shall not be subject to the Limit. . All payments by Guarantor hereunder, other than those related to the Non-Capped Obligations shall be credited against the Limit. Upon termination of the License and satisfaction

of all obligations under the License by Brocade Owner, the Limit, as it may have already been reduced as of such time in accordance with the previous sentence, shall be further reduced by the difference between (a) \$15,000 and (b) the amount of previous reduction in the Limit in respect of Guarantor's payment of License Obligations.

This Guaranty shall remain in full force and effect as to any Obligation for so long as the Brocade Owner named herein or an Affiliate thereof owns the Brocade Building. After any sale or conveyance of the entire Brocade Building by the Brocade Owner named herein to a party other than an Affiliate of the Brocade Owner, this Guaranty shall terminate and be of no further force or effect (except as to claims against Guarantor hereunder then existing, which claims shall survive such termination) and the EOP Owner and EOP II shall execute an agreement acknowledging the termination of this Guaranty, and the EOP Owner and EOP II shall not be entitled to seek or obtain a replacement guaranty for this Guaranty from any successor in interest to the Brocade Owner named herein.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the 18th day of November, 2003.

GUARANTOR:

BROCADE COMMUNICATIONS SYSTEMS, INC.,
a Delaware corporation

By: /s/ Antonio Canova

Name: Antonio Canova

Its: Chief Financial Officer

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Ellman Burke Hoffman & Johnson
One Ecker, Suite 200
San Francisco, CA 94105
Phone: (415)777-2727
Attention: Jodi B. Fedor

(Space above for Recorder's Use)

RIGHT OF FIRST OFFER AGREEMENT

THIS RIGHT OF FIRST OFFER AGREEMENT (hereinafter "AGREEMENT") is made as of the 18th day of November, 2003, by and between EOP-SKYPORT I, L.L.C., a Delaware limited liability company (together with its successors and assigns, "EOP"), and BROCADE COMMUNICATIONS SYSTEMS SKYPORT LLC, a Delaware limited liability company (together with its successors and assigns, "BROCADE"), with reference to the following:

RECITALS

A. EOP and Brocade are parties to that certain Real Estate Sale and Lease Termination Agreement dated as of the date hereof (the "PURCHASE AGREEMENT").

B. Pursuant to the Purchase Agreement, concurrently herewith, EOP is selling to Brocade, and Brocade is purchasing from EOP, certain real property located in the City of San Jose, County of Santa Clara, State of California, more fully described on EXHIBIT C attached hereto (together with any and all rights, privileges and easements appurtenant benefiting such real property, and together with any improvements thereon, the "PARCEL").

C. EOP has agreed to sell the Parcel to Brocade on the condition that Brocade comply with the covenants, conditions, restrictions and limitations more particularly set forth in this Agreement.

AGREEMENT

NOW THEREFORE, FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, EOP and Brocade agree as follows:

ARTICLE I
Acknowledgements

Brocade acknowledges that EOP is engaged in the development of a master project, of which the Parcel is a part and that EOP owns property adjacent to the Parcel.

ARTICLE II
Right of First Offer

Section 2.1 Grant of Right. Brocade hereby grants to EOP a right of first offer (the "Right of First Offer"), which shall be exercisable by EOP in the manner and on the terms and conditions set forth in this Article II. Brocade shall not undertake a "Transfer" without first allowing EOP the opportunity to exercise its Right of First Offer in accordance with and on the terms and conditions of this Article II (unless such Transfer is an "Excluded Transfer", in which event EOP shall not have the opportunity to exercise its Right of First Offer as to such Transfer). As used in this instrument, the term "Transfer" shall be defined to mean any transfer, sale, or other conveyance, whether by agreement for sale or in any other manner of the Parcel or any portion thereof or interest therein including but not limited to (i) any lease, and (ii) any transfer, sale or conveyance of any direct or indirect membership interest in Brocade; and "Excluded Transfer" shall be defined to mean (i) any Transfer of an interest in the Parcel to a Related Party (hereafter defined), (ii) any Transfer of a direct or indirect interest in Brocade resulting in no persons or entities other than any Brocade Related Entities or shareholders of Brocade Communications Systems, Inc. having a direct or indirect ownership interest in Brocade, (iii) any deed of trusts, mortgage, assignment or other transfer merely as security for the performance of any obligation, and any foreclosure or deed-in-lieu of foreclosure pursuant to any such instrument; (iv) any merger, consolidation or similar transaction relating to Brocade Communications Systems, Inc., and any transfer of ownership interests in Brocade Communications Systems, Inc.; or (v) a lease which is not a lease of the entire Parcel for a period of fifteen years or more.

Section 2.2 Term. The Right of First Offer shall survive any Excluded Transfer, and shall continue to apply until the earlier of (a) such time, if at all, as EOP acquires the entire Parcel; (b) EOP's failure, after executing and returning a Transfer Offer (hereafter defined) to Brocade, to timely close an acquisition pursuant to Section 2.3 below for any reason other than a default by Brocade or Brocade's failure to deliver title in the condition required by the Transfer Offer; (c) Brocade's Transfer (other than an Excluded Transfer) of its entire interest in the Parcel in full compliance with this Agreement (d) a Transfer of the Parcel by foreclosure or deed-in-lieu of foreclosure pursuant to a security instrument described in Section 2.4.4 below or (e) such time, if at all, as (i) EOP-Skyport I, L.L.C. and/or its Related Entities no longer owns any of the property described on Exhibit D, and (ii) EOP has not theretofore assigned its interest in this Agreement to a Permitted Assignee. For purposes hereof, the term "Related Entity" means (a) any person or entity directly or indirectly controlling, controlled by or under common control with Brocade or EOP, as applicable; (b) any director, officer, partner, member or trustee of Brocade or EOP, as applicable, or a Related Entity; or (c) any person or entity directly, indirectly, or beneficially owning or controlling, directly or indirectly, 25% or more of any class of voting securities of, or otherwise having a 25% or more beneficial ownership interest in Brocade or EOP, as applicable. As used herein, the terms "control", "controlled" or "controlling" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of Brocade or EOP, as applicable, or a Related Entity, whether through the ownership of voting securities or equity interests, by contract or otherwise. Brocade shall give EOP at least 10 days prior written notice of Excluded Transfer (other than a lease of less than the entire Parcel; a merger, consolidation or similar transaction with respect to, or a transfer of ownership interests in, Brocade Communications Systems, Inc.; or a deed of

trust, mortgage, assignment or other transfer merely as security for the performance of any obligation or a foreclosure or deed-in-lieu under any such instrument), which notice shall be accompanied by such documentation and information as may be reasonably necessary for EOP to confirm that the Transfer is an Excluded Transfer. "Permitted Assignee is defined in Section 3.2 below.

Section 2.3 Exercise.

2.3.1 Brocade shall not Transfer the Parcel or any portion thereof except pursuant to an Excluded Transfer unless Brocade first delivers to EOP a written offer (a "Transfer Offer") for the sale of the Parcel or an interest therein (the interest described in the Transfer Offer, the "Offered Interest") and the terms upon which Brocade is willing to sell the Offered Interest to EOP. The Transfer Offer shall (i) identify the cash purchase price or, if a lease of the entire Parcel, the rental terms (the "Offer Price") Brocade is willing to accept for the Offered Interest; (ii) be nonassignable except to a Related Entity of EOP; (iii) provide for all cash consideration; (iv) provide for acceptance by EOP no later than ten (10) business days from the date the Transfer Offer was delivered to EOP; (v) may at Brocade's option require a deposit of no more than 5% of the Offer Price within five (5) business days after acceptance of the Transfer Offer by EOP (which funds shall on the request of EOP be placed in an escrow until the closing of the purchase); (vi) specify the terms and conditions of the sale that will vary from the Purchase Agreement as provided in Section 2.4.2 and (vii) specify whether Brocade or a Related Entity will continue to occupy the Parcel after such Transfer pursuant to a sale-leaseback or otherwise and the economic and material non-economic terms of such occupancy ("Lease Terms"). Brocade may deliver a Transfer Offer to EOP at any time, in Brocade's sole discretion.

2.3.2 EOP shall have the right, to be exercised within ten (10) business days following receipt of a Transfer Offer, to elect to purchase (i) the Offered Interest, or (ii) Brocade's entire interest in the Parcel (the "Entire Interest") (if the Offered Interest is not the Entire Interest) on the terms and conditions specified in the Transfer Offer (with an equitable adjustment of the Offer Price if the Offered Interest is not the Entire Interest and EOP elects to purchase the Entire Interest) by executing and returning the Transfer Offer to Brocade and indicating the interest to be acquired, which shall constitute EOP's acceptance thereof. Failure of EOP to timely execute and return to Brocade a Transfer Offer will be deemed a waiver of the right to acquire the Offered Interest, and Section 2.3.3 shall apply to the Transfer. In the event EOP timely executes and returns to Brocade the Transfer Offer accepting such offer, closing on the applicable transfer shall take place on the date specified in the Transfer Offer or, if none, on a date agreed to by Brocade and EOP, which date shall be within 60 days following acceptance of the applicable offer. Notwithstanding the foregoing, if the Offered Interest is an interest in the Parcel which is less than the Entire Interest, EOP may not elect to purchase the Entire Interest if it has approved of any subdivision of the Parcel pursuant to Section 5.13 of that certain Skyport Plaza (Adjusted Parcel II) Declaration of Common Easements, Covenants, Conditions and Restrictions between EOP and Brocade and the Offered Interest consists of one of the resulting parcels.

2.3.3 In the event EOP fails timely to execute and return a Transfer Offer to Brocade, Brocade shall be entitled, for a period of 270 days following expiration of the ten (10) business day period after delivery of the Transfer Offer to EOP (as provided in paragraph 2.3.2

above), to market the Offered Interest. In the event Brocade, (i) within such 270 day period, enters into a contract to Transfer the Offered Interest to a third party in the manner of Transfer described in the Transfer Offer, for an amount (the "Sale Price") in excess of ninety-five percent (95%) of the Offer Price; on other economic terms and conditions that are not materially more favorable to the purchaser than were the terms of the Transfer Offer (provided, however, that customary adjustments at closing shall not constitute economic terms more favorable to such purchaser within the meaning of this paragraph) and upon such other non-economic terms as are acceptable to Brocade (provided, if the Transfer Officer contained Lease Terms, the total economic benefits to the landlord under the applicable lease, taking into account, among other things, the rent and term of such lease, must be substantially identical to those contained in the Transfer Offer), and (ii) shall close on such Transfer within 365 days following Brocade's delivery of the Transfer Offer to EOP, then Brocade shall be entitled to Transfer the Offered Interest in accordance with such contract. In the event the Sale Price does not consist entirely of cash payable in full at closing, non-cash consideration will be appropriately valued and appropriate discounts will be taken for the time-value of money, marketability of securities and other conditions, provided that Brocade may structure the transaction to take advantage of tax planning by providing for receipt of all or a portion of the purchase price in a tax year following the year of closing, and all cash to be received by Brocade within one year after close of escrow shall be deemed to be cash received at the close of escrow so long as the same bears a rate of interest that is not less than the prime rate established by Bank of America from time to time.

2.3.4 Concurrently with the execution hereof, EOP shall execute and deliver a release in the form of Exhibit A (the "Release") which shall be held and delivered in accordance with the escrow agreement attached as Exhibit B. EOP shall not be required to direct the escrowee to deliver the Release to Brocade unless EOP is provided with reasonably satisfactory evidence that the term of this Agreement has expired as described in Section 2.2, provided that a fully executed closing statement from the escrow company handling the closing of a third party Transfer reflecting the consideration paid or to be paid for such sale shall be deemed satisfactory evidence of a Transfer described in Section 2.2 (c) for purposes of this sentence.

2.3.5 In the event a Transfer is not consummated within the time periods and on the other conditions as provided for in Section 2.3.3, then Brocade shall deliver a subsequent Transfer Offer to EOP prior to any subsequent Transfer, in accordance with the terms and conditions of this Article II.

Section 2.4 Closing.

2.4.1 Time and Place. The closing of any Transfer by Brocade to EOP (the "Closing") shall be held in San Jose, California on the date set forth in Section 2.3.

2.4.2 Terms of Sale. The Transfer shall occur under terms substantially similar to those contained in the Purchase Agreement as modified by the Transfer Offer except (i) in the event of any inconsistency between such terms and any provisions hereof, the provisions hereof shall control (e.g. consideration), (ii) such terms shall be modified to the extent necessary due to changes in law enacted after the date hereof, provided the same does not materially or adversely affect either party, and (iii) such terms shall be modified to the extent necessary due to changes

in fact occurring after the date hereof, provided the same does not materially or adversely affect either party.

2.4.3 Debt. In connection with the Closing, in the event at the time of the Closing there exist any liens against the Parcel, Brocade shall at its sole cost and expense cause the liens to be released, except as otherwise set forth in a Transfer Offer.

2.4.4 Subordination. Without the necessity of any additional document being executed by EOP for the purpose of effecting a subordination, EOP's rights under this Agreement shall be subject and subordinate at all times to the lien of the most senior deed of trust or mortgage which may now exist or hereafter be executed in any amount. Notwithstanding the foregoing, Brocade shall have the right to subordinate or cause to be subordinated any such mortgage or deed of trust to EOP's rights pursuant to this Agreement. If any such mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, EOP's rights under this Agreement shall not be binding upon the successor-owner of the Parcel.

ARTICLE III General Provisions

Section 3.1 Entire Agreement. All understandings and agreements heretofore had between EOP and Brocade with respect to the right of first offer desired herein are merged in this Agreement.

Section 3.2 Assignment. EOP may not assign or otherwise transfer its rights under this Agreement except pursuant to an assignment of all of its rights hereunder to a successor in interest to EOP's ownership interests in the property described on Exhibit D, or in one of the entire office buildings located on such property (a "Permitted Assignee"), it being agreed that the rights hereunder shall benefit any such Permitted Assignee as if such Permitted Assignee were "EOP" hereunder, provided such assignment is in writing and recorded in the public records and provided further that only one party may have the rights of EOP hereunder at any given time.

Section 3.3 Modifications. This Agreement shall not be modified or amended except in a written document signed by EOP and Brocade.

Section 3.4 Governing Law. This Agreement shall be governed and interpreted in accordance with the laws of the state in which the Parcel is located.

Section 3.5 Notices. All notices, requests, demands or other communications required or permitted under this Agreement shall be in writing and delivered personally, by facsimile transmission with confirmed receipt, or by overnight courier (such as Federal Express), addressed as follows below. All notices given in accordance with the terms hereof shall be deemed given when received or upon refusal of delivery. Either party hereto may change the address for receiving notices, requests, demands or other communication by notice sent in accordance with the terms of this Section 3.5.

If to EOP:

c/o Equity Office Properties Trust
Two North Riverside Plaza, Suite 2100
Chicago, Illinois 60606
Attention: Ross Satterwhite
Telephone: 312/466-3522
Facsimile: 312/559-5095

With a copy to:

c/o Equity Office Properties Trust
Two North Riverside Plaza, Suite 2100
Chicago, Illinois 60606
Attention: Jeff Arnold
Telephone: 312/466-3225
Facsimile: 312/559-5209
and

Neal, Gerber & Eisenberg, LLP
2 North LaSalle Street, Suite 2100
Chicago, Illinois 60602
Attention: Douglas J. Lubelchek, Esq.
Telephone: 312/269-5255
Facsimile: 312/269-1747

If to Brocade:

Real Estate & Facilities
Brocade Communications, Inc.
1745 Technology Service
San Jose, California 95110
Attention: Lease Administrator
Telephone: 408/333-8000
Facsimile: 408/333-8101

With a copy to:

Ellman, Burke, Hoffman & Johnson
One Ecker Building, Suite 200
San Francisco, California 94105
Attention: Jodi B. Fedor
Telephone: 415/777-2727
Facsimile: 415/496-7587

Section 3.6 Trial by Jury. In any lawsuit or other proceeding initiated under or with respect to this Agreement, each party waives any right it may have to trial by jury.

Section 3.7 Counterparts. This Agreement may be executed in any number of identical counterparts, any or all of which may contain the signatures of less than all of the parties, and all of which shall be construed together as but a single instrument.

Section 3.8 Construction. This Agreement shall not be construed more strictly against EOP merely by virtue of the fact that the same has been prepared by EOP or its counsel, it being recognized both of the parties hereto have contributed substantially and materially to the preparation of this Agreement.

Section 3.9 Attorneys' Fees. In the event of litigation between the parties with respect to this Agreement or the transaction contemplated hereby, the prevailing party therein shall be entitled to recover from the losing party all of its costs of enforcement and litigation, including, but not limited to, its reasonable attorneys' and paralegal fees, witness fees, court reporters' fees and other costs of suit.

Section 3.10 Estoppel Certificate. Brocade may require that EOP confirm by estoppel certificate or like document that EOP's rights under this Agreement have terminated or expired or do not apply to a specific transaction which Brocade is considering or specify the reasons why EOP believes that EOP's rights hereunder apply to said transaction. EOP may require that Brocade confirm by estoppel certificate or like document that EOP's rights under this Agreement have not terminated, and/or, will continue in connection with a transaction involving a Permitted Assignee.

Section 3.11 Brokers. Neither party has had any contact or dealings regarding the subject matter of this Agreement through any licensed real estate broker or other person who can claim a right to a commission or finder's fee as a procuring cause of any sale resulting from this Agreement. If any broker or finder perfects a claim for a commission or finder's fee based upon any such contract, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for said commission or fee and all costs and expenses (including reasonable attorneys' fees) incurred by the other party in defending against the same.

Section 3.12 Confidentiality. EOP acknowledges that if EOP were to disclose the Transfer Offer(s), such disclosure could interfere with Brocade's ability to sell the Parcel. Accordingly, EOP agrees to use its best efforts to keep the terms and conditions of any Transfer Offer made to EOP pursuant to this Agreement and related discussions absolutely confidential and such obligation of EOP shall extend to its partners, officers, directors, shareholders, employees, agents, consultants and representatives. Notwithstanding anything herein to the contrary, the confidentiality obligations under this Section shall not apply to disclosures required due to disclosure requirements applicable to Equity Office Properties Trust (the "Trust") and its affiliates, which are indirect owners of EOP, due to the Trust's status as a publicly-held company listed on the New York Stock Exchange or any other securities exchange (an "Exchange") (including, but not limited to, disclosure required by the rules of, or any listing agreement with, an Exchange) and to Brocade due to Brocade's member's status as a publicly-held company listed on the Nasdaq National Market or another Exchange (including, but not limited to, disclosure required by the rules of, or any listing agreement with, Nasdaq or another Exchange).

Section 3.13 Time of the Essence. Time is of the essence of this Agreement and of all terms and conditions hereof.

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the day and year first above written.

EOP:

EOP-SKYPORT I, L.L.C., a Delaware limited liability company

By: EOP OPERATING LIMITED PARTNERSHIP, a Delaware limited partnership, its sole member

By: EQUITY OFFICE PROPERTIES TRUST, a Maryland real estate investment trust, its general partner

By: /s/ Jeffrey S. Arnold

Name: Jeffrey S. Arnold
Title: Vice President - Legal

BROCADE:

BROCADE COMMUNICATIONS SYSTEMS SKYPORT LLC, a Delaware limited liability company

By: Brocade Communications Systems, Inc., a Delaware corporation
Its Sole Member

By: /s/ Antonio Canova

Name: Antonio Canova
Title: CFO

EXHIBIT A

RELEASE

Preparer Information: Douglas J. Lubelchek, Neal, Geber & Eisenberg, LLP, Two North LaSalle Street, Suite 2100, Chicago, Illinois 60602 Phone: (312) 269-5255

SPACE ABOVE THIS LINE FOR RECORDER

RELEASE

The undersigned, does hereby acknowledge that a certain Right of First Offer dated _____, 2003 and recorded in the records of the office of the Recorder of the County of Santa Clara, State of California, Book _____, page _____ on the _____ day of November, 2003 is released in full.

Dated this _____ day of _____, 20____.

EOP-SKYPORT I, L.L.C., a Delaware limited liability company

By: EOP OPERATING LIMITED PARTNERSHIP, a Delaware limited partnership, its sole member

By: EQUITY OFFICE PROPERTIES TRUST, a Maryland real estate investment trust, its general partner

By: _____

Name: _____

Title: _____

STATE OF _____, _____ COUNTY, Section:

The foregoing instrument was acknowledged before me this _____ day of _____, 2003 by _____ as _____ of Equity Office Properties Trust, a Maryland real estate investment trust, general partner of EOP Operating Limited Partnership, a Delaware limited partnership, sole member of EOP-Skyport I, L.L.C, a Delaware limited liability company.

Witness my hand and official seal.

My commission expires: _____

Notary Public

EXHIBIT B

ESCROW

ESCROW AGREEMENT

[1600 Technology Drive, San Jose, California]

ESCROW INSTRUCTIONS

[1600 TECHNOLOGY DRIVE, SAN JOSE, CALIFORNIA]

CHICAGO TITLE AND TRUST COMPANY

Refer To:
Phone No.:
Fax No.:

ESCROW INSTRUCTIONS

ESCROW TRUST NO.: _____ DATE: _____

To: Chicago Title and Trust Company, Escrow Trustee

1. A fully executed Release of Right of First Offer is hereby deposited by EOP-Skyport I, L.L.C.

Delivery of Deposits:

The above-referenced escrow trust deposit ("DEPOSIT") is deposited with the escrow trustee to be delivered by it only upon the receipt of a joint order of the undersigned or their respective legal representatives of assigns.

In no case shall the above-mentioned deposits be surrendered except as described above or in obedience to the court order described below.

Escrow trust fee will be zero.

Compliance With Court Order:

The undersigned authorize and direct the escrow trustee to disregard any and all notices, warnings or demands given or made by the undersigned (other than jointly) or by any other person. The said undersigned also hereby authorize and direct the escrow trustee to accept, comply with, and obey any and all writs, orders, judgments or decrees entered or issued by any court with or without jurisdiction; and in case the said escrow trustee obeys or complies with any such writ, order, judgment or decree of any court, it shall not be liable to any of the parties hereto or any other person, by reason of such compliance, notwithstanding any such writ, order, judgment or decree be entered without jurisdiction or be subsequently reversed, modified, annulled, set aside or vacated. In case the escrow trustee is made a party defendant to any suit or proceedings regarding this escrow trust, the undersigned, for themselves, their heirs, personal representatives, successors, and assigns, jointly and severally, agree to pay to said escrow trustee, upon written demand, all costs, attorney's fees, and expenses incurred with respect thereto. The escrow trustee shall have a lien on the deposit(s) herein for any and all such costs, fees and expenses. If said costs, fees and expenses are not paid, then the escrow trustee shall have the right to reimburse itself out of the said deposit(s).

Execution:

These escrow trust instructions are governed by and are to be construed under the laws of the State of California. The escrow trust instructions, amendments or supplemental instructions hereto, may be executed in counterparts, each of which shall be deemed an original and all such counterparts together shall constitute one and the same instrument.

SELLER: EOP-Skyport I, L.L.C., a Delaware limited liability company

By: EOP Operating Limited Partnership, a Delaware limited partnership, its sole member

By: Equity Office Properties Trust, a Maryland real estate investment trust, its general partner

By: _____

Name: _____

Title: _____

PURCHASER: BROCADE:

BROCADE COMMUNICATIONS SYSTEMS SKYPORT LLC, a Delaware limited liability company

By: Brocade Communications Systems, Inc., a Delaware corporation Its Sole Member

By: _____

Name: _____

Title: _____

Accepted: Chicago Title and Trust Company, as Escrow Trustee

EXHIBIT C

LEGAL DESCRIPTION OF PROPERTY

BROCADE PARCEL

All that certain real property situate in the City of San Jose, County of Santa Clara, State of California, described as follows:

Parcel B, as shown on the Parcel Map filed for record in the office of the Recorder of the County of Santa Clara, State of California on Nov 18, 03, in Book 766 of Maps, page(s) 14-18.

EXHIBIT D

LEGAL DESCRIPTION OF REMAINDER PROPERTY

EOP PARCEL

All that certain real property situate in the City of San Jose, County of Santa Clara, State of California, described as follows:

Parcel A, as shown on the Parcel Map filed for record in the office of the Recorder of the County of Santa Clara, State of California on Nov 18, 2003, in Book 766 of Maps, page(s) 14-18.

CERTIFICATION

I, Gregory L. Reyes, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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. 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
 - c. 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: March 8, 2004

By: /s/ Gregory L. Reyes

 Gregory L. Reyes
 Chairman of the Board and
 Chief Executive Officer
 (Principal Executive Officer)

CERTIFICATION

I, Antonio Canova, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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. 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
 - c. 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: March 8, 2004

By: /s/ Antonio Canova

 Antonio Canova
 Vice President, Finance and
 Chief Financial Officer
 (Principal Financial and Accounting Officer)

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, Gregory L. Reyes, 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 of Brocade Communications Systems, Inc. on Form 10-Q for the fiscal quarter ended January 24, 2004 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.

By: /s/ Gregory L. Reyes

Gregory L. Reyes
Chairman of the Board and
Chief Executive Officer

I, Antonio Canova, 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 of Brocade Communications Systems, Inc. on Form 10-Q for the fiscal quarter ended January 24, 2004 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.

By: /s/ Antonio Canova

Antonio Canova
Vice President, Finance and
Chief Financial Officer